

# A Conversation About College Costs\*

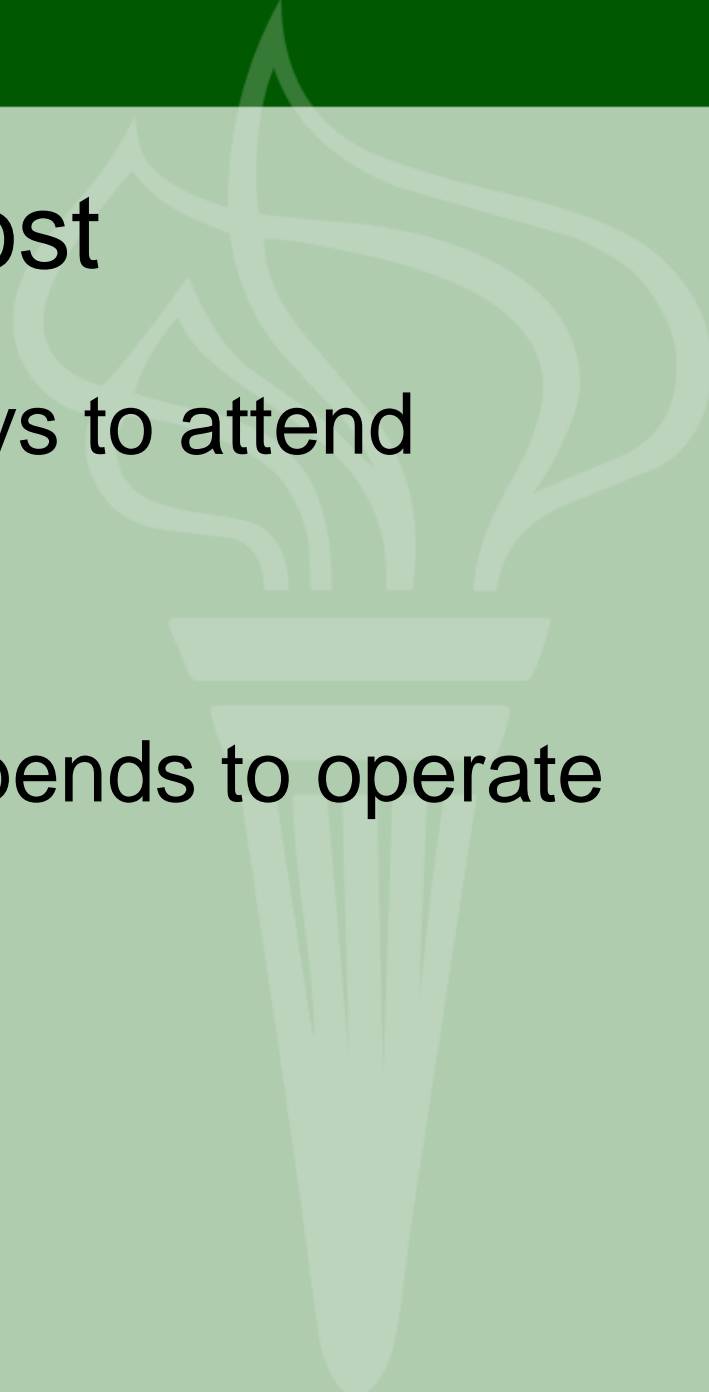
C. Middleton  
Academic Council  
February 9, 2007

\*Lucie Lapovsky, AGB Presentation  
November 14, 2005  
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# Budgets

- Revenues-
  - Tuition and fees
  - Research/public service grants
  - Private giving (including investment income)
  - Sale of services
  
- Expenditures-

## Price vs. Cost

- Price is what a student pays to attend college
  - Cost is what the college spends to operate
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# Price

- Published price = tuition
  - Net price = tuition minus all financial aid
  - Price is usually lower at public institutions (for in-state students) than at private institutions
  - Price does not cover cost
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# Cost Differences/Variables

