Hard Times

Tuitions rise, services cut, as university officials try to ride out a severe economic downturn

By Jon Marcus

WILLIAMSBURG, VIRGINIA

A CHILLING DELUGE poured from thick black clouds above the College of William and Mary, whose campus, darkened to a bleak gray, seemed deserted but for the occasional unlucky student splashing through the mud to class.

The mood indoors matched the weather. Along with other Virginia public universities, William and Mary had just suffered a seven percent cut in its state appropriation. The university also depends in part on an endowment that had lost an even more dramatic proportion of its value. Increasing numbers of students, whose parents were suffering layoffs or business reversals, were asking for more and more financial aid. And donors, their own investments drying up, had less and less to give.

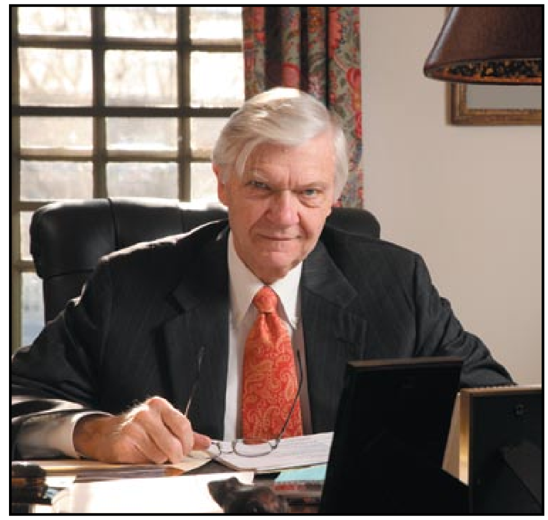
"We really are a good case study for the perfect storm," said the university's president, Taylor Reveley, as rain coursed down outside the windows of his office in a stately building that dates from 1723. "And we're still early in feeling the full force."

The university has so far responded with small steps. It has shaved $2.1 million from its $245 million budget by delaying a three percent pay raise that was to have taken effect in November, and by doing such things as canceling library database and journal subscriptions. It imposed but then largely lifted a hiring freeze. It considered but decided against a mid-year tuition hike. And it has promised no layoffs on the main campus, no salary reductions, and no cuts in student aid.

"If what we're looking at is another bad 18 months—that is, finish this academic year and then one more year that's in the ditch—we'll try not to cut into muscle and bone," Reveley said in his folksy manner. "If instead we're looking at an ever-deepening recession for three to five years, that's going to force some very difficult decisions. Nobody knows right now. What we're trying to do is proceed on the assumption that this is going to last 18 months, and that will be it, and I think that's what everybody else is doing too."

This seems widely to be true. Universities also have joined the line of bankers and automakers asking for money from the federal government—$1.8 billion for new science and engineering faculty, $150 million for research into energy alternatives, huge increases in tuition grants, and an unspecified amount for infrastructure, according to a wish list submitted by the Association of American Universities. Otherwise, even as corporations furiously shed jobs and try to increase productivity, university officials seem to be hoping they can ride things out. After all, they have survived economic downturns before.

But a chorus of voices is warning that this recession will affect higher education in ways that require considerably more drastic action than trimming at the margins or asking for a handout from the feds. Deferring the inevitable, they say, is to be in denial.



Tom Cogill for CrossTalk

Taylor Reveley, president of the College of William and Mary, a Virginia public university with 7,700 students, says if the recession lasts longer than another 18 months, "that's going to force some very difficult decisions."

"In this financial crisis, it cannot be business as usual," said Stephen Golding, vice president for finance and administration at Cornell University. "The nature of this challenge is so much greater than any of us have seen in higher education before. If we're going to continue to teach, if we're going to continue to do research, if we're going to continue to provide students access to our institutions, we have to stop doing other things that don't support the core mission."

The new problems come on top of existing financial demands, such as billions of dollars in needed maintenance, tightened credit, and unfunded mandates such as requirements for security around research labs. But behind their sense of urgency, and a frustration with the mission creep and academic arms race that has left it even harder to contain costs, higher education finance leaders see something surprising in this latest financial predicament: opportunity.

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"The phrase I hear people around here use is, don't waste a crisis," Golding said. "Let's go after things we've known are among our inefficiencies and make them better."

Many critics "would suggest that higher education is a bit slow to change and respond, given its very traditional and academic nature," said Daniel Hurley, who is watching this scenario play out in his role as director of state relations for the American Association of State Colleges and Universities. "There is nothing like a recession to instill a greater sense of urgency. Rather than whine about the cuts in state support, let's look at the flip side: What can we do to make ourselves stronger? We need to seek, and seek very actively, the silver lining in this economic downturn."

