

October 23, 2007

College Costs Outpace Inflation Rate

By [JONATHAN D. GLATER](#)

Tuition and fees at public and private universities have risen this year at more than double the rate of inflation, with prices increasing faster at public institutions, the [College Board](#) said in reports released yesterday.

These increases in the cost of higher education continue to drive up the amount that students and families borrow, with the fastest growth in private loans, the reports found.

Tuition and other costs, not including room and board, rose on average to \$6,185 at public four-year colleges this year, up 6.6 percent from last year, while tuition at private colleges hit \$23,712, an increase of 6.3 percent. At public two-year institutions, average tuition and fees rose 4.2 percent to \$2,361.

Last year, tuition and fees at public institutions rose 5.7 percent; at private ones, 6.3 percent and at public two-year institutions, 3.8 percent.

"The average price of college is continuing to rise more rapidly than the consumer price index, more rapidly than prices in the economy," Sandy Baum, a co-author of the report who is a senior policy analyst for the College Board and a professor at Skidmore College, told reporters at a news conference yesterday.

Ms. Baum added that the prices "are probably higher than most of us want."

Those price increases reflect increases in the sticker price that colleges advertise, though, Ms. Baum said, the average student does not pay that full amount. At public universities, the average student gets about \$3,600 in grants and tax benefits, lowering the actual cost to around \$2,600. At private institutions, aid totals about \$9,300, bringing the cost to \$14,400.

But even the net price, after taking into account grants and other forms of aid, is rising more quickly than prices of other goods and than family incomes. In recent years, consumer prices have risen less than 3 percent a year, while net tuition at public colleges has risen by 8.8 percent and at private ones, 6.7 percent.

The changes in tuition at public institutions closely track changes in financing they receive from state governments and other public sources, the report found. When state and local support for public colleges declined over the last seven years, tuition and fees rose more quickly, and as state support has grown of late, the pace of increases fell, it said.

"We hope that state governments — which really set tuition prices at most public colleges and universities — will do their part to reinvest in higher education," David Ward, president of the [American Council on Education](#), said in a statement released by the College Board.

Private loans, those not guaranteed by the federal government, continued to be the fastest-growing form of borrowing, totaling more than \$17 billion in the 2006-7 academic year. In the same period, students and their families borrowed \$59.6 billion in federally guaranteed loans.

The report also included data on loans by full-time students at for-profit institutions, finding that in 2003-4, they took out an average of \$6,750 in loans, approaching the \$7,320 borrowed by students at private colleges and exceeding the \$5,390 borrowed by those at public four-year institutions and \$3,180 at public two-year ones.

“College officials tell us not to worry because there’s plenty of financial aid,” said Robert Shireman, executive director of the Project on Student Debt, a nonprofit organization financed largely by the Pew Charitable Trusts. “But that aid is clearly not going where it’s needed, because student debt is up by an even greater margin than tuition — an 8 percent increase from 2005 to 2006, by our [accounting](#).”

The report prompted Representative George Miller, Democrat of California and chairman of the House Committee on Education and Labor, to pledge to try to “rein in” tuition increases. Mr. Miller added, “Making college more affordable and accessible for all qualified students is a top priority.”

Last year the average Pell grant, the federal government’s grant to the neediest students, declined for the second year in a row, after taking into account the effects of inflation. Ms. Baum, the economist, said she expected that decline to stop because Congress recently enacted increases in the maximum amount of the grant, which held constant at \$4,050 for four years but will rise to \$5,400 over the next five years.

The College Board’s study drew on responses from 2,976 institutions to questionnaires sent out last October, as well as government agencies and organizations like the [National Association of College and University Business Officers](#).

According to the study, the cost of room and board has also continued to rise and at many public colleges dwarfs actual tuition. At four-year public institutions, tuition, room and board on average now total \$13,589; at private colleges, \$32,307.

