

Iona College
Deans' Colloquia Series
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**The Great Recession and Challenges for Higher Education:
Thinking Outside the Box**

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COLLEGE of EDUCATION

CENTER FOR THE STUDY OF HIGHER EDUCATION

Overview

- A couple of definitions
- Impact of the Great Recession on higher education
- Recent trends in higher education finance
- Equity and college participation
- Why college is so expensive
- Strategies for dealing with the financial situation
- Questions, comments, and discussion

col·lo·qui·um

Pronunciation: \kə-lō-kwē-əm\
Function: *noun*

a usually academic meeting at which specialists deliver addresses on a topic or on related topics and then answer questions relating to them

cri·sis

Pronunciation: \krī-səs\
Function: *noun*

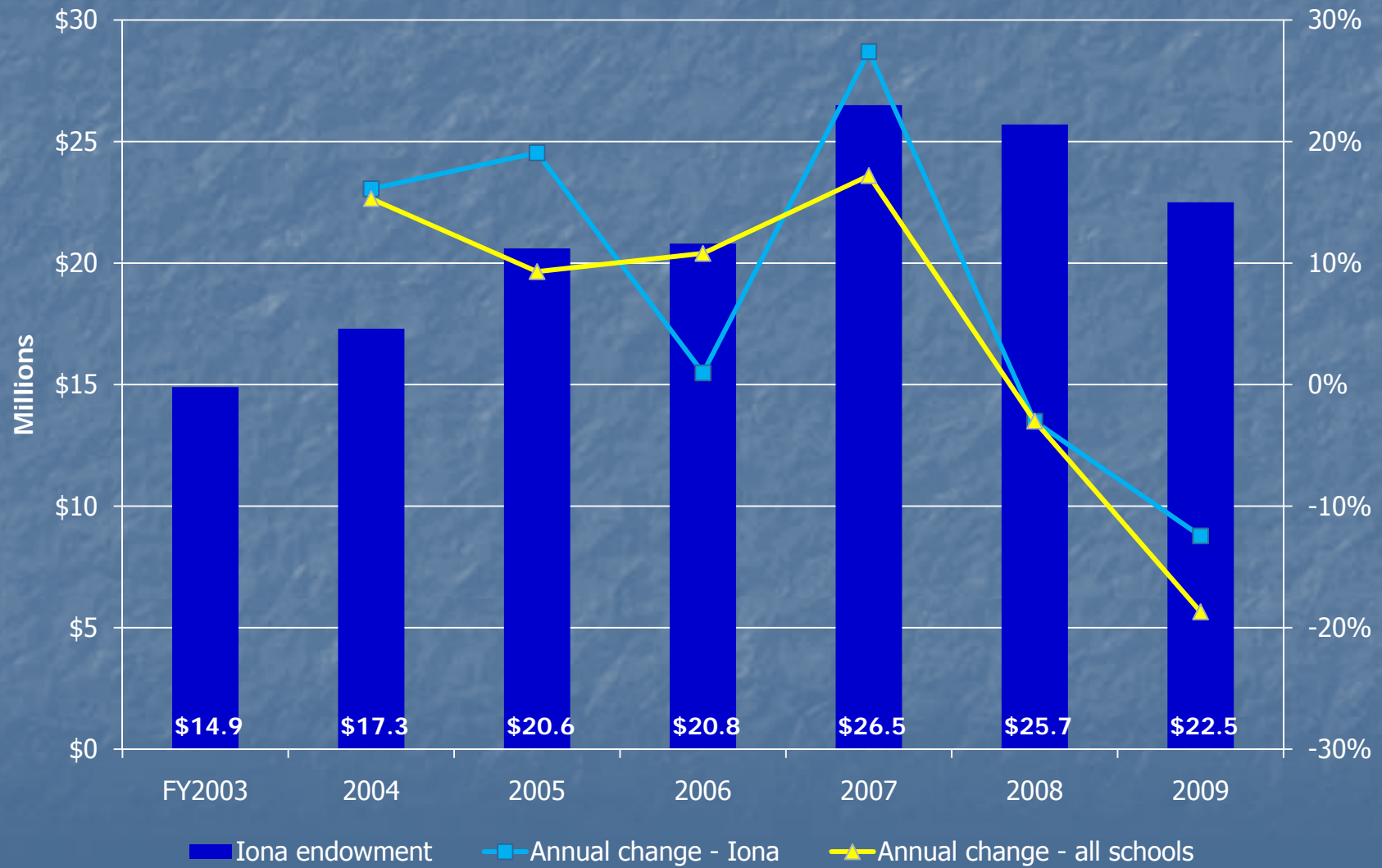
3 a : an unstable or crucial time or state of affairs **in which a decisive change is impending**; *especially* : one with the distinct possibility of a **highly undesirable outcome** <a financial crisis>

