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College Spending Impacted by the Recession: Cost Cutting, Tuition Increases and Growing Gaps Institutional productivity shows promising improvements

WASHINGTON – Analysis of revenue and spending patterns in higher education for the 1999 – 2009 period shows growing gaps between public and private institutions, with the public community college sector falling behind in efforts to meet enrollment demand in the face of deep budget cuts. The twenty-year trend toward students and families paying ever larger share of costs continued in all types of institutions. In most cases these tuition increases were the result of cost-shifting as other revenue sources declined, rather than new spending. (See “Highlight on Haves/Have-Nots”)

The report – *Trends in College Spending 1999-2009: Where Does the Money Come From? Where Does It Go? What Does It Buy?* – examines national college spending and revenue trends in the years leading up to and including the beginning of the current recession. Focusing on the period from 1999 to 2009, the report uses the most recent data available to identify several ongoing and new patterns in how institutions get and spend their money.

Tuitions up, other revenues down. The recession’s effects are visible in all types of institutions, from declines in funding per student in public institutions, and large losses in private gifts and endowment returns. Public research and comprehensive colleges were able to offset state funding cuts through increases in tuition, resulting in spending levels per student that are virtually unchanged between 2008-2009. Analyses of the relation between tuition and state funding shows that tuition increases were entirely fueled by revenue shifts, rather than increases in spending. Community colleges however saw absolute declines in spending, down by nearly 2.5% per student in 2009. The reductions are likely to continue for several years, as public revenues continue to lag and federal stimulus funds will be spent. (See “Highlight on Tuition/Spending”)

Instructional spending protected – in public four-year institutions. Despite these signs of the recession, the report did find some positive trends in 2009. Unlike the across-the-board cuts seen in past recessions, public four-year institutions maintained spending on instruction and student services by shifting spending away from administration and deferring maintenance. This approach indicates a more strategic approach to budget cuts than in previous recessions.

Also, colleges and universities in all sectors became more productive in producing degrees from 1999 to 2009 -- even with the rapid growth in enrollments. Private non-profit research and master's institutions still have the highest number of degrees relative to enrollment. However, public institutions have become more efficient in getting students to completion or a certification. The number of undergraduate credits compared to completion declined across both two- and four-year public institutions by eight to 10 credits. (See attached "Highlight on Instructional Productivity")

Finally, the report includes new data on employee compensation, showing large increases in part-time and graduate teaching assistants and virtually flat spending for employee salaries, but large increases in spending for benefits. Unlike other spending areas, where private institutions outspent public institutions, employee benefits have increased significantly more in public institutions than in private institutions. (See attached "Highlight on Employee Compensation")

"While the data on efficiency and instructional spending are encouraging, we still face serious questions about whether these trends can and will be sustained, particularly as the ripples of the recession continue into the next few years," said Jane Wellman, Executive Director of the Delta Project. "If we hope to increase college attainment, we need to find an investment strategy that will get us there. This isn't it."

"In Congress and in statehouses across the nation, worry about our dysfunctional system of higher education finance is second only to jobs as a major topic of public and political concern," said Robert Atwell, Chair of the Board of Directors of the Delta Project, and President Emeritus of the American Council on Education. "It's a topic where debate is generating more heat than light. We badly need a new national dialogue about future financing for higher education. I am confident that the types of metrics presented in this report will be major contributors to any such discussion."

Trends in College Spending is the fourth in a series of annual reports on higher education finances and results and is available at <http://www.deltacostproject.org/resources/pdf/Trends-in-College-Spending-99-09.pdf>. Additional information about the report and the Delta Project are available at www.deltacostproject.org.

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The Delta Project on Postsecondary Education Costs, Productivity and Accountability was formed as an independent, nonprofit research organization to help improve college affordability by focusing on institutional spending and productivity. The project intends to develop metrics and public accountability tools focused on the intersection among resource use, college access and learning outcomes.