Golding, who previously worked in the private sector

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Although its operating budget is tight, William and Mary presses on with an ambitious new building program.

as head of philanthropic services for Morgan Stanley, cited that company's sale of its Discover Card division in 2007 as a model. "When Morgan Stanley started going into the tank, one of the first questions was whether or not to jettison Discover Card and allow the company to focus on its core mission of investment management. For institutions of higher education the challenge is to be able to define what makes you the institution that you are, and to sustain those things while identifying where there are opportunities to evolve or reprioritize." (In this context, "reprioritize" seems like a euphemism for "cut.") Or, as Terry Meyers, a professor of English and philosophy at William and Mary, put it, "What's fascinating to me to watch is what businesses do in this kind of situation. They sit down and say, what is our core mission? And that's what higher education needs to do."

This points to another reason why it is hard for universities to respond to economic downturns: There are so many interests to attend to. Reveley, for example, held public meetings at William and Mary about potential budget cuts, though he said that, in the end, the tough decisions must be made from the top down. Yet, when the chancellor of the Tennessee university system proposed, among other ways of dealing with a 20 percent reduction in state appropriations, adding more online teaching and requiring upperclassmen to tutor underclassmen, the head of the faculty senate at one Tennessee university described it as a "radical attack," and students protested outside the fall commencement.

Universities have joined the line of bankers and automakers asking for money from the federal government.

"Not many of the tradeoffs are willingly offered," Reveley said. "Once we begin making those choices, we almost immediately hear, 'There has been a reduction in this, that, or the other thing that is important to me—why are you doing this?'" In higher education, Hurley said, "there is a long history of perhaps a compulsiveness about including everybody. That's exactly why there isn't change in higher education. And that's where bold leadership comes in."

Many critics agree with Reveley, and contend that campus leaders have to lead—especially considering that universities have defended years of spiraling salaries for presidents by comparing them to corporate CEOs. "We are in this mixed model of feeling we have to pay these people like superstars. Then we wonder, what do we get for it?" said David Breneman, director of the University of Virginia's master's program in public policy, who studies the economics of higher education.

"If university presidents are truly leaders, they have to make painful, bold decisions that are going to be unpopular," said Richard Vedder, an Ohio University economist who also follows higher education finances. "This is the time they need to earn the big bucks by showing leadership and cutting costs."

One way of doing this is to reduce duplication, which is rampant on university campuses, to hear some managers talk of it: duplicate e-mail systems in different departments, duplicate facilities management, duplicate administrative offices. "These replicative services simply drive up the cost of our operations," Golding said. Streamlining them is one way to cut spending, he said; sharing resources among not only departments within a university but among universities within a state or an even broader purchasing consortium is another. "We refer to this as strategic sourcing, where you get into a group and go to Microsoft and say, 'We'll guarantee you 80 percent of what we spend, and what's your best deal?'"

Some schools already do this; others have resisted it. When William Glavin, a onetime Xerox vice chair, became president of Babson College, he tried to get neighboring universities to collectively negotiate for lower prices on such things as health insurance, and to merge their information-services departments. "There's one school in particular where the president was totally in support of what we were trying to do," Glavin said. "And this president couldn't get her own subordinates to do it, because it meant that there would have been fewer of them."

Now there might have to be fewer of them. The number of support staff at universities has swelled, from three for every student in 1976 to more than six today. In fact, the proportion of university spending that goes directly toward instruction has declined over the last ten years, according to the Delta Project on Postsecondary Education Costs, Productivity and Accountability, an ongoing foundation-supported initiative to gather data that can be used to improve the management of higher education costs. "The explosion in non-teaching professional staff that has gone on—PR specialists, wellness coordinators, diversity czars, associate provosts…I expect to see some major paring in what you might call the bureaucratic armies," said Vedder.

It is demand from students and their families that has helped drive the rise in the number of those non-faculty employees and the services they furnish, while also driving the construction of pricey dorms and fitness centers, food courts and other amenities. Another factor is the increasingly influential university rankings, although, said Breneman, "those just measure wealth."

Concessions on both fronts might be necessary. The question now, said Golding, "is not just what we can do in the sense of streamlining it, but also, quite frankly, in managing expectations."

Students might be willing to forgo some luxuries to avoid the kind of tuition increases universities project. "I think the students are smarter than we give them credit for," Vedder said. "There are a lot of things they would get rid of that the university doesn't want to get rid of because it's going to gore the ox of special-interest groups."

Intercollegiate athletics, said Vedder, is the quintessential example. "If that were put to a student referendum, to not have to pay that, and get out of intercollegiate athletics completely, it would probably pass," he said. "When you start seeing huge increases in class size and laying off lots and lots of people around campus, the campus community is going to be in an uproar if the athletic department is exempt from all this."

Meyers, in fact, has long proposed that William and Mary's required fee for intercollegiate athletics—this year, $1,259 per student—go instead to academics, while alumni be hit up to pay for sports. "If this really is the worst financial crisis since the Great Depression, if things are really that dire, you've got to take a serious look at what the university is here for," Meyers said.