b : a situation that has reached a critical phase
<the environmental crisis>

Impact of the financial crisis - national

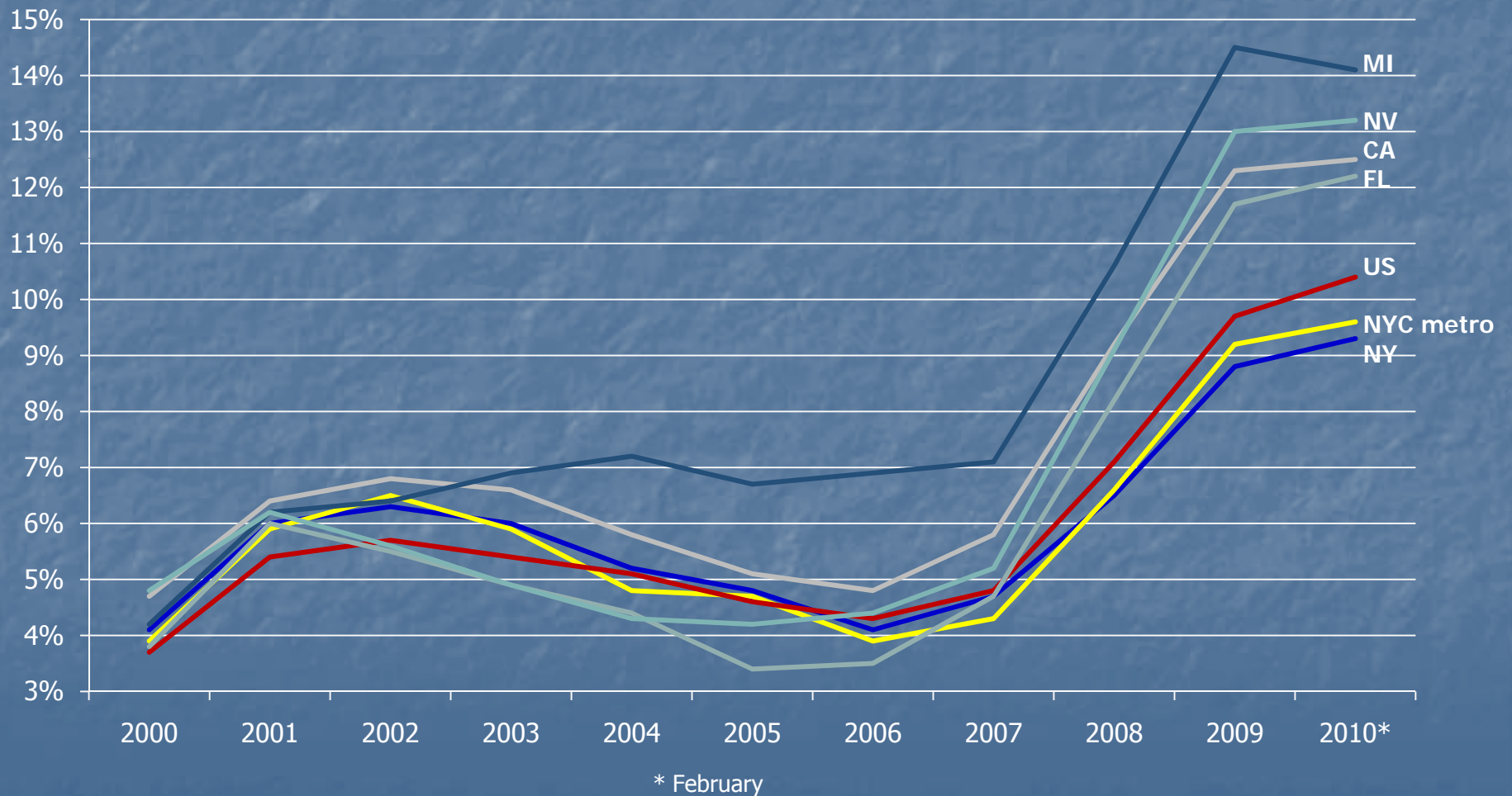
- Tuition prices are up, family incomes and assets are flat or down
- The \$619 increase in the maximum Pell award this year is less than the increase in cost of attendance in both public (\$849) and private (\$1,473) universities
- State funding for higher education has decreased
 - ↓3.5% not counting stimulus funds, ↓1.1% with stimulus funds
- Endowments are down – as much as 25 - 30% at the wealthiest schools
- Furloughs, layoffs, cutbacks at many higher education institutions
- Tuition discounting rates continue to rise
- Applications and enrollments – ?

