



Trends in College Spending ***Where Does the Money Come From? Where Does It Go?***

Executive Summary

About Trends in College Spending

The report, the second from the Delta Project on Postsecondary Costs, Productivity, and Accountability, examines revenue and expenditure data for nearly 2,000 public and private non-profit colleges and universities (representing more than 75 percent of higher education enrollment) and analyzes recent trends, focusing on the period from 2002 to 2006. It is the most up-to-date and comprehensive assessment of higher education finance in the nation.

Highlights

Trends in College Spending analyzes recent patterns in higher education finance by looking at six primary metrics:

Revenue

- The shift away from public funding of institutions continues, with most of the new money in higher education coming from tuition and fees, private gifts, and grants and contracts. Much of the new revenue is restricted by the donor, and is not available to pay for core educational programs. At public institutions, state appropriations per student declined from 2002 to 2005 and rebounded slightly in 2006, but did not rebound to earlier levels.

Spending

- From 2002 to 2006, total spending on education and related services declined for all types of institutions except research universities. Additionally, the share of educational spending dedicated to classroom instruction declined at all types of institutions from 2002 to 2006. By contrast, spending on academic support, student services, administration, and maintenance increased as a share of total educational costs over the same period.

Student Share of Educational Costs

- Students are paying more of the total cost of their education at all institutions except private research universities. From 2002 to 2006, the share of educational costs represented by student tuition rose from just over one-third to nearly one-half at public four-year institutions. At private master's and bachelor's institutions, students are paying between 75 and 85 percent of the full cost of their education.

Spending and Enrollment

- The fastest enrollment growth is occurring at the institutions that spend the least per student and have seen little or no total spending growth over the most recent five-year period.

Spending and Tuition

- At public research universities, nearly all of the revenues from student tuition increases from 2002 to 2006 (92 percent) were used to offset revenue losses from other sources, primarily

state appropriations. At public master's institutions and community colleges, all of the revenues from increased tuition during this period replaced losses from other sources.

- At private colleges and universities, tuition increases fueled increased spending. Nearly three-quarters of educational spending increases at private research universities from 2002 to 2006 can be linked to increased tuition.

Spending and Results

- Over the past decade, spending per completion (certificates or degrees) has remained fairly steady at public colleges and universities, despite modest year-to-year fluctuations. From 2002 to 2006, spending per completion rose at private research universities, and declined or remained stable at private master's and bachelor's institutions.

Why Metrics Matter

The story told by the metrics in *Trends in College Spending* is relevant and urgent because:

- Tough choices loom, and these choices should be guided by data. Campus and university system boards and state policymakers face difficult decisions about spending and priorities in light of the economic meltdown. If institutions are to restrain tuition hikes without sacrificing the quality of their educational programs, they need to use data to target resources to priorities that will pay off in getting students to and through college. Yet very few institutions or states actually look at spending data as part of the budget process.
- The call for financial transparency in higher education is growing louder. Policymakers and the public are showing increasing skepticism about spending in higher education, questioning whether tuition increases are helping to expand access and improve quality. The data in this report show that this is a valid question. If colleges and universities want to successfully compete for increasingly scarce public dollars, they must be more transparent about where the money comes from, where it goes, and what it buys—in language that makes sense to consumers and policymakers.
- Students are paying for more—and arguably getting less. The economic downturn is likely to bring another round of above-average tuition increases, which means that students will be paying for a larger share of the total educational bill even as less goes to pay for classroom instruction. This will raise new questions about the appropriate role for tuition as a funding source for research, graduate, and professional education, or for high-cost programs that are no longer being subsidized by the state or the federal government.

Resources

In addition to *Trends in College Spending*, the Delta Cost Project has produced other materials that provide information for higher education leaders, policymakers, and reporters about the data, including:

- Fact sheets for each state on key measures of college spending and spending in relation to results.
- Frequently asked questions (FAQs) about the data and what they mean.
- A summary of the core metrics for gauging trends in revenue, spending, and spending in relation to results.
- An action guide for campus/university system leaders and policymakers about how they can use these data in decision-making, including current examples of good practice.