- Cost structures differ significantly by type of institution
- Cost differs by location, cost-of-living, etc.
- Cost differs by the market basket of goods and services the college offers
- Cost differs by the way a college operates
  - Scheduling (use of facilities)
  - Size of classes

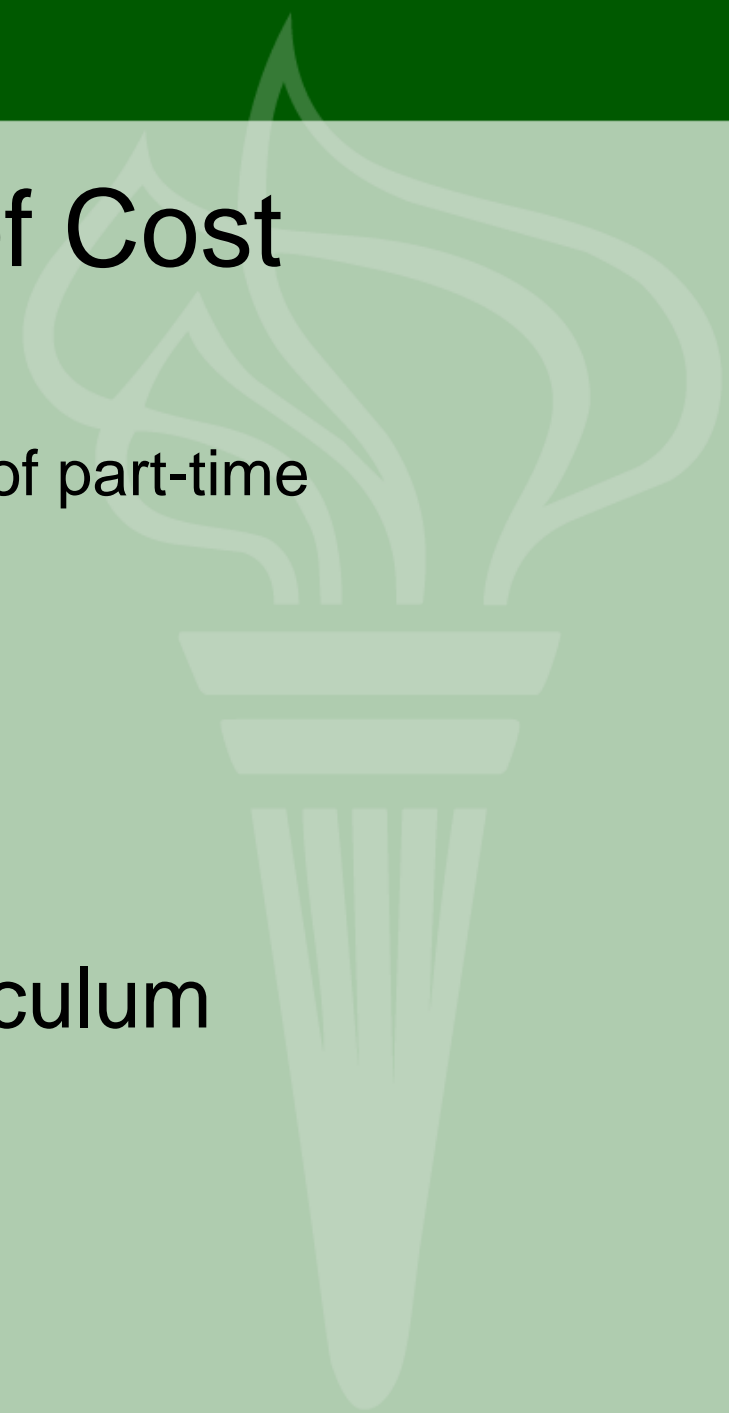
# Types of Cost and Capacity

- Fixed Costs
- Variable Costs