Iona's endowment performance



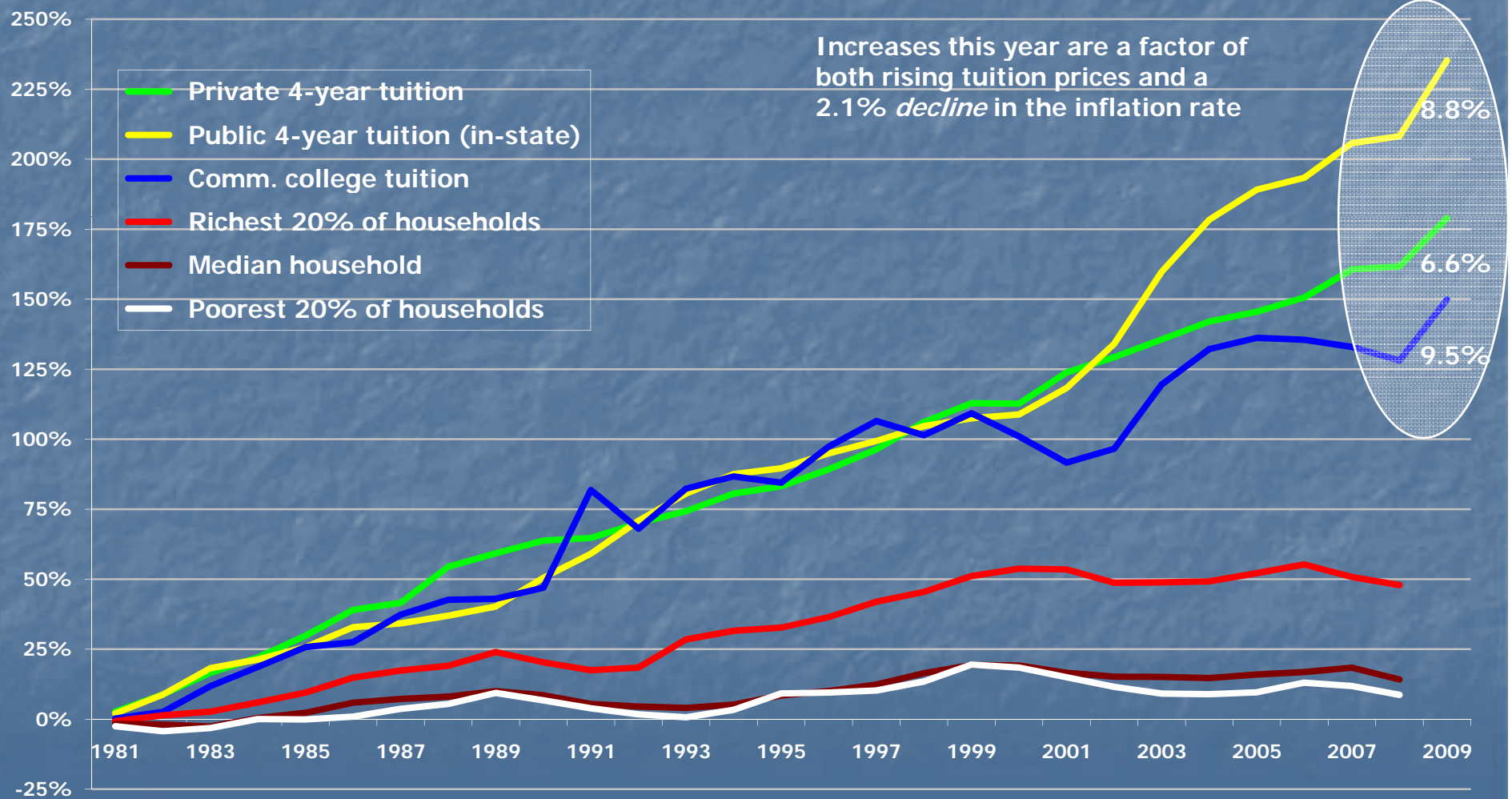
Employment trends

Unemployment rate, December



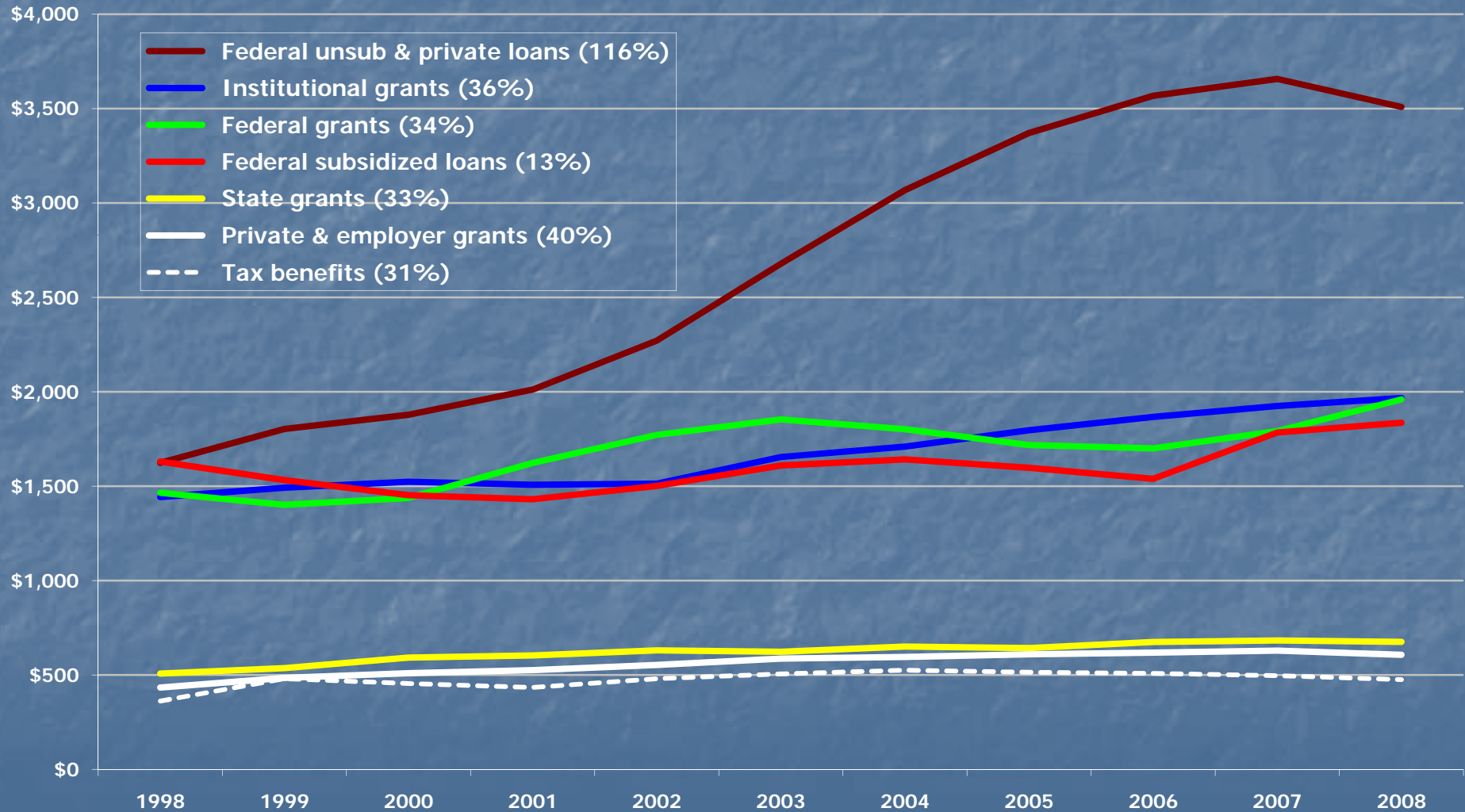
Changes in tuition prices and income

Increase since 1980, constant dollars



