



Stop the Tuition Madness

WILL SOARING PRICES PUT YOUR CHILD'S COLLEGE DREAMS OUT OF FINANCIAL REACH? NOT IF YOU—AND THE COUNTRY—TAKE THESE STEPS TO RESTORE SANITY TO HIGHER EDUCATION.

BY KIM CLARK & PENELOPE WANG

FOR PARENTS WITH college-bound kids, it seems like a no-win situation. Your child is eyeing the grassy quads and Gothic dorms of Dream U., while you're staring down at a too-small 401(k), a shaky job market, and a house worth a lot less than a few years ago. Meanwhile, colleges are bidding up tuition prices faster than a hedge fund manager at an art auction. Over the past 10 years the cost of private college has jumped more than 60%, nearly three times as much as incomes over the same period, and will now set you back \$42,000 a year on average. Prices at public colleges have shot up even more, nearly doubling to \$21,000 for in-state students. Got younger kids? By 2020 you're looking at a four-year bill that's likely to top \$240,000 for private schools and \$155,000 at public universities. Sure there's financial aid, but

scholarships aren't keeping up with tuition inflation. So long, retirement hopes; hello again, boss.

Your children will suffer, too, if they're forced to start their adult lives with onerous debt. "Student loans can affect every decision young adults make: whether they can go to graduate school, buy a house, even start a family," says Patrick Callan, president of the Higher Education Policy Institute.

It doesn't have to be this way. As you'll see on the fol-

lowing pages, there are ways to halt the tuition spiral, evidenced by innovative programs already working at dozens of colleges across the country. If enough of them were widely embraced, college would certainly become more affordable. Tools are also being developed to help you assess whether a particular school is worth its high price tag. Can't wait for reform? You'll also find four strategies to keep your personal college costs in check, now or in the near future.

What Leaders Can Do

Innovative ideas to tame tuition hikes are springing up in higher-ed circles. These four show real promise.

REFOCUS ON ACADEMICS

Over the 10 years that ended in 2009, spending by large public universities on instruction rose

about 10% in real terms, reports the Delta Cost Project, a nonprofit that analyzes college expenses. Meanwhile, spending on student services jumped 19%, and outlays for operations shot up 20%, as the bills for everything from maintaining lavish dorms and spa-like gyms to salaries for the legions of administrators it takes to run large universities these days took their toll.

Colleges don't have to cut into academic programs, though, to keep rising costs in check, as shown by a report last year from McKinsey

on highly efficient colleges. Among the easier-to-implement ideas: shifting some services online and outsourcing dining and IT. Many of the practices actually improve the educational experience for students. A mentoring program at Southern New Hampshire University in Manchester, for example, keeps costs per student low by helping ensure students are not wasting money on unnecessary credits. And a shift to a year-round calendar at Brigham Young University in Idaho has led to a 32% drop in costs per student, with

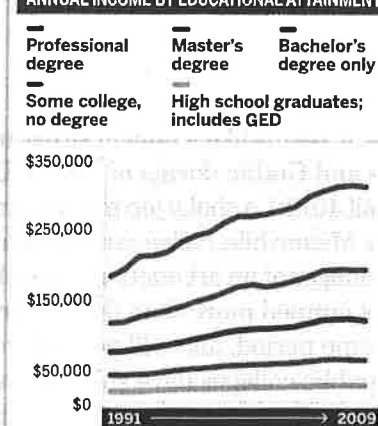
SOARING TUITION COSTS TAKE A HEAVY TOLL

ABA or better is increasingly vital to financial security ...

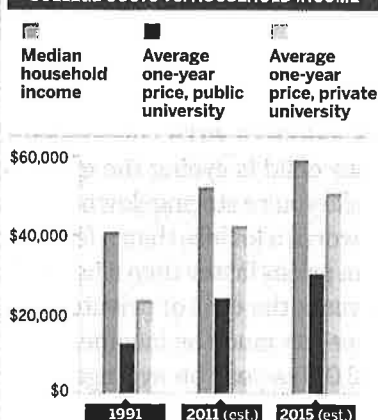
...but that degree is getting tougher for many families to afford.

Result: More students start their post-grad life hobbled by debt.

