

The Sticker Shock of Higher-Ed:

A National Crisis?

By *Deston S. Nokes*
Class of 1981

As the father of a Willamette sophomore, Bill Krauthoefer didn't mince words when asked about the cost of higher education.

"It's expensive, extremely expensive," he said. "I think we're paying about \$20,000 per year and our daughter is receiving \$4,000 in aid. And remember that's after tax dollars. When I went to Oregon State, tuition was \$90 per semester."

Though he earns a good living as a bank executive and his wife works full-time teaching, Krauthoefer can't help but blanch at the financial commitment it takes for a quality college education.

"I think institutions like Willamette are in danger of becoming schools for affluent people," he charged. "There is no way my daughter, Anna, could pay her way. She couldn't earn it in a summer or accumulate it on her own. We have to help her and it's one hell of a sticker shock."

Higher-ed sticker shock is doing more than simply making parents and students scramble for the right kind of financing. Some are saying the sky is falling. A report released last summer by the Commission on National Investment in Higher Education asserted that skyrocketing tuition will eventually threaten the social order of our nation:

“. . . the college degree . . . has replaced the high school diploma as the entry card into rewarding employment. Those who only finish high school — or drop out — start on the lowest rung of the wage ladder and will see their real hourly wages actually decline over their working lives. Unless the nation makes a

concerted effort to raise the level of education and skill of these Americans, the wage disparities between the rich and the poor will become so large that it will threaten both Americas' social stability and its core democratic values. Widespread access to higher education is therefore critical to the economic health and social welfare of the nation."

The report continued that the deficit in operating expenses for the nation's colleges and universities will have quadrupled by 2015. Assuming tuition increases no faster than inflation, by that year U.S. colleges and universities will fall \$38 billion short (in 1995 dollars) of the annual budget they need to educate students in 2015.

But at current rates, the report claims, tuition will effectively double by 2015 and dash people's aspirations of having access to higher education. Effectively half of those who want to pursue a higher education will be shut out.

"For us it is an issue of access and equity," responded Todd S. Hutton, Willamette University's Vice President for Academic Administration. "Every administrator I know who makes decisions about tuition, including our trustees, agonizes over the cost of education. Our trustees and the administration recognize that we don't want to price qualified students out of Willamette."

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However, given that tuition for an incoming first year student is \$20,200 per year (\$26,700 including room and board), hasn't Willamette already priced itself out of reach of deserving students?

"No, because of Willamette's commitment to the student aid program," countered Hutton. "Our trustees recognize that the need for endowment for scholarships is in the tens of millions of dollars."

There is no arguing that there has been a precipitous rise in tuition, especially in light of Willamette's efforts to raise its national prominence (see sidebar). Consider that freshman in 1996 paid \$18,300 a year for four years (Willamette freezes tuition for students for five years). In 1995, tuition was \$16,400 and the year before that \$14,300.

It's more apparent than ever that, although expensive, a college education is critical to a student's future earning power. Peter F. Drucker, a professor and management expert at Claremont Graduate School and the author of 27 books, argues that the benefits of a quality education should be evaluated over the longer term. In a 1991 Wall Street Journal article, he said that a "college education is not a consumer good that will be used up and gone within a short time. It is a long-term investment in the lifetime earning power of the graduate." Since the lifetime earnings of a college graduate are about triple those of less-educated peers, it's an investment that pays off.

Willamette wants to keep its campus accessible and, according to Hutton, it is backing up its good intentions with significant dollars. Willamette is dedicating \$3.47 million in scholarship aid to this year's entering freshman class, with the average grant totaling \$9,974. When a federal loan is factored in, the average package is \$14,885 per year. That doesn't include federal grant money or work study.

"The average grant covers nearly half the tuition for

85 percent of the students," Hutton explained. "That means students on average are paying half the cost of tuition."

"Eighty-five percent of freshmen received aid," he explained, "and 70 percent received aid based on need and merit. Only 15 percent of the scholarships were awarded based on merit only. Our aim is to make Willamette accessible to students at all income levels, based upon an applicant's scholastic ability and also her extracurricular contributions to the school and community."

According to a recent article in The Lawlor Review, the creation of need-based aid is a direct result of attempts in the 1960s to promote greater diversity among students. Pell Grants, the Guaranteed Student Loan program, college work-study, are all relatively recent inventions. Before that time, scholarships meant you were bright, not needy.

Nowadays it seems need-based aid is the only thing that makes a college education a realistic aspiration for many families. But what if need-based aid begins to disappear?

According to the Lawlor Review article, some schools are "testing the marketplace" by quietly reducing need-based financial aid. The strategy is called "gapping." If a student needs \$10,000, a college may provide about \$8,000 and see if the student can come up with the additional \$2,000 elsewhere. The article asserts that some schools are unable to meet the gap between what the school can provide and what the family can pay.