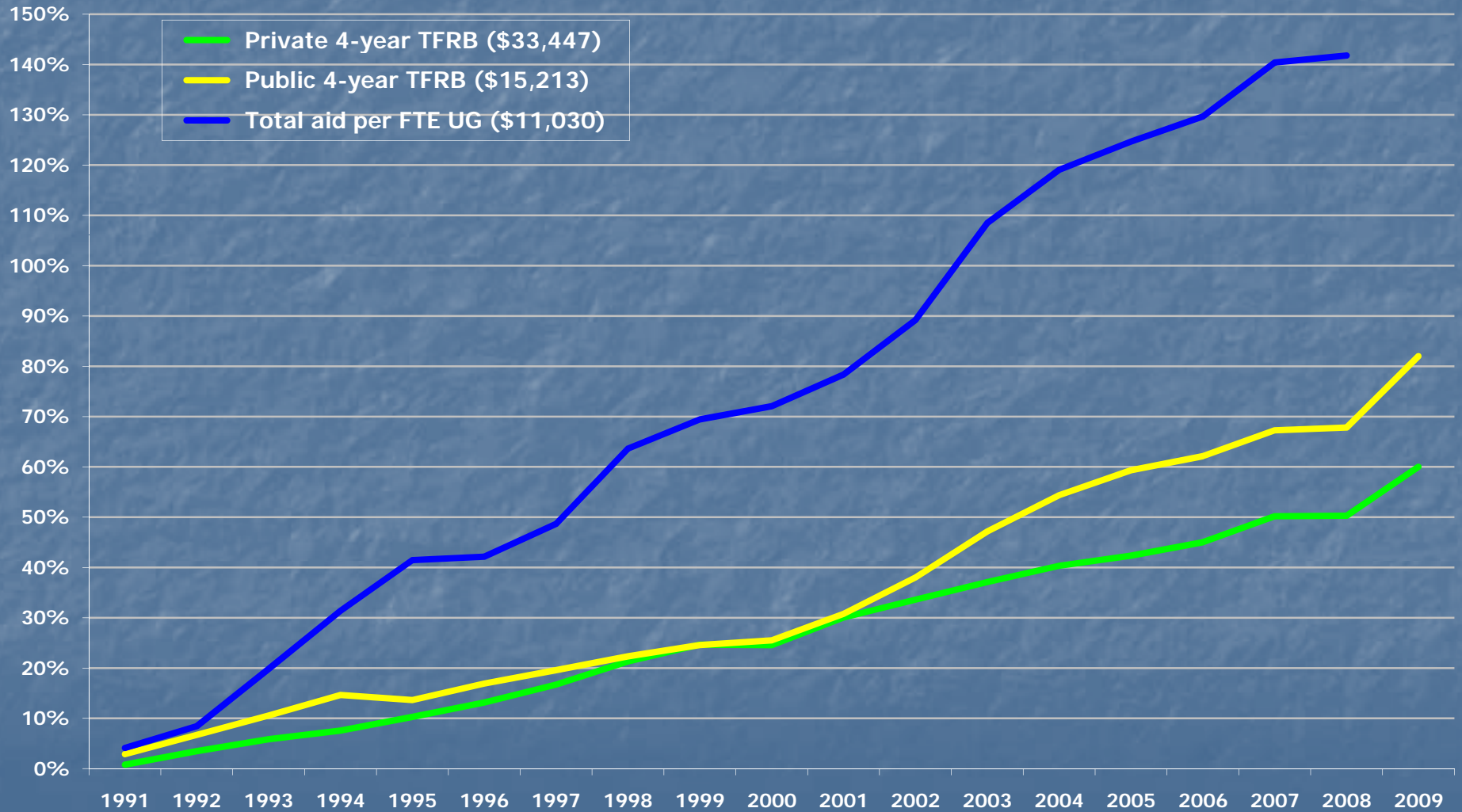
Financial aid trends

Financial aid by source per FTE undergraduate, constant dollars



Changes in tuition, room and board, and financial aid

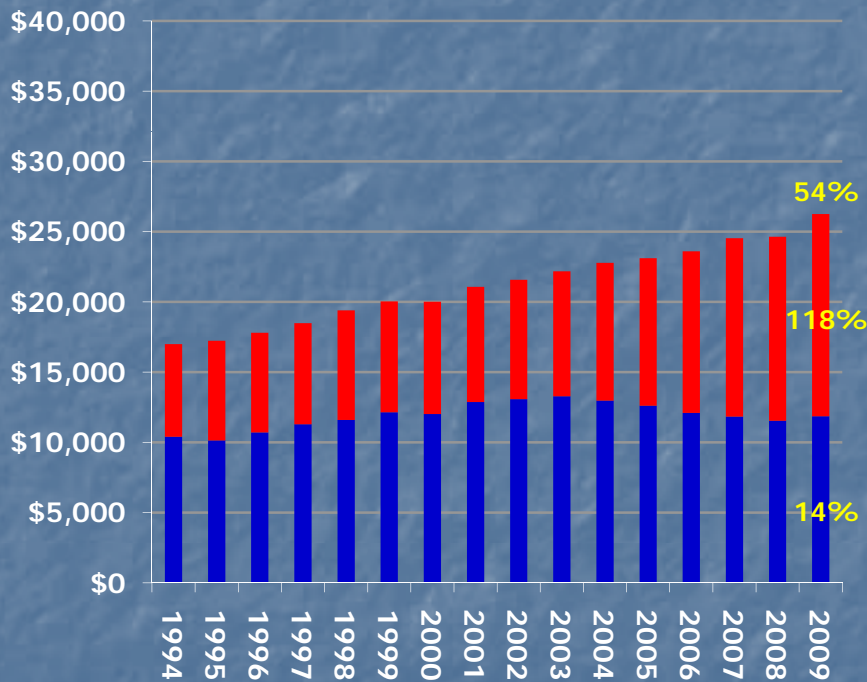
Increase since 1990, constant dollars