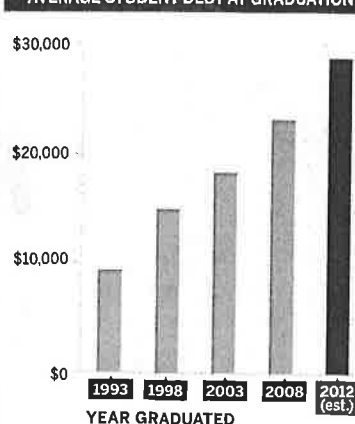
ANNUAL INCOME BY EDUCATIONAL ATTAINMENT



COLLEGE COSTS VS. HOUSEHOLD INCOME



AVERAGE STUDENT DEBT AT GRADUATION



NOTES: Stats not adjusted for inflation; college costs include tuition, room, board, fees, books, and incidentals; debt chart includes both federal and private student loans.
SOURCES: Census Bureau, Moody's Analytics, U.S. Department of Education, Finaid.org

Campus Security/Safe Walk



University
of Victoria

STUDENT
AMANDA GESTEN



Strategy: Go to a Lower-Cost College Abroad

◀ **Amanda Gesten, 19, Santa Fe**

MAJOR: BUSINESS

HER TOTAL COLLEGE COSTS: \$115,000

ESTIMATED SAVINGS: \$50,000

extra tuition revenue more than offsetting a rise in faculty costs.

A bigger, bolder move to hold down costs: Boost the number of hours professors teach. Using data from the University of Texas at Austin, Richard Vedder, head of the nonprofit Center for College Affordability and Productivity, concluded that the average public research university could reduce its faculty size at least 25% by requiring professors to teach one or two more classes a year. While some faculty argue that heavier teaching loads would impede research—and could spur some teachers to flee to private colleges—Vedder's data show that many UT professors successfully juggle large teaching loads and research.

Then there's the ultimate sacred cow: college sports. Spending on athletics has accelerated at twice the pace of spending on academics, according to the Knight Commission on Intercollegiate Athletics, even though most programs lose money. Of the top 120 Division I football teams, for example, only 22 showed a profit last year. Defenders say those programs are still valuable because they can lead to a spike in admissions

applications and alumni donations.

Yet research on the impact of championship teams finds mixed results at best. A big win can lead to a short-term surge in applicants but may not draw top-quality students. Nor is there clear evidence of a sustained rise in alumni giving, says Jonathan Meer, an economist at Texas A&M. Of course most sports fans look beyond the cost-benefit analysis. "There's a spillover effect when your team wins—you feel proud of your school—and that's something that needs to be taken seriously," says Duke public-policy professor Charles Clotfelter, author of *Big-Time Sports in American Universities*.

Prospects for success Financial turmoil is finally forcing most colleges to take cost cutting seriously, says Jane Wellman, executive director of the Delta Cost Project. Many state schools in particular, however, are seeking quick cuts by dropping programs or consolidating depart-

ments. There's no widespread move for the broader reforms outlined by McKinsey and Vedder. One encouraging sign: The pace of athletic spending at least seems to be slowing. Among the top 120 programs, median expenses rose less than 2% last year, vs. about 11% in 2009.

LEVERAGE TECHNOLOGY

High technology—long an expense blamed for fueling tuition hikes—is starting to pay off in big efficiencies as colleges use sophisticated software to slash electricity and phone costs. Students are seeing direct benefits too. Several hundred professors around the country are ditching traditional textbooks in favor of free open-source e-textbooks or low-cost print-on-demand books that cost hundreds of dollars less a year.

In the best cases, cost-saving technology also helps students learn better. Case in point: More than 300 schools, from public flagships like the University of Alabama to private

