Wrestling Rising Costs with Innovation

Although higher education leaders cannot fully control the price of a college degree, many institutions and policymakers are looking at creative ways to deal with the rising cost of educating students.

Context

While tuition costs are likely the most talked about topic in higher education, focusing on the institutional finance is equally important. The growing expenses associated with educating students is often a catalyst for rising tuition and fees, and they play a large role as educators plan for the future of their institutions.

To assess the overall outlook of higher education costs, economists and education leaders often look at the annual Higher Education Price Index (HEPI), a calculation that measures inflation for college and university goods and services. In 2006, higher education institutions saw prices jump 5.0 percent, compared to the Consumer Price Index that rose just 3.8 percent. The 2006 calculated HEPI included significant price increases in several areas, such as utilities, where prices soared 27.1 percent in one year

alone. Also noteworthy are the price increases of supplies and materials, rising more than 8 percent while administrative salaries and fringe benefits both grew 5.0 percent. These high costs often saddle institutions with tough budget decisions, like delaying capital projects, canceling classes, laying off staff and faculty and raising tuition and fees.

Efforts to control costs while retaining, and even improving, the quality of education are underway across the nation. Leaders on the institutional, legislative and association level are all exploring new ways to confront these issues and implement creative and efficient ways to ensure that rising costs do not impede students from a quality higher education.

Observations

In creating partnerships, institutions are able to share valuable resources and lower costs in areas

such as data networks, library materials and large-scale purchases.

While new technologies are often essential to keep campuses current, rising costs drive many institutions to look for new ways to fund these purchases. In fact, a 2004 Educause survey found that more than one-third of institutions were planning to implement consortia or shared purchases to deal with budget cuts. An additional 56.2 percent said they were considering such an effort. The University of Massachusetts at Amherst, along with four colleges in western Massachusetts did just that. The institutions dropped the increasingly expensive broadband service provided by Verizon and instead created their own network connecting all five campuses. In addition to building the $3.34 million network, the Five College Consortium shares educational and cultural resources, academic departments and programs and inter-campus transportation.

Institutions in several states have similarly partnered with neighboring schools to lessen the effects of costly library materials. Thirty-three institutions in Oregon and Washington, including the Oregon Institute of Technology and Western Washington University are part of the Orbis Cascade Alliance. The consortium of academic libraries contains almost 28 million items, two-thirds of which are owned by only one institution.

On an even greater scale, some consortiums were developed to give students and institutions more opportunities at a lesser cost. The Massachusetts-based CONNECT is a partnership of five public higher education institutions, including Bridgewater State College, the University of Massachusetts Dartmouth and three community colleges. Its goal is to share expertise and resources, enhance academic programs and foster economic development in Southeastern Massachusetts. It accomplished this through a collaborative banking services bid process that saved three of the institutions approximately $100,000 in banking fees.

As energy costs continue to climb, educational leaders and policymakers are becoming more attuned to the importance of sustainable energy and other green policies.

Legislators around the country are looking to bring energy efficient policies to their states in order to encourage sustainability and manage the growing price of powering their campuses. This year California legislators are debating whether to require all newly built or renovated state buildings to adopt sustainable building standards. In Montana, policymakers are discussing a bill that requires energy efficiency audits in all state-owned buildings. Other Big Sky Country legislation would create various energy conservation projects, including energy efficient buildings at Montana State University College of Technology in Billings.
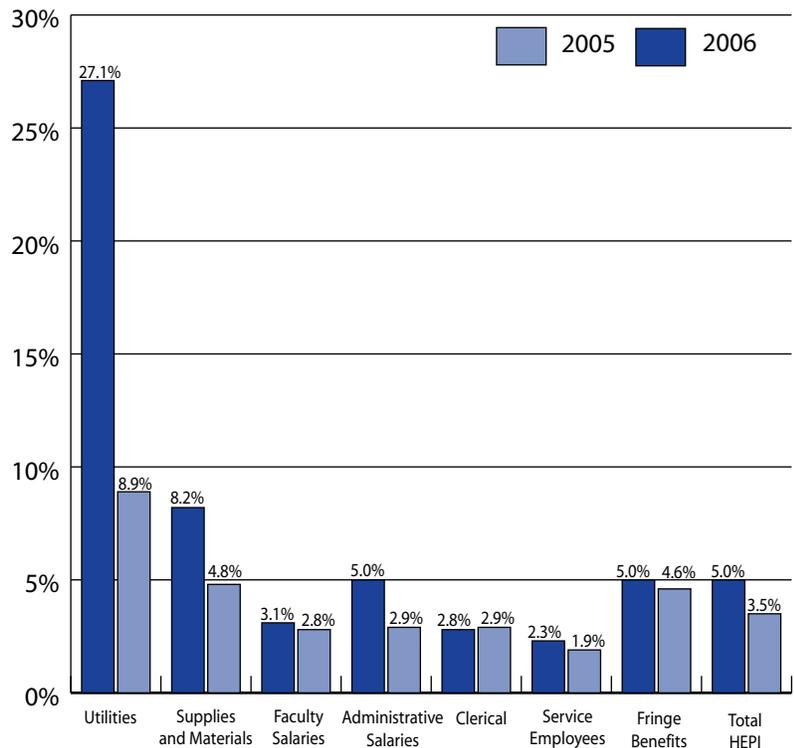
On an even larger scale, Wisconsin Governor Jim Doyle announced in September 2006 that the University of Wisconsin-Green Bay, Oshkosh, River Falls and Stevens Point will take part in a pilot program to make their campuses completely energy independent by 2012. Upon completion, the schools will be the first state-owned facilities capable of acquiring or producing renewable energy equivalent to their consumption.

