The Path to Stagnation for Higher Ed Providers

> How issues of cost and price are holding colleges and universities back from serving the underserved.

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As we approach the moment of truth in higher education, we must recognize that there are push forces and pull forces affecting the disruption of traditional higher education. Stated generally, push forces stem from the successful elements of the traditional model, which become problematic in a changing marketplace. As disruptive change occurs, push forces' impact on institutions can discourage and undermine our ability to respond to change. That, in turn, compromises the high aspirations we hold for higher education and frustrates our ability to adapt and fulfill the promise higher education holds for many previously underserved people.

Most of the push forces are self-inflicted. As mentioned earlier, they are the seeds of our previous success returning as liabilities in a time of change. There was a golden age in which higher education prospered and drove positive change across the society relative to what had been the previous status quo. As stated in a recent article by the Georgetown Center for Education and the Workforce (CEW), "Five Rules of the College and Career Game," the following facts are clear.

- "Since 1950, the number of colleges has more than doubled and the number of students has increased tenfold";
- "At the same time, the number of distinct occupations has tripled to more than 800"; and

- “Postsecondary programs more than quintupled in numbers from 1985 to 2010.”

This extraordinary record of growth, in programs and students, mirrors the changes in the society and the economy. We are a nation of builders. And, as the opportunity train gained speed, we built ever more tracks to guide its progress. But there was a growing problem, largely unnoticed until recently: the cost of higher education was exploding.

At the same time that colleges and students were expanding dramatically, along with job classifications, the CEW reports another big increase. Their research shows that “since 1980, tuition and fees at public four-year colleges and universities have risen 19 times faster than average family incomes.” (Don’t ask about private institutions.) Costs rising at exponential rates compared to family incomes have increasingly compromised the value of college as well as individual and institutional futures.

There are several reasons for this escalation in costs. They include:

- the belief that college completion enhances social and economic opportunity,
- competition among colleges to provide niceties for students as birth rates leveled off and the number of 18-year-olds stagnated, and
- the mushrooming availability of subsidies in the form of student loans and discounts in the 1980s and beyond.

For example, many colleges invested in new programs, fancy facilities and other amenities in order (they hoped) to compete successfully for a dwindling number of 18-year-old students. They paid for it all by increasing tuition, room and board fees while maintaining package pricing so that the shelf price was the same for all students. And that dramatically increasing price, in turn, was paid for by students and their families using personal loans, Pell Grants and subsidized loans when qualified. Put differently, in too many cases, students and their families have paid for this inter-institutional competition with long-term debt and financial compromise. Having incubated for more than three decades, this previously hidden cost -- student debt -- has exploded in the public mind just as lower-cost alternatives have begun to surface.

Discounting, another form of subsidization administered by the institution, is simply financial aid provided by the college in the form of reduced tuition and fees. The problem with discounting comes when, because of declining enrollments, the college needs the revenue lost to discounting while the higher institutional costs cannot be reduced. They subsidized the growth of facilities and programs with enrollment volume. Then, when enrollment declined, the overhead cost of doing business remained high, putting the institution in deep trouble. When tuition and costs rise at 19 times the increase in family income, something has got to give.

My next blog will discuss the impact on learners of escalating costs.

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