Strategy: Pay With Future Earnings

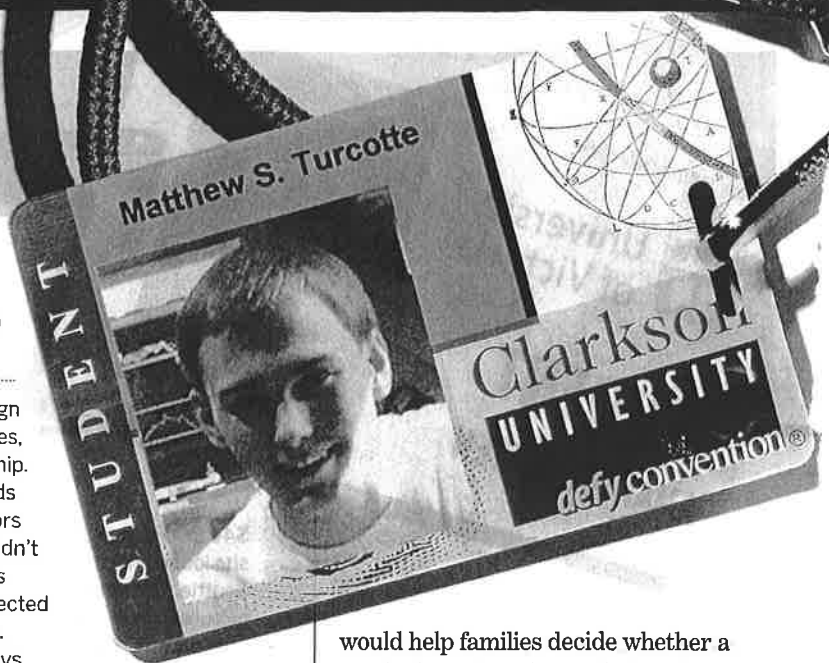
Matthew Turcotte, 19, Clayton, N.Y. ▶

MAJOR: BUSINESS

HIS COLLEGE BILL (FOUR YEARS): \$53,000

ESTIMATED SAVINGS: \$150,000

Turcotte has traded 10% of his growing web-design firm, which specializes in sites for small businesses, to Clarkson in exchange for a full tuition scholarship. It's not easy: On top of his classes, Turcotte spends at least six hours a day managing his contractors and meeting with clients. Last winter he often didn't leave his office until midnight. But his professors give him extra help. And the president has connected him to alumni interested in hiring his company. "The college is continually checking on me," says Turcotte. "They see this as a long-term investment."



would help families decide whether a particular college is worth the price. "Parents want to know they aren't wasting their money," says Julie Morgan, a policy analyst for the Center for American Progress, a think tank.

Pressure from parents and government officials is finally beginning to yield better data. More than 500 schools have used the Collegiate Learning Assessment, a test of student gains in reasoning and critical thinking; 1,400 have participated in the National Survey of Student Engagement, which gathers data on students' academic experiences. Of those, about 500 have gone public with results (go to nsse.iub.edu). Starting next year, data for more than 300 four-year public colleges will be posted at collegeportraits.org.

It's even tougher to find out how many graduates land jobs and how much they earn. Starting next June, however, for-profit colleges and some vocational programs will be required to report data on graduate debt burdens and jobs. Some experts believe nonprofit schools could be next. "A system will be in place to link Social Security income data with loan repayments, so Congress could

colleges such as DePaul, are lowering costs by reducing the number of traditional lectures, and replacing them with mandatory skill drills at tutor-staffed computer labs. The National Center for Academic Transformation reports math courses that blend teaching software and personal interaction with faculty cost about 30% less per student than traditional courses while improving pass rates. "You only learn math by doing it, not by watching it being done," says Ray Purdom, who runs a learning center at the University of North Carolina at Greensboro. Similar results have been shown for science, language, and psychology classes.


Prospects for success Skeptics worry about replacing teachers with computers, partly because some research shows higher failure rates in online courses. Fully online classes, however, are very different from the blended approach advocated by educators like William Powell, associate provost of the University of Southern

Mississippi, which redesigned several courses as tech-lecture combinations and watched costs go down and grades up as a result. "Sometimes you have to be slapped in the face by innovative ideas," he says.

One sticking point: the capital needed for course redesigns and computer labs at a time when budgets are being slashed. Leaders like William Kirwan, chancellor of the University System of Maryland, are instead tapping private donors for funding. Thanks in part to lower-cost, tech-enhanced classes, the university's College Park flagship has raised tuition only 6% since 2007, vs. 22% for the average public.

