The Chronicle of Higher Education

January 15, 2009

Report on college spending trends highlights inequities in financing model

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An analysis of spending trends that is designed to discourage policy makers' "myopic focus" on finding new revenue rather than reining in spending suggests that the model for financing college has reinforced educational inequities and failed to increase the rate at which students graduate.

What's more, according to the analysis, "serious fault lines" in the current system threaten to undermine America's capacity to educate its citizens.

Those conclusions are among the highlights of a new report released today by the independent policy group, Delta Project on Postsecondary Education Costs, Productivity, and Accountability.

Among other findings, the report says that from 2002 to 2006:

- The push toward privatizing finance—raising revenues from private gifts, endowment investments, or other sources—has not slowed the growth of tuition increases, except at private research institutions.
- Tuition covered a greater share of the cost of attending college, but the proportion of money being spent on classroom instruction declined. (The additional tuition revenue went to such areas as administration, research, and academic support, which includes things like information technology.)
- The fastest enrollment growth took place at community colleges, yet those are the institutions that spend the least per student.

The analysis highlights patterns of spending, but the real issue is "What are these patterns buying us?" said Jane V. Wellman, executive director of the Delta Project, in an interview. In many cases, "people are paying more and arguably getting less."

The report is based on data that colleges submit to the U.S. Department of Education, in which they classify their spending by how the money is used. The Delta Project analysis provides information on six categories of institutions: public and private research universities, public and private master's-degree universities, private bachelor's-degree colleges, and public community colleges. It omits the fastest-growing sector, for-profit colleges, because its finance model is so different from those of the other sectors.

'Cost Shifting' Trend

Looking at institutions by category provides a clearer picture, says Ms. Wellman, because some trends that are more prevalent in one sector are less of a factor in others.

For example, the analysis found that all six categories of institutions examined raised their tuition by an average of at least 12 percent from 2002 to 2006. At at least two kinds of institutions, public master's and public research universities, the average increase was about 30 percent.

Only one category of institution, private research universities, came close to increasing its spending on education by a comparable percentage. The others used the additional tuition revenue for other purposes, a "cost shifting" trend that shows how tuition increases have been used to subsidize research and service activities. The trend was most pronounced at public research universities, where 92 percent of the tuition increases were attributable to cost shifting.

Spending tuition revenue in that way is not necessarily an improper use of the money, says Ms. Wellman, but the analysis helps policy makers understand the real factors that are driving universities' costs, which is particularly important at a time when institutions are facing demands to reduce their spending.

Ms. Wellman says some of the findings highlight serious issues for lawmakers and others who set policy.

For one, "we're packing a whole bunch of students into the institutions that spend the least per student," she says. "It's inequitable."

The report also takes a crack at assessing whether spending produces results, with a breakdown on which kinds of institutions produce the most graduates relative to the amount they spend on education. It found that the cost per degree was lowest at public and private master's institutions.

The Delta Project hopes that lawmakers, trustees, and other college leaders will use the data to guide their decision making and better manage college costs. It plans to follow up the report with others that track changes in those measurements so states can use the findings as a baseline for state-by-state comparisons and institutions can see how they stack up against others in their category.

"This is a tool," Ms. Wellman notes. "It isn't a solution."

The report, "Trends in College Spending: Where Does the Money Come From? Where Does It Go?" is available on the Delta Project's Web site, along with other background material.