While policymakers are making these decisions, institutions are bringing energy-efficient and lower-cost strategies to their campuses. The University of South Carolina's housing office recently implemented several environmental initiatives that demonstrated savings and environmentally sound policies can go hand-in-hand. University housing replaced all of its computer monitors with flat screen LCDs to save $8,000 with projected savings of up to $976,400 annually if the entire campus followed suit. In addition, they also switched their washers and dryers to high efficiency front-load ones, use alternative fuel vehicles, and ramped up recycling efforts, all saving the university thousands of dollars.

Moving forward, technology is seen as a cost-effective way to educate more students by keeping costs down, and improving quality.

Creating entirely new technology systems or just replacing old programs with more efficient ones are fast becoming ways institutions can lower costs. A Mississippi bill introduced this year would establish grants for students taking online courses, which are often less expensive to produce than classroom based ones. In Missouri, proposed legislation would require

Breakdown of Higher Education Price Index, 2005 and 2006

	2005	2006
Utilities	8.9%	27.1%
Supplies and Materials	4.8%	8.2%
Faculty Salaries	2.8%	3.1%
Administrative Salaries	2.9%	5.0%
Clerical	2.9%	2.8%
Service Employees	1.9%	2.3%
Fringe Benefits	4.6%	5.0%
Total HEPI	3.5%	5.0%

Source: Commonfund Institute—*Higher Education Price Index 2006 Update*.

every state governmental body to migrate to the less expensive state-owned fiber optic network for all telecommunications, video and data services.

On a national level, the National Center for Academic Transformation works to find effective uses for information technology in order to improve student learning and reduce the cost of higher education. The association studied 30 institutions from across the country that used technology-based methods as a way to redesign their coursework. Those schools reduced costs by an average of 37 percent, saving of $3.1 million in operating expenses each year. As an example, at Florida Gulf Coast University, administrators redesigned its Understanding the Visual and Performing Arts courses. All students were moved into a single, fully online section with a common textbook, assignments, website and small

cohort groups that reduced the cost-per-student from $132 to $70.

Conclusion

As the price of educating postsecondary students continues to outpace inflation, the higher education community will be tested in finding ways to offer access to a growing number of students. Leaders in both the education and legislative communities are searching for new means to cut costs while increasing quality and efficiency on campus. Whether by partnering with other institutions, implementing green policies or using advanced technology, all schools can benefit by implementing reflective policies in their institution.

Resources

American Association of State Colleges and Universities (AASCU). AASCU devoted its July/August 2006 *Public Purpose* magazine to cover the issues related to sustainability at public higher education institutions. The issue discusses ways institutions implement sustainability policies on its campuses, in its classrooms and bridging them to the business world. AASCU is also a member of the Association for the Advancement of Sustainability in Higher Education.
aascu.org/public_purpose/july_august_06.pdf
aashe.org

Educause. Educause's Center for Applied Research conducted its *Information Technology Funding in Higher Education* study in 2004, chronicling a host of financial management practices related to Information Technology in higher education; describing the state of the practice in this critical area; and identifying funding practices that appear to contribute to the overall effective function of the Information Technology operation.
educause.edu/

Lumina Foundation for Education. The Foundation launched its College Costs: Making Opportunity Affordable initiative, creating a national dialogue on the rising cost of college. To help generate constructive ideas for solutions, the Lumina Foundation produced a series of publications addressing this issue including *Collision Course: Rising College Costs Threaten America's Future.*
collegecosts.info/

The National Center for Academic Transformation (NCAT). NCAT is an independent non-profit organization dedicated to the effective use of information technology to improve academic quality and reduce the cost of higher education. The association's website includes case studies of scores of course redesign projects that used technology to achieve cost savings as well as quality enhancements. Some of these projects are discussed in the organization's *Increasing Success for Underserved Students.*
center.rpi.edu