MAKE THE PAYOFF CLEAR

Families invest huge sums in a college education for their children without access to key information: How well do students really learn at a given school? Do graduates land good jobs? Colleges have long kept the relevant data secret or simply didn't track it. Better information



extend the rule to nonprofits as well," says Kevin Carey, policy director of Education Sector, a Washington think tank.

Prospects for success Many colleges will continue to resist revealing outcomes, since the numbers may suggest they aren't worth \$40,000 a year. In *Academically Adrift*, authors Richard Arum and Josipa Roksa analyzed data for more than 1,600 students and found that 36% failed to show significant improvement in learning over four years of college. Yet schools will eventually be pushed into greater disclosure, says Jamie Merisotis, head of the Lumina Foundation. In fact, you can already find some job and income data for individual colleges at PayScale.com.

WORK FIRST, PAY LATER

Since many families can't afford to shell out tuition upfront and a college degree generally leads to higher-salaried jobs, why not let students pay for their BA after they graduate with their now bigger earnings? The idea of taxing a graduate's income to pay for college, promoted in 1955 by Nobel laureate Milton Friedman, was adopted by Australia in 1989. Students cover as much (or little) of their college bill as they want while in school; once they graduate, the government subtracts a surtax from their paychecks until the rest is paid off. Result: The number of Australian college graduates has risen sharply.

Limited versions of payment plans linked to future earnings are springing up here too. In 2009 the federal government introduced a loan-repayment option that caps payments at 10% of disposable income; the standard option keeps the amount you pay per month level no matter what your salary is. "Now if you have a bad year, you won't go to the poorhouse," says Lauren Asher, executive director of

Three Ways to Beef Up College Savings

Face it: Tuition won't get more affordable anytime soon. So aim to save as much as you can now, preferably through a tax-advantaged 529 plan. Try these timely tips.

STICK WITH STOCKS

The jittery economy has prompted many plans to add CDs and other fixed-income options. Resist the urge to play it too safe. If college is at least a decade away, stash 50% or more in stocks for growth, says adviser Raymond Loewe.

ADJUST YOUR PATH

With age-based funds, your asset mix shifts from stocks to bonds as your child grows. Plans vary in their mix for the same ages; if your fund feels too aggressive, shift to one for an older child. Utah's plan (uesp.org) allows you to customize your path.

WATCH THOSE FEES

Competition is pushing down 529 expenses. Still, you can erode returns by overpaying. Avoid commissions by buying directly from the sponsor (most 529 investors use brokers) and favor age-based funds that charge less than 0.5% of assets.

the Project on Student Debt.

Clarkson University in Potsdam, N.Y., is applying the idea in a way that gives the college a real incentive to make sure students succeed in life. Last year Clarkson president Tony Collins, a native Australian, offered teen entrepreneur Matthew Turcotte a full scholarship in return for 10% of Turcotte's web design business (see the box, top left). Collins is so pleased with Turcotte's 3.95 GPA and booming business that Clarkson plans to recruit up to five more entrepreneurs with the same deal in 2012.

Prospects for success Tuition deferment plans have had a bad rep with U.S. colleges ever since the 1970s, after a Yale experiment with one failed when some grads didn't pay in full. The IRS isn't keen on administering a graduate tax either. Even boosters such as Collins acknowledge that colleges need dollars upfront to run their operations. He suggests phasing in these plans as one payment option; colleges would collect tuition from some students right away while waiting for the long-term investments to pay off. "We've had a sea change in the economics," Collins notes. "It's time to think about doing business differently."

What You Can Do

Higher-ed reform may be moving forward slowly, but your child is growing up fast. These strategies will help you finance a degree—without wrecking your retirement.

KNOW YOUR TRUE COSTS

Since colleges don't reveal financial aid packages until after a student is accepted, families often shop blindly, not knowing which schools they can really afford. That's about to change. Starting in October, all colleges must provide online calculators that estimate how much a family will pay after deducting grants and scholarships at that particular school.

Regard the results as a rough estimate, not a precise indication of the amount of aid your child will get or how much will be in grants vs. loans. As Mark Kantrowitz, head of Finaid.org, says, "The calculator is likely to tell you if a particular college is in your financial ballpark, but not whether your aid package will get you to first base or home plate."

