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Date: 8/13/2012 11:18:16 AM
Subject: RE: McDonnell: VA University Tuition Increases Lowest in Decade

Another interesting piece from the Chronicle of Higher Education – Trey

The Fiscal Cliff for Higher Education

August 12, 2012, 12:23 pm

By Jeff Selingo

http://chronicle.com/blogs/next/2012/08/12/the-fiscal-cliff-for-higher-education/

The talk in Washington these days, when not about the presidential election, is about the coming fiscal cliff, the result of tax increases and spending cuts set at the start of next year. On campuses, talk of a different kind of fiscal cliff is the subject of much speculation. The question on the minds of many college leaders is whether this is the year that they have been fearing since the economic collapse of 2008.

After years of hyping their record numbers of applications, fewer colleges seemed to tout those numbers this past spring. This summer, at meetings of admissions officers that I attended in New York and Minnesota, I heard plenty of concern over rising tuition discount rates, flat or falling net tuition revenue, and declining yield numbers. Keeping that trifecta in balance is a juggling act for most tuition-dependent colleges, and for years, it was only a concern of private colleges. But as state support of public colleges has dropped, their finances have become more dependent on carefully managing enrollment as well.
Among the college officials I talked with this summer, some felt fortunate to “make their class” this fall, but only with freshman discount rates that approached 50 and 60 percent (that rate is the proportion of tuition revenue used for student aid). The average discount nationwide last year was 43 percent. There is no number that automatically triggers an alarm because in some ways the figure that matters more is net tuition revenue, but on many campuses that number is also not moving in a positive direction. In other words, colleges are spending more to enroll students and getting less cash from them.

Other colleges resisted raising their discount rate for this fall, “yield” went down (the percentage of accepted students who enrolled), and they missed their target for this fall’s freshman class. Now those places will pay the price in another way: fewer students, less tuition revenue, and a possibly a budget deficit. Admissions officials from those institutions told me they were already considering whether to boost their discount rate the next year in order to maintain enrollments.

This anecdotal evidence seems to be supported by reports in the past several weeks on the financial state of higher education. An analysis by Bain & Company and the private-equity firm Sterling Partners found that one-third of all colleges and universities in the United States face financial statements that are significantly weaker than before the recession and find themselves on an unsustainable fiscal path. Another quarter of colleges are at serious risk of

joining them.
Meanwhile, two major credit-rating agencies, Standard & Poor's and Moody's Investors Service, released warnings that put a negative outlook on all but the name-brand market leaders in higher education. "We're seeing prolonged, serious stress," Karen Kedem, a vice president and senior analyst at Moody's, told me. What is significant about the move by Moody's is that it typically rates only colleges with strong balance sheets to begin with.

Moody's notes that the number of students accepting admissions offers from colleges that the agency rates has been dropping at a fast clip since 2008. That comes even as those institutions are spending more to enroll those students. The trend, Moody's said, is particularly serious at the lower-rated private colleges, "which are increasingly competing with lower-cost public colleges and feeling the most pressure to slow tuition increases and offer more tuition discounting."

The worldwide search for students willing to pay higher tuition prices is showing signs that the well is running dry. In the United States, the economic crisis has left the median American family with no more wealth than it had in the early 1990s. With household budgets tight, families are beginning to take another look at the public colleges in their backyard, or trading down even further to less-expensive community colleges, or unfortunately, no college.

We can imagine how the current pricing model in higher education can easily turn into a death spiral for some institutions. Year after year, colleges increase published tuition prices in an effort to keep pace with their rising discount rates. They succeed in sustaining enrollment levels but spend heavily to snag those students so their revenues barely grow or actually drop. Their options for survival are limited. They don't have large endowments that they can dip into. They can't lower their academic standards to enlarge their pool of potential students without exposing themselves to new risks. If they are located in the Northeast or Midwest, demographics are not in their favor. And public institutions can no longer count on their states to help them out. Indeed, if the current trends continue, every state will be out of the business of supporting public higher education by 2044.

To those who still believe the current financial model of higher education is sustainable for the long run, these reports and numbers should provide a dose of reality. The question now is, What do we do about it? Most of the debate about the future of higher education continues to happen at the extremes: those who want to preserve what we have at all costs, and those who want to throw the current model out and start all over. Ideas near the middle have been lost.

The reality is while everyone is looking for a silver-bullet solution to the future (online education, international, three-year degrees), the pathway will be different depending on the institution. Paul LeBlanc, president of Southern New Hampshire University, likes to talk about how the solutions to the future depend largely "on the problems we think need solving and what jobs need doing."

LeBlanc was one of the presenters earlier this month at a conference at the American Enterprise Institute on "Stretching the Higher Education Dollar." The group (of which I was a part) was a bipartisan gathering of some of the leading journalists, policy makers, and researchers seriously thinking about innovative approaches to containing costs in higher education.