Ms. Baum emphasized that while the College Board reports provided information on the general cost of higher education, costs varied around the country as well as at different kinds of colleges.

“The average numbers don’t tell the story for any individual student,” Ms. Baum said.

Today's News

Tuesday, October 23, 2007

Student Aid Has Gained, but College Costs Have Risen Faster, Surveys Find

By [LIBBY SANDER](#)

Financial aid to college students has increased by 82 percent over the past decade but still falls short of covering the average price of a college education, as the cost of attending the nation's public universities has continued to outpace inflation, family income, and sources of grant aid, according to two new surveys from the College Board.

More than \$130-billion in grants, federal loans, Work-Study funds, and education tax credits and deductions was distributed to undergraduate and graduate students in the 2006-7 academic year, one of the surveys found, while students borrowed an additional \$18-billion from state and private lenders to pay for their education.

But aid from the federal government, though still a major source of financial assistance for many students, is not keeping pace with rising costs, according to a report on the survey, "Trends in Student Aid."

Federally subsidized Stafford loans, in which the government pays the interest on a loan while the student is in school, accounted for less than a third of total student aid in 2006-7, down from 54 percent 10 years ago.

Pell Grants, which provide need-based assistance to low-income students, covered 32 percent of tuition, fees, and room and board costs at the average public four-year college, down from covering 54 percent of such costs 20 years ago.

And federal loans altogether made up less than half of all undergraduate aid in an increasingly complex web of financing options, the survey found.

Private loans, by contrast, now represent nearly a quarter of all education loans, up from 6 percent a decade ago, the survey found.

The College Board released the findings of the [student-aid survey](#), along with a companion report, "[Trends in College Pricing](#)," on Monday ([The Chronicle](#), October 22).

A [summary table](#) and a [tuition database](#) of thousands of colleges are available on *The Chronicle's* Web site.

Concerns About Growth of Private Loans

Commenting on the reports' findings, Gabriel Pendas, president of the United States Student Association, said, "This really paints a picture of the crisis we're seeing in higher education."

"The students taking out private loans are the ones who don't have any other option," Mr. Pendas said.

"They've maxed out their federal loans, and the Pell Grants are not doing enough. It's a prime example of what, in a lot of ways, has been the privatization of our higher-education system."

Loans from private and state sources represented about 29 percent of loans taken out by undergraduates and 12 percent of loans taken out by graduate students, the student-aid survey found. Growth in private loans, which are generally more costly than loans backed by the federal government, was 27 percent a year in the five years preceding the 2006-7 academic year but slowed to a 6-percent rise last year.

A decade ago, undergraduates rarely turned to private loans, said Robert Shireman, executive director of the Project on Student Debt, an advocacy group. Now, while a relatively small proportion of undergraduates relies on private loans to pay for college, Mr. Shireman said he was concerned that such loans are increasingly common and pose significant financial risk for students because of variable interest rates and a lack of protections in the event of unemployment or disability.

"I hate to even call it 'financial aid.' We don't call a loan to buy a car 'financial aid,'" said Mr. Shireman, who was a senior education-policy adviser in the Clinton administration. "They have a much heavier drag on a college graduate just entering the work force."

Students at the nation's community colleges did receive a substantial amount of their aid from the federal government. The Pell Grant program was the only federal student-aid program to award a significant share of its dollars to students at public two-year institutions, who make up 32 percent of all full-time undergraduates, the survey found.

While students at community colleges received 34 percent of all Pell Grant dollars in the 2005-6 academic year, they received 9 percent of all assistance from the federal campus-based aid programs, 7 percent of subsidized Stafford loans, 6 percent of unsubsidized Stafford loans, and 1 percent of all federal PLUS loans (for parents), the survey found.

Faster Gains in Public-College Costs

The survey on college pricing, meanwhile, found that the average cost of a college education rose faster than the inflation rate this year, particularly at public four-year institutions. In-state tuition and fees at public four-year institutions during the 2007-8 academic year increased 6.6 percent from 2006-7, the survey found, while the price for out-of-state students rose 5.5 percent.