TUITION MADNESS

How to proceed Use the calculators to identify schools that might be more affordable than you thought. Then, if you need a more accurate appraisal before your child decides whether to apply, talk to the institution's financial aid officer—some colleges offer an early estimate. If your child receives an aid offer that includes loans, use the calculator at finaid.org to determine the size of the monthly payments. To be affordable those total payments (be sure to multiply by four) should not exceed 10% of your child's expected monthly income after graduation. Someone repaying \$25,000 in loans at 6.8% over 10 years, for example, would need to earn at least \$34,500 to afford the monthly payment of \$288.

STIR UP COMPETITION

Colleges are often willing to pony up more aid to entice their best applicants to choose them over

other schools. Elite colleges such as Harvard and Cornell are forthright about it, promising to match better financial aid offers from other top-ranked schools. Even colleges that don't publicize matching offers often make them, according to David Lang, an economist at Sacramento State University. In an informal survey of 10 public colleges, financial aid officers at half told him privately they had matched competing offers. And Lang found that students who were accepted into two similarly ranked colleges got about 15% more aid than those who got into just one.

How to proceed Your child should apply strategically to schools to set the stage for aid negotiations later. The list should include several colleges where his grades and SAT score rank in the top 25% of students, advises Lynn O'Shaughnessy, author of *The College Solution*. Children from families unlikely to

qualify for need-based aid should also include one or two colleges that award lots of merit aid (to find them, go to collegedata.com). More than one "reach" school can be in the mix as well.

Once the student has a few offers, you can try to set off a little aid bidding war—smartly and politely, O'Shaughnessy says. Start with a call or letter to your child's first choice college. "You shouldn't say you want to 'negotiate.' Say: 'My son would like to go here, but financially it would be tough for us. What do you suggest?'" Schools may ask for evidence, such as medical bills, that you really can't afford the price. At that point, introducing a better financial aid offer from a competing college can also be persuasive—emphasis on competing. Carnegie Mellon won't try to match Podunk U.

LOOK ABROAD FOR BARGAINS

The cost of attending some top foreign schools can be as little as half the sticker price of out-of-state public universities or private colleges in the U.S. Scotland's University of St. Andrews, alma mater of Prince William, costs about \$37,000 this year (not counting travel). Many well-respected Canadian public universities—the University of Alberta and the University of King's College, among them—cost only about \$26,000 a year. And while some of the best British schools like Cambridge charge near-Harvard tuition prices, many are structured to get students to a degree in three years.

How to proceed To find an international college with a name that will resonate with future employers, start with rankings published by *Times Higher Education*, a British publication (you can find the top

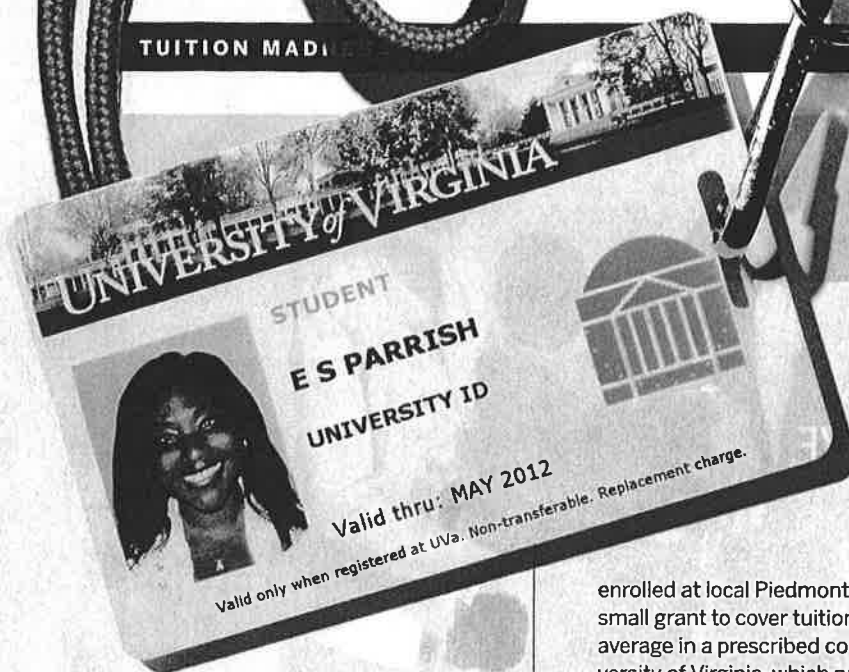
WHAT A DEGREE REALLY COSTS

When it comes to college prices, what you see isn't necessarily what you get. Look beyond a school's sticker price to see how much households in your income bracket (HHI, below) typically pay after factoring in grants and scholarships. For help, you can use the net price tool at cnmoney.com/collegecosts.