Students think so, too. The independent William and Mary student newspaper, the *Virginia Informer*, recommended its own budget cuts. "I don't think it's that students are expecting so much," the editor, Andrew Blasi, said. "Universities just provide it out of concern they won't be competitive. The university could be doing a much better job of finding places to cut costs," he said, especially when "the only alternative right now is to increase tuition significantly." In a survey, the organization Public Agenda found that 56 percent of Americans think universities can find ways to spend less without jeopardizing quality.

Student amenities and university rankings are not the only competitive elements that have been driving up the cost of higher education. Another is the dog-chasing-its-tail quest by universities to match the faculty salaries of their peer institutions. William and Mary is behind in this race, and Meyers said some of his colleagues have begun to look for new jobs. But the reality is that, as many universities impose hiring freezes, there are precious few places to go. And the salary chase is almost certain to slacken.

"There's this bidding war that's been occurring with faculty, not unlike what's been happening with college coaches, and I believe, along with many others, that that is out of hand," said Stan Nosek, vice chancellor for administration at the University of California, Davis, and chairman of the National Association of College and University Business Officers. "Do I think that's going to slow down? Yes."

New construction will slow down, too. "That saves us cash and debt service," Golding said. And new buildings have to be lighted, heated, cleaned and staffed. Even Harvard has announced that it is "reconsidering the scale and pace" of its already begun expansion on the Boston side of the Charles River.

Nevertheless, a handsome new School of Education building is going up outside Breneman's window at the University of Virginia, and construction is taking place everywhere on the William and Mary campus—new schools of business and education, a state-of-the-art science center, and renovations to the law school, student recreation center, dining hall, and more. "I don't think if we knew that we were coming into this international flapdoodle that we wouldn't have built, but it does put pressure on the budget," Reveley said.

Increasing numbers of students are asking for more and more financial aid. And donors, their own investments drying up, have less and less to give.

Universities also will have to make better use of the buildings they already have. Some are empty on Fridays, weekends, and all summer, critics complain. "Let's face it, the square footage of a typical university facility is probably occupied 40 or 50 percent of the time of a similar facility in the private sector," Vedder said. Nosek said this is already changing. "We have gone through a transition where you don't see that Friday-at-3:00-it's-a-ghost-town," he said. Still, he added, "there are more opportunities there." (Some schools are shortening the time they are open. The University of Louisiana at Monroe, for example, has cut the work week to four and a half days, saving $400,000 a year in utility costs.)

Instead of building, many universities are making infrastructure improvements that will cut costs in the long run. UC Davis, for instance, just spent $900,000 retrofitting parking lots with new lighting that will pay for itself within four years. A survey conducted by the American Association of State Colleges and Universities found that energy management is the top area of cost containment by universities. And "there's still low-hanging fruit at many colleges and universities for this," said Nosek.

There are considerably more dramatic methods to change the way that universities do business. One is differential pricing—basing tuition on the actual cost of teaching different disciplines. "A lot of people have problems with that at the undergraduate level," Nosek said. "But at the graduate level, shouldn't you be paying more for a veterinary degree or a medical degree" than for a lower-cost humanities degree?

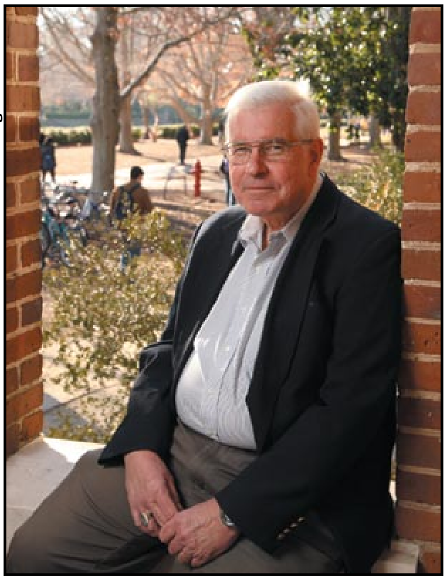
Some schools have considered charging less for courses on the weekends, to maximize the use of faculty and classrooms. Hurley said instructional delivery is a major area for savings. "If there can be some innovative changes in that sphere, that would be a real breakthrough," he said. One example is hybrid courses, taught partly online and partly in the classroom. Another is William and Mary's plan to allow undergraduates to earn a combined bachelor's and master's degree in public policy, in an accelerated five years instead of six.

There are also likely to be calls for greater productivity from faculty, said Vedder. "As the cost of teaching per credit hour among full-time faculty has gotten much, much higher than for adjunct faculty, or online faculty or

Dennis Brack, Black Star, for CrossTalk

David W. Breneman, director of the University of Virginia's master's program in public policy, questions the need to pay campus leaders as much as some corporate CEOs.

