

Governance

HIGHER EDUCATION NEWS FOR UNIVERSITY GOVERNORS AND TRUSTEES

WINTER 2016

A New Era for the University of North Carolina System

The UNC system has a new president, Margaret Spellings, whose term begins on March 1. Her tenure at UNC will likely signal a change in priorities for the system. Spellings recognizes that higher education today exists in a consumer-driven environment and is in need of reform. Her 2006 report of the Commission on the Future of Higher Education recommended “a focused program of cost cutting and productivity improvements.”

In that vein, the Pope Center has dedicated this issue of *Governance* to looking at ways to decrease the costs of higher education to students, parents, and taxpayers in North Carolina. During her first year at UNC, we urge Spellings to concentrate on reining in administrative costs, finding efficiencies, and taking advantage of economies of scale.

We wish you well, President Spellings!

■ Jenna A. Robinson



Cutting Costs is Possible. These Schools Did It.

Jenna A. Robinson

We often hear that the solution to the rising cost of college education is more government investment, regulation, and financial aid. Congress is entertaining a bill that would require 25 percent of endowment spending to go toward aid. Several presidential candidates have called for free tuition at community colleges. And at the state level, universities are clamoring for spending to return to its pre-recession levels.

But a few universities have chosen to take a different route. Instead of looking for more state revenues, they've found ways to cut costs.

Under Mitch Daniels, Purdue University has led these efforts. The school made both large and small changes that have allowed it to freeze tuition for four years, saving students more than \$20 million per year. The school has streamlined purchasing, sold 10 school cars, cut rental storage costs in half, and repurposed used office furniture instead of buying new. The president, deans, executive vice presidents, vice presidents, vice provosts and other officers of equivalent level will forgo a merit increase this year.

continued on page 2

The University of Cincinnati, the University of Oregon, and Ohio State University have also cut costs through a combination of smarter spending and administrative cuts. At Ohio State, administrators now have lower base salaries with optional bonuses based on performance. The school also switched office suppliers. At the University of Cincinnati, the president turned down a salary increase and bonus pay, and the school sold its presidential residence. At the University of Oregon, the president cancelled a \$3.4 million contract with a “branding” firm and placed some of its communications staff under centralized management in order to improve efficiency and coordination.

The UNC system has made one important consolidation that affects its 16 universities. Last year, it created a centralized process for determining in-state residency for purposes of tuition and state financial aid. Until very recently, every UNC campus made this determination independently, creating duplication and increasing costs.

With college costs so high, the goal of enabling students to pay less for college looms large as well.

Many private schools, including Converse College in South Carolina, Rosemont College in Pennsylvania, Utica College in New York, have moved from a “high price, high discount” model to a “low cost, low discount” model. This change decreases what the average student pays in tuition and also allows the schools to attract more students who might have been discouraged from applying by a high sticker price. (For many private schools, raising enrollment is as critical as reducing expenditures.)

Schools have also made efforts to reduce time to degree in order to decrease students’ overall tuition and borrowing. At Seton Hall University, students entering with a high school GPA of 3.0 or higher are offered lowered tuition for 8 semesters only. Ashland University has a four-year graduation guarantee—as long as students stick to their university-approved graduation plan. Belmont Abbey has announced a new

fellowship program that will allow students to graduate in three years by attending courses on campus during the summer and online during spring and fall semesters.

These universities prove that it’s possible to cut the fat in university budgets while maintaining quality. As more universities look for savings, students and parents will benefit. ■

UNC System Tuition and Fee Increases, Adjusted for Inflation

	2001-2002	2014-2015	% Change
ASU	\$3,020	\$6,438	113%
ECU	\$4,180	\$5,984	43%
ECSU	\$3,076	\$4,497	46%
FSU	\$2,958	\$4,630	57%
NCA&T	\$3,743	\$5,535	48%
NCCU	\$3,927	\$5,444	39%
NCSU	\$5,395	\$8,133	51%
UNCA	\$4,054	\$6,272	55%
UNC-CH	\$5,380	\$8,107	51%
UNCC	\$4,105	\$6,179	51%
UNCG	\$4,327	\$6,385	48%
UNCP	\$3,458	\$5,206	51%
UNCW	\$4,318	\$6,315	46%
UNCSA	\$4,808	\$8,144	69%
WCU	\$3,739	\$6,156	65%
WSSU	\$3,205	\$5,623	75%

*All figures in 2014 dollars
Source: The University of North Carolina

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The Specter of Enrollment Decline

Jane S. Shaw

For decades, rising enrollment in colleges and universities across the country meant greater revenues, particularly as tuition rose along with it. But that steady rise ended a few years ago, and the number of 18-year-olds has stabilized.

The possibility of lower enrollment adds to the pressure to cut costs (*discussed in the accompanying story by Jenna Robinson*). While fear of fewer students is particularly acute at small, isolated, tuition-dependent colleges—such as Sweet Briar, which nearly closed its doors last August—stagnating numbers at public universities, especially non-flagships, can cause turmoil as well.

- Valdosta State University in Georgia will lay off 33 staff and faculty members because the school's enrollment has fallen 17 percent since 2011. According to interim president Cecil P. Staton, the school will have a shortfall in the 2016-17 year of \$1 million in tuition revenue and an additional \$2.4 million in enrollment-related state funding.
- In an unusual move, Lake Superior State University in Michigan just denied tenure to three people, at least two of them because of falling enrollment. The school has 20 percent fewer students than it did in 2010, and another decline is expected next fall.
- The University of Akron, a public university in Ohio, laid off 161 people, closing down the university theatre, its multicultural center, and the University of Akron Press. Enrollment has been on the decline for several years.

Nationally, the fall in enrollment has been about six percent over the last four years, according to the *Hechinger Report*. Most of the decline has been in for-profit schools, which have been under fire from government regulators, and in community colleges, where enrollment fluctuates with the economy.

But one segment of the population has reduced its college-going substantially. A study by the American Council of Education found that the drop in low-income students has been dramatic. For families with

the lowest 20 percent of incomes, college attendance fell from 55.9 percent in 2008 to 45.5 percent in 2013.

If enrollment of low-income students is falling faster than the enrollment of other students, the impact on public universities with low-income populations could be severe. In North Carolina, Elizabeth City State University is a comprehensive public university that has seen its enrollment fall 15 percent in just one year—from 2014 to 2015. It now has 1,805 undergraduates, compared with 3,240 in 2010. More than 70 percent of the undergraduate students receive Pell grants.

In response, ECSU announced in 2013 that it would layoff 43 staff members; in 2014, it announced an additional layoff 34 employees, including three deans; in 2015, the number was 16 employees. The school has given up hope of building a new home for its aviation program (a comparable building will be constructed at nearby Albemarle Community College).



In September, the legislature North Carolina provided ECSU with \$3 million in rescue funds, partly for recruitment. But how realistic is an upswing in enrollment in this historically black university, located in a low-income part of the state and with the majority of its students relying on Pell grants?

Cost-cutting is essential for colleges today, but where enrollment is falling, that may not be enough. ■

Do You Agree?

“ When you impose a [budget] limit, people suddenly begin to do common sense things they should have done before. When money is easy, when you can dial up tuition or fees, people tend to postpone even the most basic efficiencies. ”

Purdue University president Mitch Daniels,
on university spending, in the Chicago Tribune

The goal of this newsletter from the Pope Center is to help university trustees and governors to be more effective leaders in higher education.

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