What do students *really* pay?

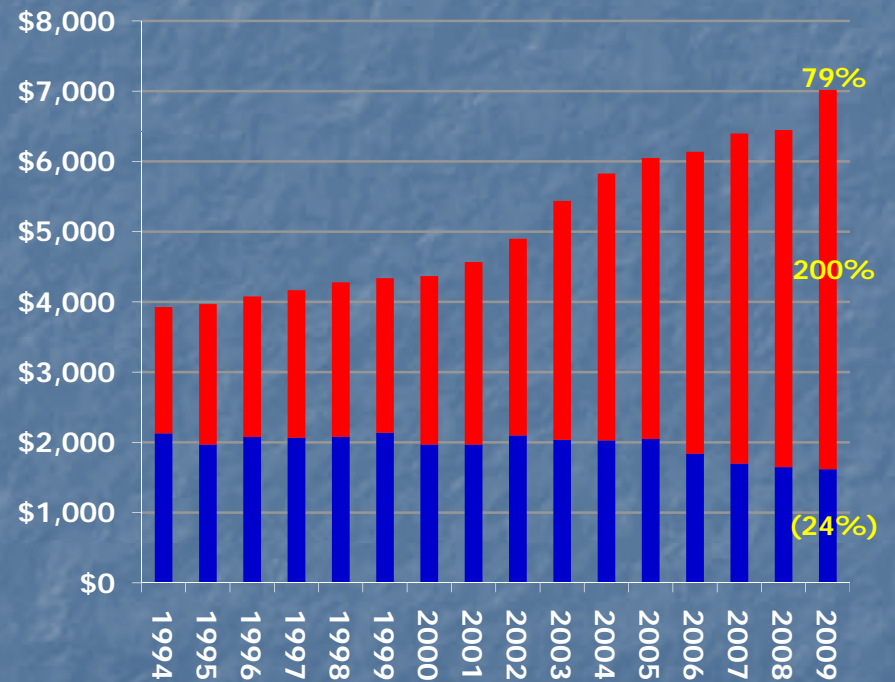
Published and net tuition, after grant aid and tax benefits (constant \$)

Private 4-year institutions



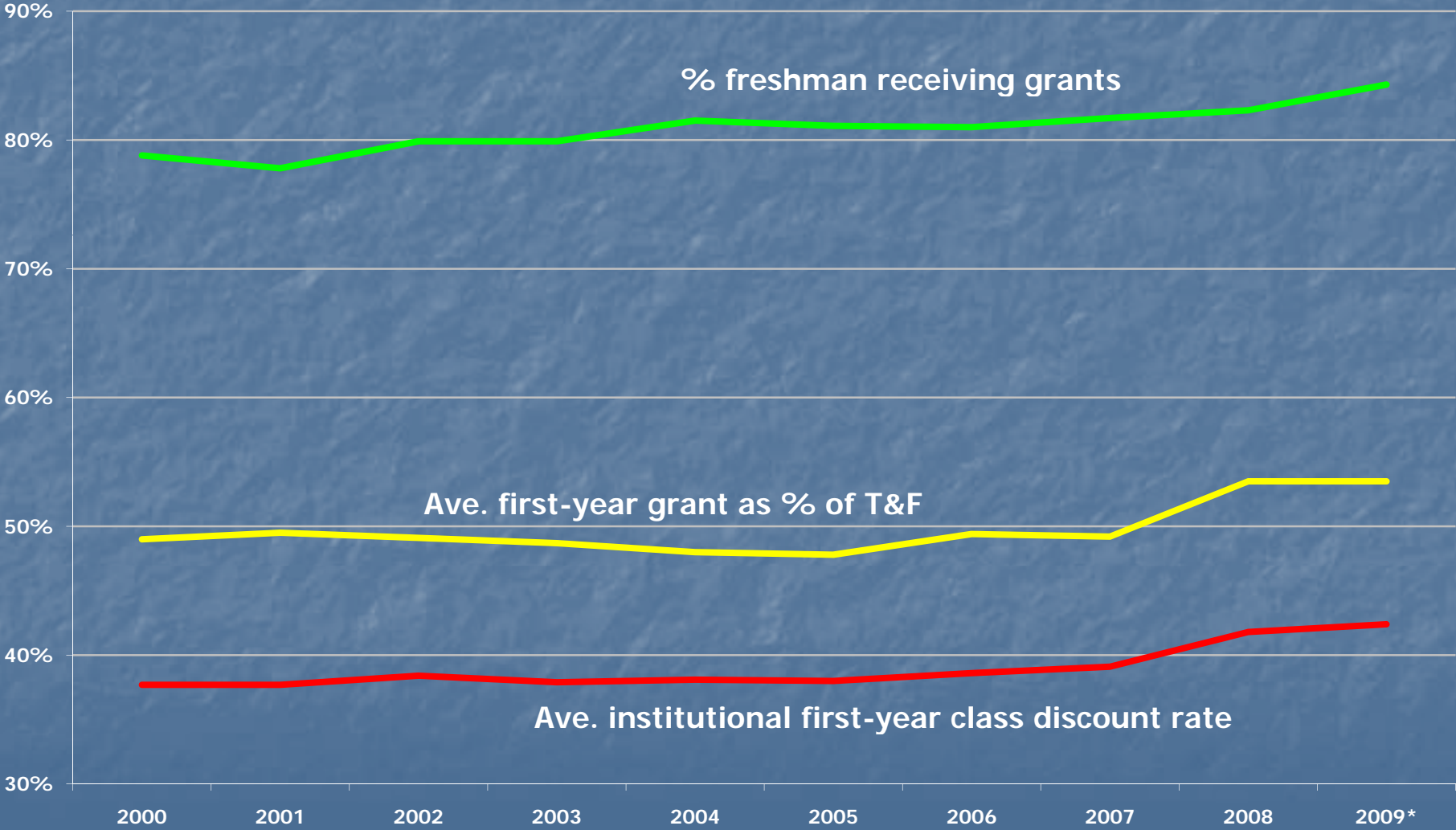
■ Net tuition ■ Grant aid & tax benefits