In dollar amounts, those increases meant that the average cost of tuition and fees for in-state students was \$6,185, or \$381 more than last year, the survey found. For out-of-state students, it was \$16,640, or \$862 more than the 2006-07 figure.

At private four-year institutions, tuition and fees increased 6.3 percent from last year, with the average cost of tuition and fees reaching \$23,712, or \$1,404 more than last year.

Public two-year institutions posted a 4.2-percent increase from last year's amount, averaging \$2,361, or \$95 more than last year.

The increase in tuition and fees this year at the nation's four-year public colleges was in keeping with a trend that has persisted for three decades, according to the survey. From 1977-78 to 2007-8, the rate of growth in the price at such institutions has been faster than at private institutions, and the dollar gap between the cost of tuition at the two types of institutions "widens every year even after adjusting for inflation," the survey found.

College prices, student borrowing up

By Brittany Levine, USA TODAY

The cost of attending college continues to climb: in-state tuition and fees at public four-year schools averaged \$6,185 this year, up 6.6% from last year, says the College Board, which tracks more than 5,000 colleges and universities. The increase was slightly more than the previous year's 5.7% bump.

At private schools, tuition and fees this year average \$16,640, up 5.5% from last year. Increases the previous year averaged 6.3%.

Price increases have been smallest at public two-year institutions, where tuition and fees averaged \$2,361, up 4.2% from last year, vs. 3.8% the year before.

STATE-BY-STATE Tuition changes from 2006-07 to 2007-08

Though this year's overall increases were less dramatic than in some recent years, "I would have hoped to see more of a slowdown," says Sandy Baum, who has authored the report for several years. "Clearly, finding some way to temper prices is necessary."

For students who live on campus (40% do at public schools, 64% at privates), room and board increased the cost for public four-year colleges to \$13,589, or 5.9% higher than last year. At private four-year schools, total costs rose by the same percentage to \$32,307.

Average vs. net price

The report points out that the average published price differs from net price — the cost after grants (aid students do not have to pay back) and tax credits. About two-thirds of full-time students receive aid.

While prices at private institutions are on average higher, public universities have had larger recent increases in tuition and fees. One factor is a decline in state and local appropriations, the report says. Baum says appropriations are recovering, and she expects to see some mitigation in prices soon.

David Ward, president of the American Council on Education, an advocacy group, said in a statement that increases in college tuition have been relatively stable for five years — running 2 to 3 percentage points above inflation. But he is still "concerned about the overall financial health of higher education," including a "quiet cost-shifting" from state support to tuition.



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Until that is addressed, "no amount of effort by our institutions to raise revenue and cut expenses will be able to preserve affordable tuition formulas," he says.

Aid is down

Undergraduates received more than \$97 billion in state, institutional and federal student aid last year, the most recent year for which data were available. That's a 3.1% decrease from \$134.8 billion two years ago. Along with the decline in overall student aid, funding for Pell Grants, the federal government's main need-based aid program, declined for the second year in a row, by \$141 million in 2006 dollars.

President Bush signed a student loan bill this year that boosts federal loans to more than \$20 billion and increases next year's federal Pell Grants to \$4,800. This increase is not represented in the report, which is based on last year's data, the most recent data available.

Rep. George Miller, D-Calif., chairman of the House Education and Labor Committee, responded to the report, saying in a statement that the "college cost crisis" is devastating families and the USA's position in the global economy, and that Congress plans to develop new strategies to help rein in costs.

Estimated growth in student borrowing slowed last year; borrowing from private sources continued to increase, but at a slower rate, as federal PLUS (parent) loans became available to grad students.

The increase in private student loans is a cause for concern because of their high interest rates and minimal borrower protection, says Robert Shireman, executive director of the advocacy group Project on Student Debt. Colleges need to help students avoid risky private loans, he said in a statement.