Hutton admits that some colleges are starting to shift admissions based on the ability to pay, which gives credence to the dire warnings contained in the report by the Commission on National Investment in Higher Education. But he recoiled at the notion that Willamette is headed in that direction.

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“We are looking for ways to increase our commitment to financial aid,” he said. “Currently we’re working on a proposal to create a \$1.02 million endowment to help the children of alumni have access to a Willamette education.”

But there is no doubt that the nationwide problem of rising tuition, coupled with the specter of diminishing financial aid, is igniting a national debate over how to address the issue.

The Commission on National Investment in Higher Education makes the following recommendations:

America’s political leaders — at the Federal, state and local levels, should reallocate public resources to reflect the growing importance of education to the nation’s economic health and social stability. Public funding of education has stagnated since 1976 and its time to reverse this policy.

Higher-ed institutions should make structural changes to better enable decision makers to assess the relative value of educational programs and reallocate resources to those programs. This entails improving performance-based assessment, defining and measuring faculty productivity and integrating accounting systems.

Higher-ed institutions should pursue more mission differentiation instead of striving to become full-service campuses, especially in statewide systems. Community colleges, undergraduate universities and research universities should embrace different missions, and reduce or eliminate more marginal activities.

Higher-ed institutions should develop sharing arrangements to improve productivity. A greater sharing of resources could lead to significant savings and service improvements.

The appropriate level of education in America must be redefined. All citizens planning to enter the workforce should be encouraged to pursue - at a minimum - some form of postsecondary education or training.

To carry out such changes, the addition of public resources is critical. Hutton wishes that he could be more optimistic about that prospect, but in the short term, it doesn’t appear likely.

“It’s difficult to prognosticate what will come out of Congress,” Hutton said. “Although they recently passed a college tax credit bill that will help families a bit, I still don’t foresee any major change in resources coming from the federal government.

“In fact, there is a proposal before Congress to eliminate the Perkins Loan program, which is for the lowest income students. Perkins loans have helped many Willamette students reduce the gap between the package we can offer and what is owed. More money may be shifted by Congress to the Stafford Loan program, but that carries a higher interest rate.”

In the meantime, Bill Krauthoefer will continue to be concerned about the huge financial commitment his family makes for his daughter’s education.

“Don’t get me wrong, the quality is great,” he said. “It has small classes, excellent instructors and great opportunities. But I have to wonder that at what point is it worth the cost in usable benefit as opposed to a state school.”

However, an article in the Oct. 13 issue of the Oregonian listed the debt burden of various institutions. Among students earning an undergraduate degree in 1997, the average University of Oregon graduate had a debt burden of \$17,500, Oregon State University students averaged \$15,716 and Reed \$13,184.

“Willamette’s average debt burden was \$16,000, and just under \$15,000 for those who received need based loans,” Hutton said. “Therefore, the issue of whether the state schools are a bargain is one that can be debated.”

Still, Hutton realizes that there is no diminishing the financial pressures. “We sympathize and empathize with parents faced with extraordinary educational costs,” he said. “By the same token, a high-quality

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education will require a significant financial investment on the family's part, and decisions about priorities must be made. I know that is more easily said than done."

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Willamette's aggressive efforts to raise its national reputation as a topnotch liberal arts university has contributed to rising costs. According to Todd S. Hutton, Willamette University's Vice President for Academic Administration, the following items are specific costs affecting operational budgets:

Attracting/Retaining Top Faculty — Willamette is striving for national prominence by retaining the best faculty it can afford. The university is close to being above the median in faculty salaries of the best higher-learning institutions in the country. Willamette is in the midst of a four-year effort to boost faculty salaries and reduce the student-to teacher ratio from 12:1 to 10.5:1. Cost: \$1 million.

Technology — Students are demanding quality improvements in technology. In the last seven years, Willamette has spent \$8 million on technology alone. While foundation dollars have contributed greatly to the upgrade, there are significant operational costs. Whereas Willamette used to be resource poor in technology, Hutton now boasts that Willamette is in the vanguard of the Pacific Northwest's higher learning institutions.

New Construction/Renovation — While construction is primarily funded through gift money, the operation of new facilities requires more money. The new Olin science building has placed an additional burden on operational dollars, as has the investment in improved science equipment and technology. The university's new concert hall will require a new technical director to manage the building as well as Smith Auditorium.

Student Affairs — Willamette is working to improve student services by adding additional security personnel and a counselor. Salem is now the second most populated urban area in the state and staying on top to safety is an important priority.

Athletics — A new health facility was constructed and organized, staffed intramural activities have been added. Men and women crew teams have been added as well.