Public 4-year institutions



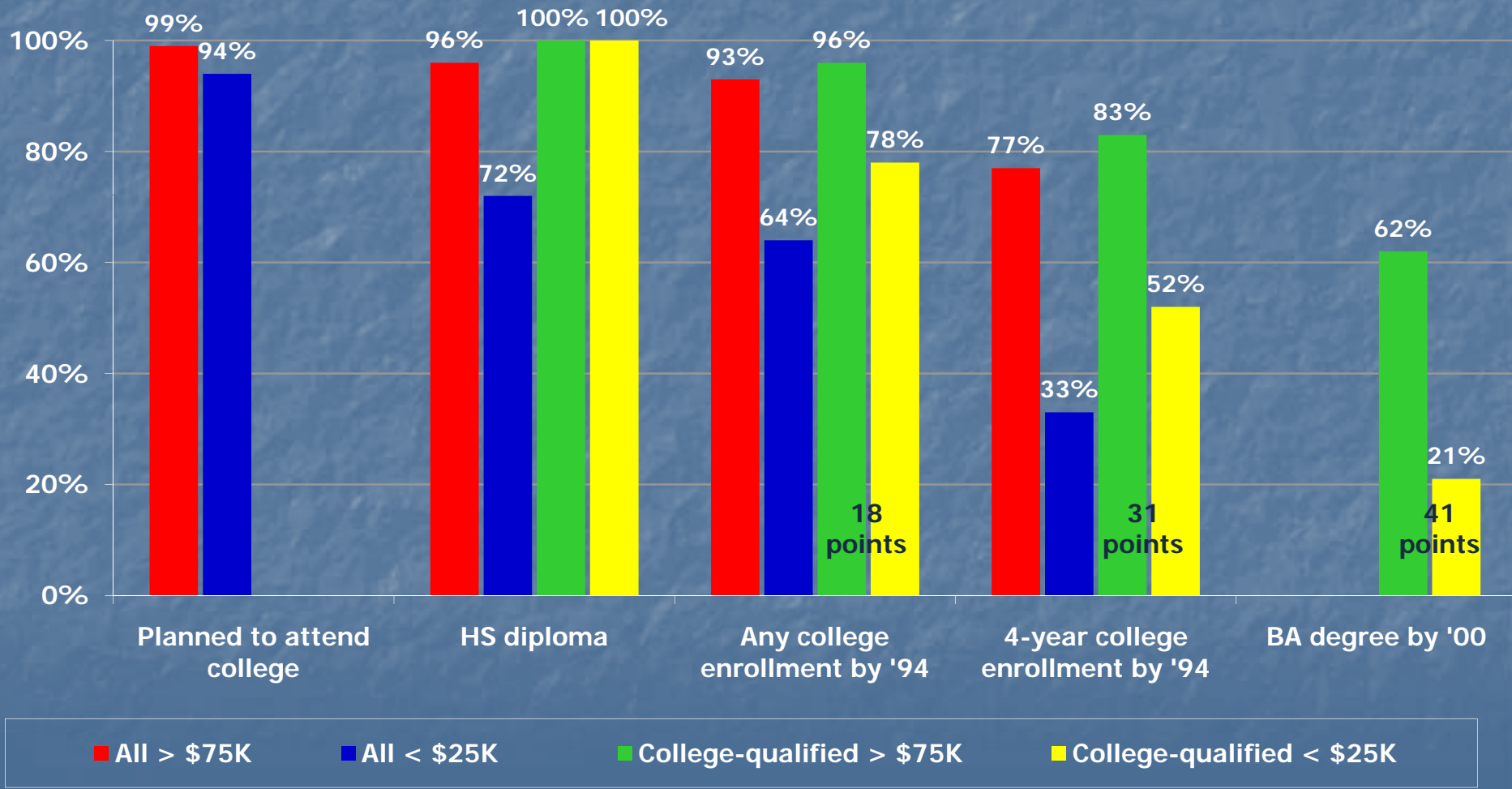
■ Net tuition ■ Grant aid & tax benefits