- Average Costs
- Marginal Costs



# Major Drivers of Cost

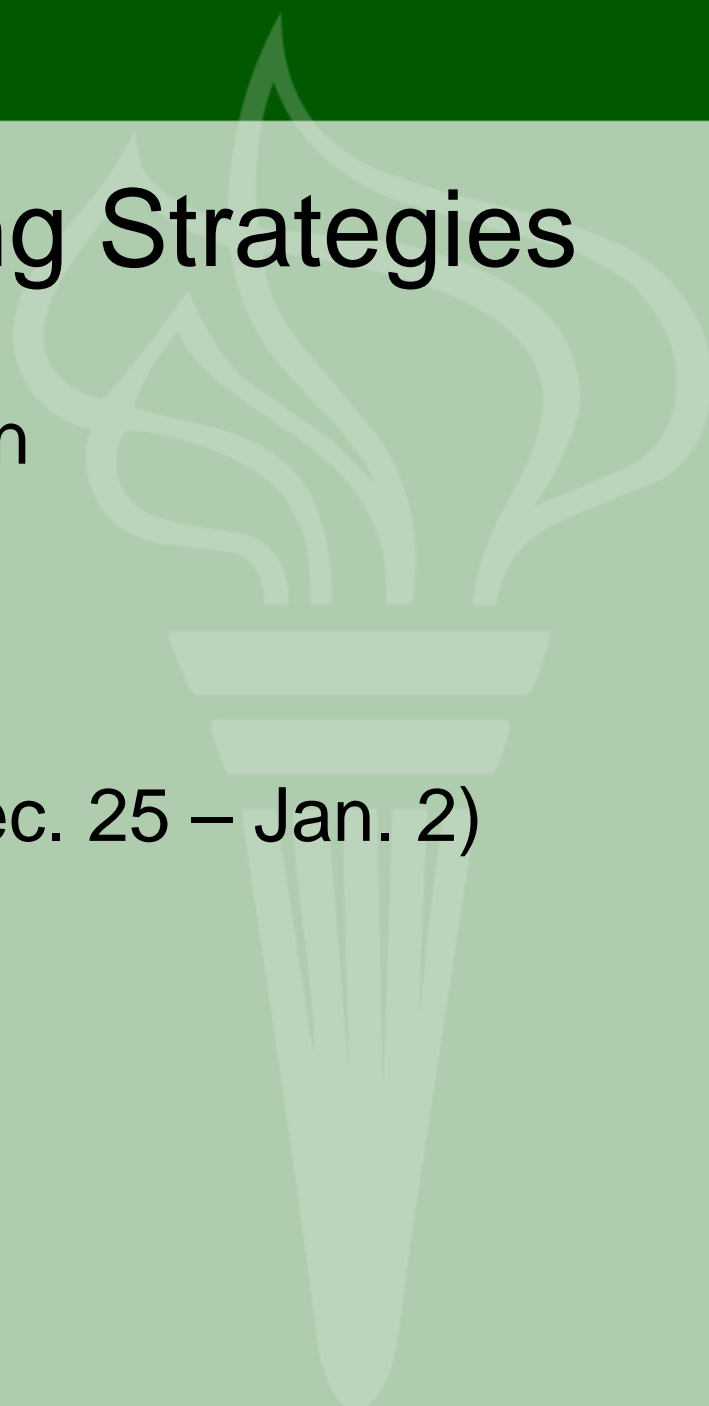
- Faculty
  - Number of full-time vs. number of part-time
  - # of courses taught per year
  - # of students taught per year
  - Other workload expectations
  - Average Salaries
- Academic Programs/Curriculum
  - Breadth - # of majors, etc.
  - Number of Courses
  - Average class size