You can view all the papers from the conference here. Below are just a few of the proposals for getting more from the higher-education system for what we're spending (a link to the specific conference paper is included with each idea below). Weigh in with your thoughts, or propose your own solutions:
One institution with multiple jobs. Southern New Hampshire could easily have been one of the many struggling

small private colleges in the Northeast, but under LeBlanc it has transformed itself into a test-bed for ideas on the future of higher education, and in the process, has bolstered its bottom line. A highly successful online operation for working adults subsidizes a traditional residential undergraduate college for 18-year-olds. Now, the university is planning a competency-based learning model aimed at work-force development for those who need an associate degree, all for a target price of just $4,000. All of these solutions, in LeBlanc's mind, fulfill different jobs that need to be done by higher education.

College credit earned outside the classroom. Any credits not earned through classroom instruction at traditional colleges tend to get ridiculed by many academics. But some high-profile experiments in recent years to test competency-based education (Western Governors University) or prior-learning assessment (a partnership between Wal-Mart and American Public University System) could move these once fringe ideas more into the mainstream and provide an alternative path to and through college for mostly working adults, especially those one in five American adults who attended college but never earned a degree.

Improving student services. Some colleges have stepped up academic advising, tutoring, and financial-aid counseling with personalized "success" coaches in recent years in an effort to improve retention. In some cases, these services have led to fewer students needing remediation and helped students complete their degrees on time, all of which reduces the price of higher education for families.

The unbundling of the college experience. There has been a lot of talk about how fragmented, simplified services on the Internet could replace the less tangible aspects that define the college experience. The best example of this are the commodity introductory courses taught at nearly every college. They could be supplemented or at least the lectures largely replaced by online courses offered by some of the best institutions and instructors online. There are plenty of other examples of companies in Silicon Valley looking to take a piece of what traditional colleges are doing now. You can get a sense of who they are and what they are doing by reading this paper.

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From: WALKER III, TREY
Sent: Monday, August 13, 2012 11:04 AM
To: TedPitts@gov.sc.gov; ChristianSoura@gov.sc.gov
Subject: McDonnell: VA University Tuition Increases Lowest in Decade

FYI.

http://www2.timesdispatch.com/news/2012/aug/09/tdmain01-va-college-costs-rise-less-ar-2118409/

Va. college costs rise less

By Karin Kapsidelis
Richmond Times-Dispatch
August 09, 2012

Virginia undergraduates heading to class this month will benefit from the lowest increase in tuition and mandatory fees in a decade, paying on average an additional $384 at four-year institutions and $165 at community colleges.

The average increase at all public colleges and universities is 4.1 percent this academic year for in-state students, compared with a 7.9 percent increase the previous year, the State Council of Higher Education for Virginia said Wednesday.

Gov. Bob McDonnell released SCHEV's annual report at the student commons of Virginia Commonwealth University, a school he publicly reprimanded two years ago when the VCU board approved a 24 percent increase in tuition and fees.

In an event attended by students, education officials and lawmakers, McDonnell tied the lower increases to reforms and reinvestment resulting from the 2011 Higher Education Opportunity Act, also known as "Top Jobs" legislation for the effort to link diplomas to employment.

"I just wanted to be here to say this reform is working," said McDonnell, who had pressured universities in the spring to keep increases below 3 percent.

According to SCHEV's report, an in-state student living off campus will pay on average $9,919 at four-year public institutions for the 2012-13 academic year. With room and board, a student will pay $18,617 for a total increase of $733.

The percentage increase for out-of-state students was about the same, but they will pay considerably more. Their average charge with room and board is $33,843.

SCHEV's report credited the additional $150 million the General Assembly approved for instructional programs for the budget that covers July 1, 2012, through June 30, 2014. The additional funds came at a crucial time because the infusion coincided with the end of federal stimulus funds that universities had used to mitigate tuition increases, SCHEV said.

The average annual tuition increase at four-year institutions over the past 10 years is 9.1 percent in constant dollars and 7.1 percent at two-year colleges, primarily the result of double-digit tuition increases that came in years of steep cuts in state funds for higher education.

But despite progress in holding down costs this year, the SCHEV report details the bite college expenses still take out of the average family's budget: The average total charge for an in-state undergraduate student at a four-year institution, including room and board and other expenses, is estimated to be 45 percent of per capita disposable income.

While room and board charges increased by 4.2 percent for this year, those charges will account for almost 50 percent of the total price of a college education for students living on campus. The average charge for room and board is $8,698 at four-year institutions.

Charges for in-state community college students average $3,735 for the upcoming academic year.

At the two-year Richard Bland College, students will pay $4,409, an increase of $226, if they live off campus. With room and board, the total charge at the junior college in Petersburg is $14,079.

The most expensive school is the College of William and Mary at $22,888, including room and board, followed by Virginia Military Institute at $21,568, the University of Virginia at $21,425, and Christopher Newport University at $20,300.

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