COLLEGE	Total cost of attendance (in-state)	% of students who paid full price	Average net price HHI \$75,000 to \$110,000 (and receiving federal aid)	Average net price HHI over \$110,000 (and receiving federal aid)
Marquette University	\$39,600	22%	\$24,900	\$29,700
Middlebury College	\$52,500	52%	\$21,700	\$36,200
Princeton University	\$49,800	43%	\$16,510	\$24,600
University of Georgia	\$16,800	25%	\$10,600	\$10,900
University of Texas at Austin	\$21,900	51%	\$20,200	\$21,000

NOTES: All data are for the 2008–09 academic year, the latest year available; federal aid includes Stafford student loans. SOURCES: Department of Education

TUITION MADE



Strategy: Start at Community College

Ebonee Parrish,
21, Charlottesville, Va.

MAJOR: CRIMINAL PSYCHOLOGY
HER TOTAL COLLEGE COSTS: \$0
ESTIMATED SAVINGS: \$95,000

When her mom lost her job running a day-care center in 2008, Parrish gave up her dream of going to a university and instead

enrolled at local Piedmont Virginia Community College, where she got a small grant to cover tuition and books. There, students who earn a 3.4 average in a prescribed course load can automatically transfer to the University of Virginia, which promises enough grant aid to meet all student needs. Parrish buckled down, qualified, and is happy with how things turned out. "I got to stay home and get more prepared for the university," she says. "And I liked the smaller classes. Every teacher knew your name."

schools at timeshighereducation.co.uk), QS (topuniversities.com), an international college fair organizer, or, for Canadian colleges, *Maclean's* magazine (oncampus.macleans.ca/education). Differing admissions standards can give some American students better chances to get into top overseas colleges. Canadian colleges, for example, pay little attention to sophomore grades and generally wait to see the first semester of applicants' senior year, a big advantage to late bloomers, says Whitney Laughlin, an independent college consultant in Victoria, British Columbia.

Bear in mind, however, that there are far fewer scholarships for Americans studying overseas than for those who stay home. Federal loans for either parent or student borrowers can be used at only 462 international colleges approved by the Department of Education (for information on these loans and the list of schools, go to ifap.ed.gov and search for the "school code list").

MAKE A MIDWAY SWITCH

A growing number of community colleges offer direct pipelines to elite public and private schools, as

long as students take prescribed course loads and maintain good grades (typically at least a "B"). Cornell and Syracuse, for instance, have guaranteed admission pacts with certain community colleges, as do public universities in Colorado, Connecticut, New Hampshire, and Virginia, among other states. Some highly ranked private colleges such as Bucknell, Dickinson, and Lafayette are starting to actively recruit community college students, partly because of a recent drop in the number of 18-year-olds and to fill spaces left by students taking junior year abroad. For students who successfully make the switch, the savings can be enormous, cutting tuition costs for the first two years of school to around \$6,000, the average charge at community colleges.

How to proceed This path isn't for every high school senior: A study by former Princeton president William Bowen found that "A" students who

start at typical community colleges are 36% less likely to get a four-year degree than similarly qualified students who start at a university. The most successful students tend to be very motivated, attend community colleges with well-run transfer programs, and take advantage of honors classes, says Alicia Dowd, co-director of the University of Southern California's Center for Urban Education. (Find a list of schools with honors programs at nchchonors.org/memberinstitution.shtml.) To pick the right community college, students should ask the admissions office how many graduates transfer to four-year schools, and which universities have "articulation agreements" that promise to count the community college's courses as university credits.

These days the only way to keep a college education within reach is with a little creative thinking and a keen eye on costs. That's a critical lesson that the colleges themselves are just beginning to learn. ■