Oct. 23

Rate of Tuition Increases Is Up

The rate of tuition increases is going up — in public and private higher education.

Across sectors, [an annual report](#) by the College Board found that this year's percentage increases were slightly larger than those reported a year ago.

Here are some of the key data released by the College Board Monday:

Tuition Changes by Sector, 2007-8

Sector	2007-8 Tuition	1-Year \$ Change	% Change This Year	% Change Last Year
Public 2-year	\$2,361	\$95	+4.2%	+4.1%
Public 4-year (in state)	\$6,185	\$381	+6.6%	+6.3%
Private 4-year	\$23,712	\$1,404	+6.3%	+5.9%

The College Board also reported, but with some caution because data cover only 57 percent of enrollments, that the average tuition at for-profit colleges is \$12,089 this academic year, up 6.2 from last year.

For residential students, room and board are also key costs and here, too, they are up. At public institutions, the average room and board this year is \$7,404, an increase of 5.3 percent over last year. At private colleges, the average this year is \$8,595, an increase of 5.0 percent. (Last year, the percentage increases in room and board were 5.1 percent at public institutions and 5.0 percent at privates.)

A major theme of the College Board report every year is that the relatively few institutions for which total costs now exceed \$50,000 a year are highly atypical, even if they include some of the more prestigious colleges and universities in the country. Only 5 percent of students at private four-year institutions (which enroll fewer students than publics) attend colleges where tuition and fees total \$36,000 or more. Sixty-five percent of private college students are enrolled at institutions where tuition is less than \$27,000.

At public four-year institutions, a plurality of students (43 percent) attend institutions where tuition and fees are \$3,000-\$5,999. The next largest group (34 percent) enroll at institutions where tuition and fees are \$6,000-\$8,999.

Another major theme of the College Board, this year as in the past, was that what students actually pay ("net price") tends to be considerably less than what colleges list as their tuition and fee rates. Net price subtracts grants or tax breaks, and the figures here are based on averages for the sectors. While the numbers for net price are going up as well, the base is much smaller.

Net Tuition and Fees, 2007-8

Sector	Net Tuition and Fees	1-Year \$ Increase	1-Year % Increase
Public 2-year	\$320	\$20	+7%
Public 4-year	\$2,580	\$160	+7%
Private 4-year	\$14,400	\$630	+5%

Sandy Baum, a Skidmore College economist and senior policy analyst at the College Board, said that these data provide important context. She said that there are major "gaps in access" to higher education for members of disadvantaged groups, and she said that "money is a factor" in those gaps. But she said that the relatively low cost of many colleges (especially after aid is awarded) suggested that there are other issues in play as well.

In terms of aid, the College Board offered extensive data there as well. Federal loans are the top source of aid for both undergraduate and graduate students, the data show, with loans playing a much larger role for graduate education.

Student Aid by Type, 2006-7

Type of Aid	Undergraduates	Graduate Students
Total	\$97.1 billion	\$33.4 billion
Federal loans	40%	61%
Institutional grants	21%	17%
Pell Grants	13%	n/a
State grants	8%	1%
Private and employer grants	7%	9%
Education tax credits/deductions	5%	2%
Federal grants other than Pell	4%	9%
Federal work-study	1%	<1%

One key trend on student loans is the continued growth in private borrowing, which worries many educators because such loan programs have far fewer protections for student borrowers. In 2006-7, the last year for which data are available, private borrowing reached 24 percent of student loan volume. That's up just one percentage point from the previous year, but is double the 12 percent share private loans had in 2000-1, and four times the 6 percent share that the loans had in 1996-7.

Baum said she wasn't sure why the growth slowed. While private loans have received much publicity in the last year due to scandals over campus aid leaders recommending lenders who were also providing

them with certain benefits, those scandals broke after the period when most of the borrowing in this year's report would have taken place.