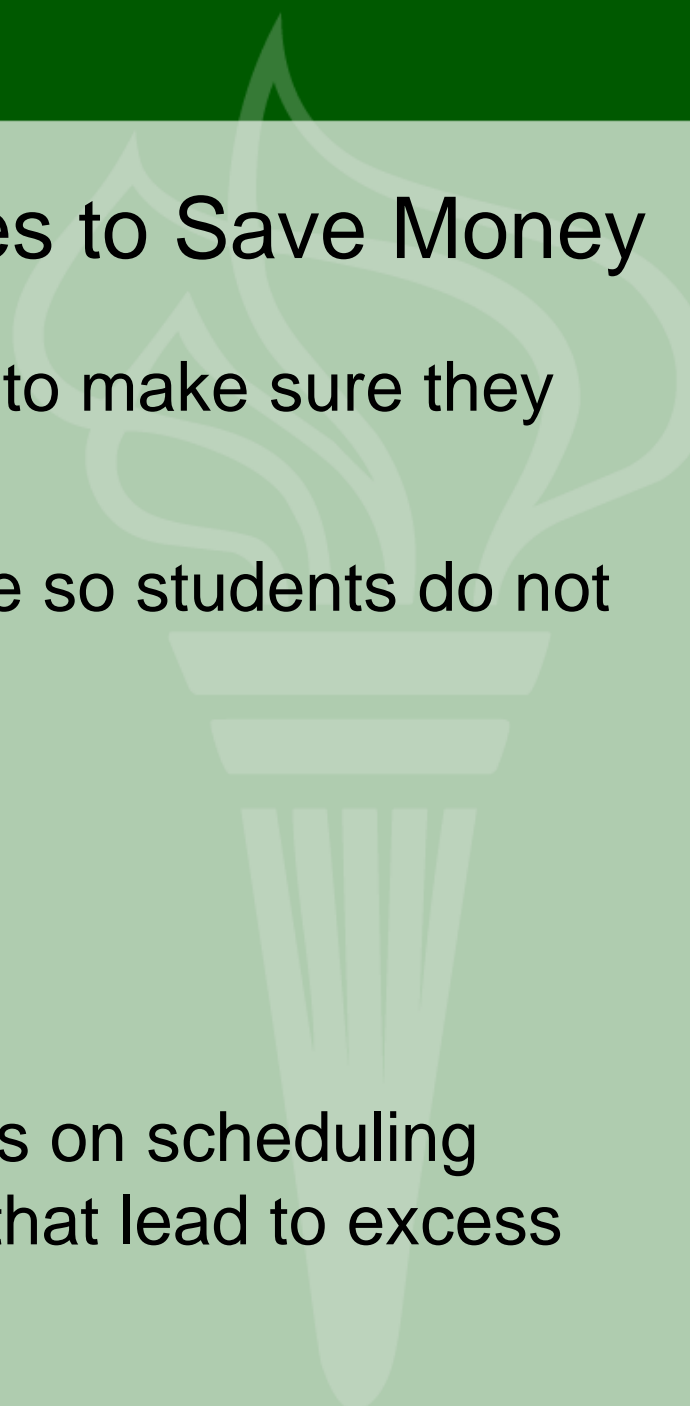
# Major Drivers of Cost (cont.)

- **Facilities**
    - Size of campus
    - “Club Med” amenities
    - Intensity of use
    - Use relative to capacity
  - **Support Services**
    - Student Affairs (e.g. Residence Life, Career Services, etc.)
    - Financial Services (e.g. Bursar, Financial Aid, Payroll, etc.)
    - Academic Support (e.g. Advising, Registration, etc.)
  - **Co-curricular activities**
    - Club sports, concerts, speaker series, etc.
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# Traditional Cost Saving Strategies

- Energy and water conservation
  - Outsourcing
  - Consortia/Group purchasing
  - Forced holidays (e.g. close Dec. 25 – Jan. 2)
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## Traditional Academic Initiatives to Save Money