Tuition discounting in private institutions



The educational pipeline

1988 8th graders by family income and college qualifications



The interplay of financial and academic barriers

1992 high school graduates attending college by 1994

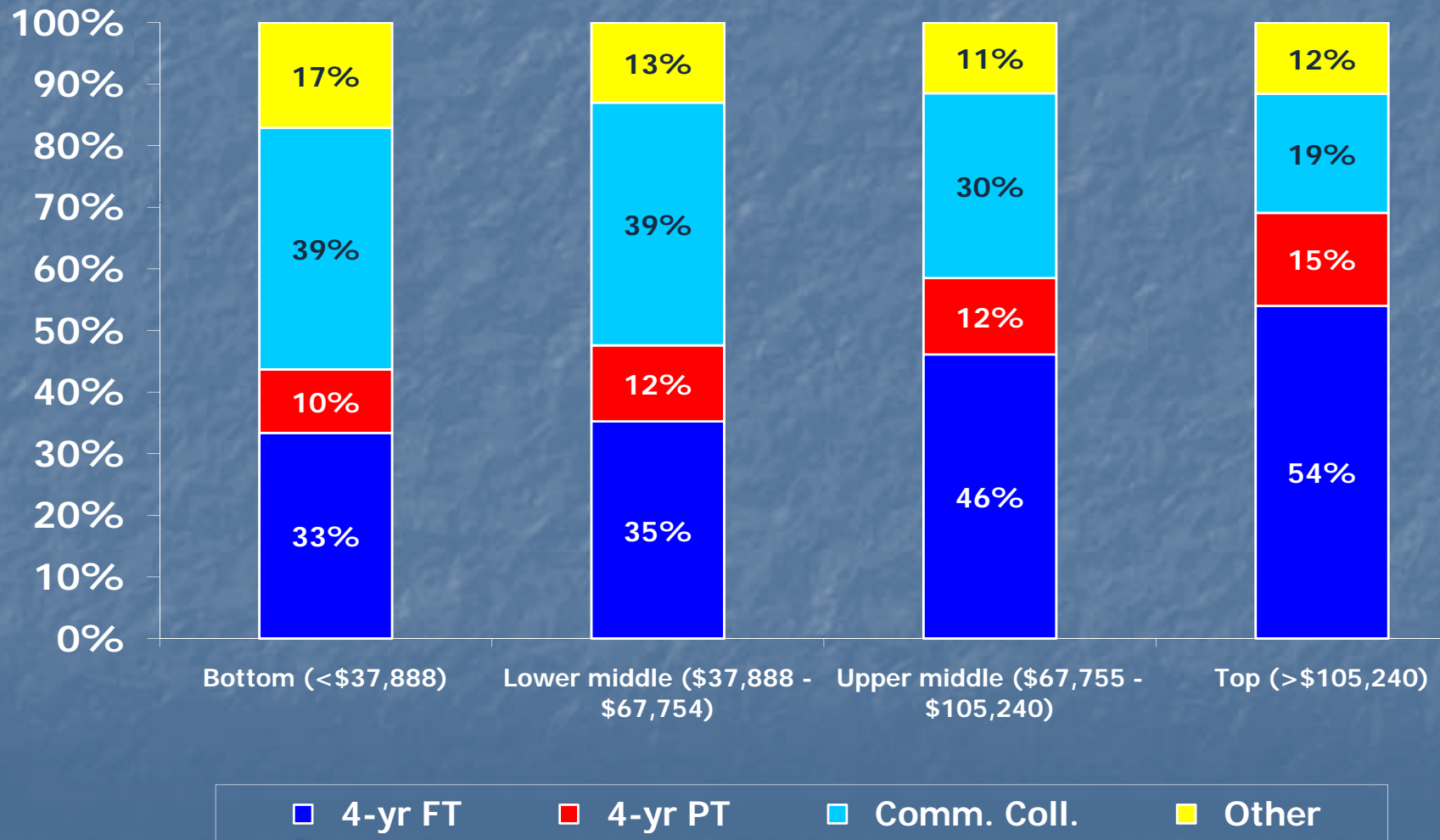
1992 high school graduates earning a bachelor's degree by 2000

Socioeconomic Status Quartile
(composite of parental education, income, and occupation)

| | Lowest | Highest |
|---------|------------|------------|
| Lowest | 36% 7% | 77% 27% |
| Highest | 78% 43% | 97% 77% |