— [Scott Jaschik](#)

Sticker shock on campus

Economist Thorstein Veblen's 19th century treatise *The Theory of the Leisure Class* is hardly a hot read on college campuses. But some professors like to joke how its title is an apt description of their lives, particularly when the name is reversed to *The Leisure of the Theoried Class*.

A typical tenured professor at an elite university these days spends about four to five hours a week in class, or about a third what a full-time student does, according to Richard Vedder, an economist at Ohio University and author of several books on higher education.

Nice work if you can get it. But for those who underwrite this lifestyle, it's not such a sweet deal. College costs have been surging at twice the rate of inflation over the past two decades, putting higher education beyond the reach of many at the very time young Americans need advanced learning to compete in today's economy.

A College Board study released Monday found that average tuition at private colleges jumped 6.3% from last year. For public institutions, the increase was 6.6% for in-state students and 5.5% for out-of-state students. The [average cost](#) of a public education has risen 40% in the past five years, to \$13,589 per year. Private education has increased 30%, to \$32,307.

Yes, these are "sticker prices," and many students receive grants or loans. Even so, the numbers scare off too many prospective students, and they reflect an academic culture where cost control is a low priority.

Costs are going up for a variety of reasons. Financial aid makes higher education a bit like health care, where a third-party payer gives the provider and the consumer less reason to be choosy. Costs are also being driven up by such things as fancier dormitories, gymnasiums, performing arts facilities and big-time sports programs. But the main reason is the surging amounts universities spend on people engaged in something other than teaching.

The time professors spend on research — useful and otherwise — has grown by about a third in the past generation, according to Vedder. Colleges also employ growing bureaucracies of deans, assistant deans, public relations officers and such.

According to the College Board report, two-year colleges are doing a better job of managing costs than four-year schools. Perhaps, instead of publishing social histories of agrarian technologies in late-medieval northwestern Spain, some professors should be researching why community colleges are increasingly attractive alternatives.

Today's News

Monday, October 22, 2007

Tuition Increases at Public Colleges Outpace Those at Private Institutions, Survey Finds

By LIBBY SANDER

Washington

The average price tag for a college education continued to rise faster than the inflation rate this year, particularly at public four-year institutions, even as federal Pell Grants covered less than a third of tuition, fees, room, and board at the average four-year public college, according to data released this morning by the College Board.

The increase in tuition and fees this year at the nation's public four-year institutions was in keeping with a trend that has persisted for three decades, according to the College Board's annual tuition survey. From 1977-78 to 2007-8, the rate of growth of the price at such institutions has been faster than at private four-year institutions, and the dollar gap between the cost of tuition at the two types of institutions "widens every year even after adjusting for inflation," the survey found.

In-state tuition and fees at public four-year institutions during the 2007-8 academic year increased 6.6 percent from 2006-7, the survey found, while the price for out-of-state students rose 5.5 percent.

In dollar amounts, those increases meant that the average cost of tuition and fees for in-state students was \$6,185, or \$381 more than last year, the survey found. For out-of-state students, it was \$16,640, or \$862 more than the 2006-7 figure.

At private four-year institutions, tuition and fees increased 6.3 percent from last year, with the average cost of tuition and fees reaching \$23,712, or \$1,404 more than last year.

Public two-year institutions posted a 4.2-percent increase from last year's amount, averaging \$2,361, or \$95 more than last year.

Having a good education system is expensive, said Gaston Caperton, president of the College Board, at a news conference. "But we also have to be concerned about the cost if it discourages people from going to college and getting a degree," he said. The average college student graduates with a \$20,000 loan, he said. "That's a lot of money. But when you consider that that's about what you pay for a car, that's a pretty good investment for a student to make."

The College Board's tuition survey, "Trends in College Pricing," and its companion survey on financial aid, "Trends in Student Aid," are both available on its [Web site](#). A [summary table](#) and a [tuition database](#) of thousands of colleges are on *The Chronicle's* Web site.