- Review academic requirements to make sure they are not excessive
  - Ensure that advising is adequate so students do not take unnecessary courses
  - Fill up classes
  - Eliminate duplicate classes
  - Better articulation agreements
  - Inter-departmental collaborations on scheduling (times plus competing sections that lead to excess capacity)
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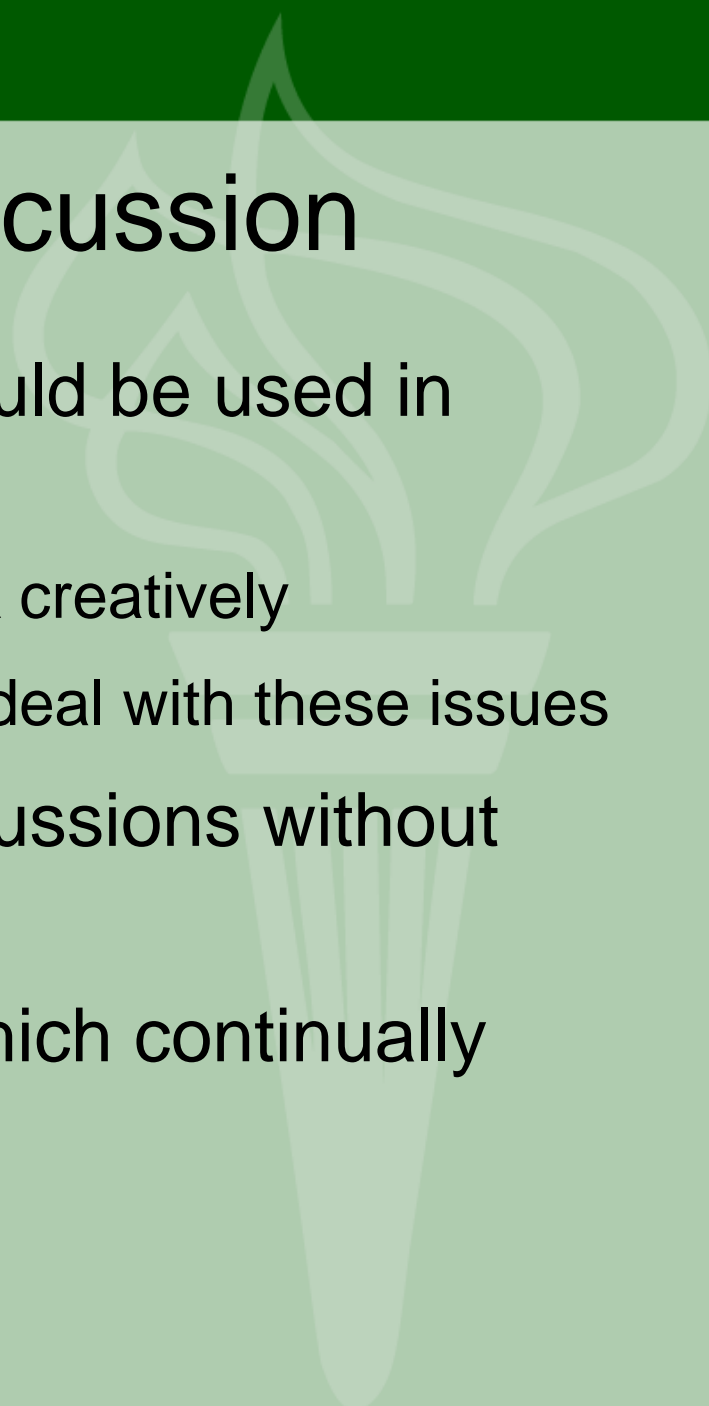
## “Newer Strategies”

- Year round calendar -- utilize the campus fully all year
- Technology initiatives, especially in core courses with high percentage of total enrollment
- Reduce time to graduation (e.g. require fewer hours; “credit” for life-experience, etc.)
- New initiatives: phased retirements (provide retirees with supplemental health insurance)

# Motivations for Cost Containment

- No choice: Significant reduction in resources – enrollment declines, reduced public support, etc.
- Contain tuition increases-public mood these days
- Reallocate resources to higher priority areas without significant price increases

# Questions for Discussion

- What is the language that should be used in discussing these issues?
    - Need to motivate people to think creatively
    - Need to maintain morale as we deal with these issues
  - How can we have honest discussions without headline risk?
  - How can we instill a culture which continually looks to operate efficiently?
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## Questions (cont.)

- What process should be used to effectively motivate cost containment?
  - How do you effectively use incentives to encourage cost reductions?
  - What are the appropriate roles for the Board, the administration and the faculty?
  - What other areas are there for cost containment/reduction?
  - Other issues and questions.
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