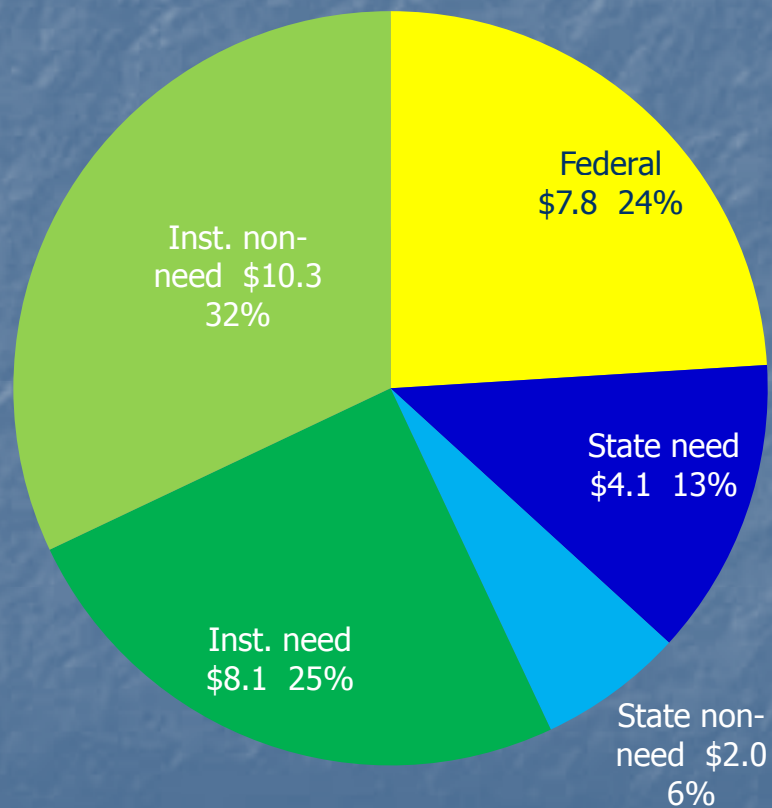
Stratification in higher education

Distribution of each income quartile by sector and attendance
Dependent students enrolled in 2007-2008

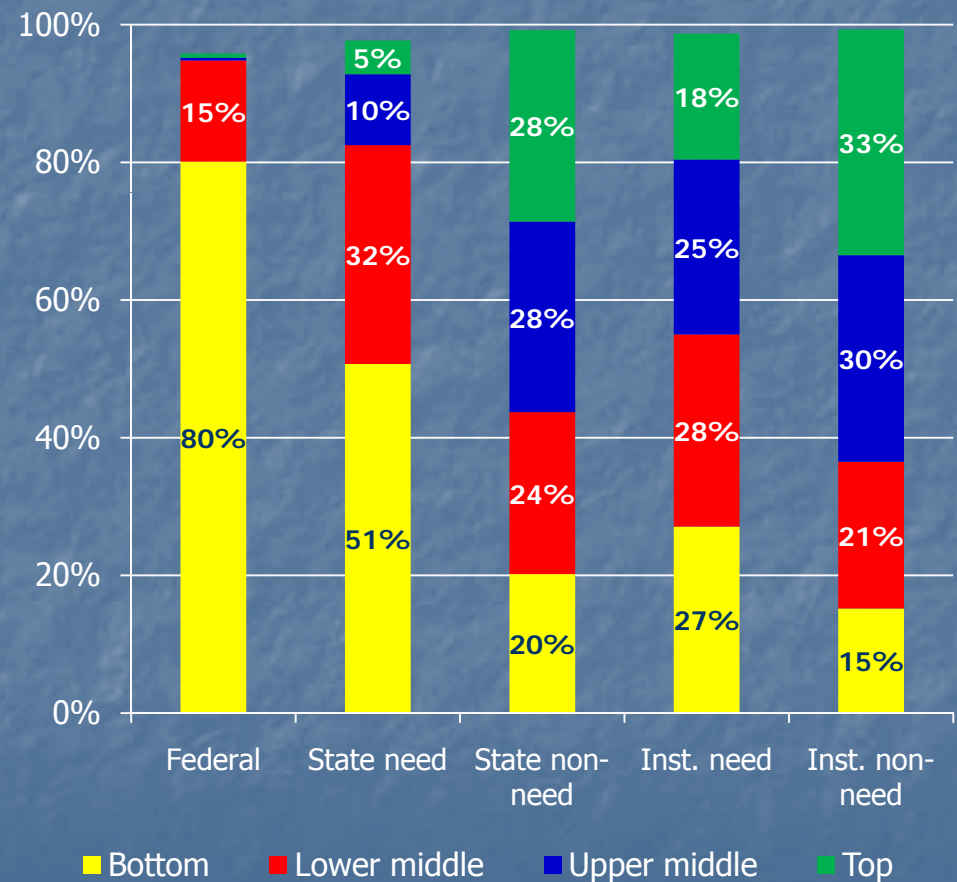


Grant aid to undergraduate students

Source and type of grant aid
(dollars in billions)



Distribution by income quartile



Top 10 reasons for rising tuition prices

10. Labor intensive and inability to substitute capital for labor
9. Highly-skilled, well-compensated labor
8. Expensive benefits packages
7. Expensive and expansive physical plant
6. Highly competitive industry
5. Broadening participation to new populations
4. State and federal regulation
3. Unwillingness to compromise quality
2. The “Chivas Regal” effect
and the number one reason for increasing tuition prices. . .
- 1. Strong demand for higher education**

Dealing with the fiscal crisis – typical responses

- Layoffs and furloughs
- Hiring freezes
- Salary freezes
- Use more adjuncts

- Increase tuition
- Cut financial aid
- Increase enrollment
- Fund raise
- Erode access – more full-pay students

- "Belt tightening"
- Across-the-board cuts
- Program review and elimination

Thinking outside the box – for higher education broadly

- Tuition strategies
 - Lower division/upper division differentials
 - Program-based tuition
 - Salary-based tuition
- Financial aid strategies
 - Front loading grants vs. loans
 - Stop discounting wealthy students at high-demand institutions
 - Convert merit scholarships to loan forgiveness programs
 - Tie eligibility for federal Title IV funds to institutional aid practices
 - Reform formula for campus-based Title IV programs
 - Increase borrowing limits in Title IV programs

Thinking outside the box – for higher education broadly

■ Cost strategies

- Department consolidation
- Stop the amenities arms race
- Partner with other local institutions for common services
- Cut back on overly-generous benefits
- Examine executive pay and benefits
- Retirement incentives
- Strategic hiring

■ Revenue strategies

- Increase endowment payout rates
- Reduce tuition discounting