States Bear Smaller Share of Cost

As the share of total costs at public universities covered by state appropriations has declined, and the share covered by tuition and fees has increased, the published price of tuition at those universities has shown a "very rapid increase" over the last decade, said Sandy Baum, a senior policy analyst for the College Board and a professor of economics at Skidmore College. Public institutions are also spending less per student than they did 20 years ago, Ms. Baum said.

State and local appropriations are a "very important" part of the financing structure for public institutions, which have much smaller endowments than private colleges and universities do, Ms. Baum said. Although states are setting aside more money for higher education than they used to, she said, enrollment rates have also increased. After adjusting for inflation, the amount that public institutions spend per student was lower in the 2005-6 academic year than it was 20 years ago, she said.

Some experts said they were concerned that a decline in state appropriations would not bode well for future students when it came to containing tuition increases.

David Ward, president of the American Council on Education, said in a written statement that state governments, which set tuition prices at most public colleges and universities, needed to "reinvest in higher education and keep their commitment to the financing partnership with institutions and the federal government."

And while the relatively stable increase in college tuition was "good news," Mr. Ward said, it masked serious issues of financing for higher education at large.

"Until we publicly debate the quiet cost-shifting from state support to tuition that continues in far too many states, no amount of effort by our institutions to raise revenue and cut expenses will be able to preserve affordable tuition formulas, particularly at public colleges and universities," he said.

Pell Value Falls, Private Lending Rises

In the 2006-7 academic year, about three-quarters of full-time undergraduates received some form of aid to help them pay for college, the financial-aid survey found. And with federal student aid decreasing, more students turned to state and private lenders to finance their college educations.

During that year, \$131-billion in aid, —including grants, work-study, federal loans, and federal tax credits and deductions, —was given to undergraduate and graduate students, an increase of 82 percent from 1996-7.

Of that total, \$97-billion was given to undergraduates, —46 percent in the form of grants and 49 percent in loans. Sixteen percent of that \$97-billion, or \$16-billion, came from state and private sources, the survey found.

In the decade from 1996-97 to 2006-7, federally subsidized Stafford Loans fell from 54 percent of the average undergraduate's total aid to 32 percent. Private lending, by contrast, grew from 6 percent of student aid to 24 percent in the same time period.

However, the growth in private loans slowed to 6 percent in the 2006-7 academic year, Ms. Baum said. Those types of loans had been growing at a rate of 27 percent a year for the preceding five years.

Pell Grants were the only federal student-aid program to award a significant share of its dollars to students at public two-year institutions, who constitute 32 percent of all full-time undergraduates, the survey found. While students at community colleges received 34 percent of all Pell Grant dollars in the 2005-6 academic

year, they received 9 percent of all campus-based aid, 7 percent of subsidized Stafford loans, 6 percent of unsubsidized Stafford loans, and 1 percent of all PLUS loans (for parents), the survey found.

For graduate students, 33 percent of their aid consisted of grants, while 64 percent was loans.

Pell Grants fell to their lowest level in six years last year, with the average award consisting of \$2,494 in 2006-7.

Two decades ago, the survey found, Pell Grants covered 52 percent of the average tuition, fees, room, and board at a public four-year institution and 21 percent of those costs at the average private four-year institution. By last year, the grants had declined to cover only 32 percent of such costs at four-year public universities and 13 percent at private universities, the survey found.

Low-income students at private institutions covered one-third of their tuition and fees with institutional grants, the survey found, while similar students at public four-year institutions covered one-quarter of their costs with such grants.

The two surveys also found, among other things, that:

- Thirty-two percent of full-time undergraduates at public and private four-year colleges and universities were enrolled at institutions with tuition and fees of less than \$6,000, while 22 percent were enrolled at institutions where tuition and fees were \$21,000 or higher.
- The Southwest posted the most rapid increase in college prices during the past decade among all regions of the country, although total charges in that region still remained lower than in most others.