Tom Cogill for CrossTalk



Terry Meyers, a professor of English and philosophy at the College of William and Mary, is a harsh critic of some campus spending practices—especially intercollegiate athletics.

graduate student faculty, I think it's a place where you're going to have to see some changes," he said. Universities will be more reluctant to put newly hired teachers on the track to tenure, for example. "You certainly don't hire any more tenured faculty, but you switch as much of the teaching as you can into these non-tenured faculty. Or, rather than saying, 'Professor X has retired this year so we're going to replace him,' they're going to say, 'No, professors Y and Z will fill in.'"

One effort to reduce costs that is already under way is the Kuali project, a prime example of strategic sourcing, started by Indiana University, the University of Hawaii, the National Association of College and University Business Officers and others to develop open-source software that can replace the hugely expensive commercial software universities need to manage payroll and other functions. And after years of trying to ignore them, mainstream universities now are looking for lessons in the way for-profit and proprietary schools do business—bringing classes closer to where students live, for example, and maximizing the use of space.

The hunger for more revenue, in place of state government appropriations and endowment yields, has some schools boosting their ranks of foreign students who pay full tuition. The University of California at Berkeley tripled the number of foreign students it admitted this year, and plans to raise it again next year. There also is a spirited debate under way in California about whether public universities should increase the enrollment of higher-paying out-of-state students, following the example of universities in Michigan, Virginia, Vermont and elsewhere that already are vigorously recruiting such students. At the College of William and Mary, 35 percent of the students come from out of state.

Students might well be willing to forgo some luxuries to avoid the kind of tuition increases universities project.

Students will almost surely feel the most pain. More than two-thirds of private colleges and universities plan to increase tuition next fall, according to a survey by the National Association of Independent Colleges and Universities. At half of those schools, as many as ten percent of students were already expected to withdraw because of financial hardship.

No one appears to have surveyed public universities on this question, but almost all of them are being squeezed. "When [governors] cut our budgets, there's sort of a wink and a nod that they know we're going to raise tuition, so go ahead and do it," Breneman said. "There's a deafening silence from the leadership of American higher education on this—about affordability." When reports show that tuition has increased dramatically (the National Center for Public Policy and Higher Education's *Measuring Up 2008* pointed out that tuition and fees have risen 439 percent in the last 25 years, surpassing even the 251 percent increase in medical care costs), the presidents "just get mad, because it makes it harder for them to raise tuition," Breneman said.

"Students are expecting a hefty tuition increase, come the end of this year," said William and Mary student Andrew Blasi. "When the solution is just so easy—to raise tuition—it makes it harder to convince [the universities] to cut costs." He has a point, said Nosek. "Even when you make what you consider to be reasonable increases in fees, how much of that needs to go back into aid?" he asked.

Reveley defends the price of a William and Mary degree. "A really splendid undergraduate education has enormous value, and if a family can pay for it, they ought to pay for it," he said. "If what you want is really first-rate teaching in small classes, it's got to get paid for." Yet even though the proportion of the William and Mary operating budget underwritten by the state of Virginia has fallen from 42 percent in 1980 to 18 percent today, William and Mary students "are getting an incredible deal," Reveley said. "Even the out-of-state students are getting an incredible deal." (Annual tuition, room, board, mandatory fees and incremental costs at William and Mary total \$10,300—\$19,800 for students from out of state.)

Reveley does not support imposing layoffs. "They are enormously destructive of the fabric of the school, and we don't have enough people to begin with," he said. William and Mary has 2,528 non-faculty support staff for its 7,625 students, or one for every three, half the typical ratio. "I suppose everyone says they're anorexic and miserly. But we are overachieving with a pretty small cohort of people," Reveley said. "We put less into the administrative side, which makes it harder to find places to cut when push comes to shove."

Inevitably, however, changes that are more dramatic than hiring freezes and journal cancellations will eventually become necessary, said Golding. "We are doing those things first because we have to deal with the immediate problem that's facing us, and then we can step back and look to see where there are opportunities for such things as programs we want to get out of because they don't define the institutions. And that takes time." Besides, he said, just cutting a program may not save much money: "If you have a tenured professor, you still have to deal with that obligation." And some programs generate revenue. Breneman, in his role as an administrator during the 2001 recession, proposed eliminating a master's program in his department in order to cut costs, only to find out that it had more full-tuition-paying students enrolled in it and was making money for the university.

The rain at William and Mary finally let up. The next week, Virginia's governor slashed another eight percent from the state appropriation for the college, on top of the seven percent already announced. Since October 2008, the total cuts in state funding alone had reached \$8.6 million. It was time to go back to the ledger. ◆

Jon Marcus is a writer based in Boston who covers higher education in the U.S. for the (UK) *Times Higher Education* magazine.