

## The Big Picture

Shaping the world, one student at a time  
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### The Problem of College Cost

We can do better.

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The long, contentious, and often self-interested debate on whether higher education is becoming too expensive has become even more strident since the Great Recession. Is there really a "crisis" in college costs? Are colleges to blame?

The Delta Cost Project and other economic studies inform the discussion of the causes of rising college costs and the effect of financial aid on the "net price" that students actually pay. It is a complex and controversial set of issues, but economists Robert Archibald and David Feldman (authors of *Why Does College Cost So Much?*) said it best in a *New York Times* "Opinionator" blog post:

"Many families are indeed priced out of the market or forced to choose education options that are less desirable... We have no doubt that the recent recession has made college and university charges less affordable no matter how one measures affordability."

So let's stop the intellectual shoving matches and get about the business of dealing with those factors that can and should be controlled to attenuate the rate of rise of both cost and price. And let's also stop apologizing for investments that are necessary to keep higher education one of America's premier "products."

Post-secondary education is sought after around the world because it serves individuals and the larger society. We can argue long and hard about "return on investment," calculated as incremental personal income, compared to the net price of a baccalaureate or advanced degree, but in a recent survey by the American Council on Education, more than 89 percent of young alumni reported that their college experience had been worth it, and 85 percent reported that their education had prepared them, at least adequately, for their jobs. The increasing emphasis on higher education in China, India and other emerging economies is testimony to the near-universal agreement that success in this world, not to mention national competitiveness, requires more, not less, higher education. Thus, we as a country need to expand, not contract, the availability of higher education and increase public investment in colleges and universities.

In addition to its traditional missions of teaching, research and public engagement, higher education is a major employer throughout the United States. No magic bullet will replace the human service-intensive nature of modern higher education and its associated costs. Information technology, for example, may extend the reach of higher education and hugely increase the efficiency of delivering certain kinds of material, particularly at the remedial and introductory levels. But it is unlikely ever to supplant our college and university campuses, especially those where research is conducted. Technology is only part of the answer to issues of cost, affordability and access.

Nor should we begrudge funds spent on certain "nonacademic" activities. Sure, to put it mildly, the higher education community is no paragon of efficiency and cost-effectiveness (more on that below). But most non-faculty-related activities are not "administrative bloat." There is evidence aplenty, for example, that student

support services such as counseling improve persistence and graduation rates and are critical to student health and well-being.

And we must understand that as the states continue to reduce their relative investment in higher education—between FY 2001 and FY 2009, the inflation-adjusted average state appropriation per FTE student fell by over \$1,000, or 13 percent—tuition will continue to rise. It's simple economics, and no amount of wishful thinking or browbeating will change that inverse relationship. But the rate of rise will depend on the balance between total revenue available to each college and its cost structure.

So what can be done to control college costs? The recession we are experiencing is not a normal, cyclical "blip" on an ever-upward revenue curve. It is unlike anything that most of us have ever experienced, and it will be with us for some time. Consequently, we in higher education have to make some fundamental changes in the way we do business. We are used to balancing our budgets almost completely on the revenue side. Like other establishments, we utilize all revenue reasonably at our disposal: tuition, state appropriations, federal appropriations, grants, gifts and, in a relatively small proportion of institutions, endowment income. Most institutions allocate some of this revenue, including tuition dollars, to manage the "net price" of attendance for individual students, factoring in the financial resources of the family and the attractiveness of the student from the institution's perspective.

But the rate of tuition rise is unsustainable. Attenuating this rate of increase can only be achieved through cost-containment. It's as simple and complex as that. Given the current financial pressure, this will take time. Three sets of activities are needed, and we'd better get about them:

1. No campus can be all things to all people. Now is the time to decide, campus by campus, what we can do best and aspire to improve quality in those fields. And the other disciplines that we know to be less well-developed on campus A? Leave them to campus B, across town or across the state. Better, foster communication between the faculties of A and B to realize economies of scale in providing instruction in less popular fields, optimize coordination, and reduce competition. This is an area where information technology can be extremely useful. Bottom line: focus and connectivity.

2. We can no longer avoid true, tough and thoroughgoing reviews of faculty productivity and quality, including after tenure is granted. Our colleges vary widely on the presence and effectiveness of reviews of faculty quality and productivity and of post-tenure evaluations. No outside entity will ever perform this function as well as we ought to be able to within the academy. It's likely that more rigorous faculty accountability—conducted by peers and colleagues—will result in some reduction in the costs of education and of the infrastructure of research. Bottom line: accountability.

3. "Administrative" activities are as essential to the success of higher education as they are to any enterprise of any type anywhere. But the discipline and expertise needed to contain the costs of those activities is often lacking in our colleges. More uniform, managed methods of procurement, fewer layers of bureaucracy and larger spans of control for those in administrative positions can help, as can a rethinking of our support paradigms in information technology, finance, and facilities services. Some colleges have found that reducing support costs allows greater focus on the highest priority aspirations of the institution. At Cornell, we recognized early in the recession that we lacked the detailed skills to identify all of the potential areas for cost savings and to design remedies, so we brought in a consulting firm to assist, guide, and cajole us. Not all schools can afford to engage a consulting firm, but all can find ways to spend less on administrative functions. Bottom line: administrative streamlining.

Given our continuing uncertain economy, I call on my colleagues in higher education to reduce the rate of rise of our operating costs through focus, connectivity, accountability and administrative streamlining. Improvements in higher education's pricing and accessibility will follow.