

HIGHER COSTS AND HIGHER EDUCATION

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Overall, the tuition and fees for higher education have been increasing significantly over the past five years. This paper provides some observations regarding why costs are increasing, and how quality improvement activities are helping to contain rising costs.

Tuition and fees are increasing due to declining support from states and increasing costs to colleges and universities. The major increases in costs for colleges and universities are due to increases in many areas.

1. Campuses continue to build more residence halls and more new classroom buildings to accommodate the growing demand and expectations of students. Increasing the number of buildings increases heating and cooling costs, as well as janitorial and maintenance costs.
2. Many colleges and universities rely on classroom buildings and support facilities that are between 50 and 100 years old. The cost of heating and cooling, maintenance, and repair work on these buildings increases every year. Most universities have millions of dollars of maintenance work that needs to be done on their facilities that is being delayed due to a lack of funds.
3. Employers want students to enter the workforce ready to work – knowing how to use the latest technology. Replacing and updating laboratory and test equipment for science and engineering programs requires tremendous capital investments.
4. Internet costs – many campuses have invested hundreds of millions of dollars over the past five years in wiring residence halls, developing wire-less campuses, adding computer projector systems to classrooms, and upgrading libraries to accommodate on-line journals and research.
5. The cost of journals, books, and subscriptions to on-line resources continues to grow at a rate that is much faster than inflation.
6. In order to attract the best and brightest students, many campuses are investing in improved recreation facilities, improved dining halls, improved residence halls, and more parking decks, to meet the student expectations.
7. Computer upgrades that allow students to no longer stand in line to register, drop or add courses, obtain grades, and receive other services have been implemented on most campuses, and are expensive.
8. An increased emphasis in research drives up an institution's costs due to the need for more and better laboratories, expensive instrumentation,

research staff, and research journals. More states want to have research universities now than in the past, although some are no longer able to support the higher costs of a research university.

9. Increasing cost of health care for faculty and staff. Many campuses are requiring faculty and staff to cover these increases through higher contributions to health plans. Increasing costs of health care for retirees in a state's education system contributes to states lowering their support for educational programs, since the money is going to cover retiree health care costs.
10. International student enrollment is falling on many campuses due to the increased regulations related to national security. This means that schools are losing the out-of-state tuition revenues that international students bring, causing the in-state tuition to rise faster to make up for this shortfall.

These investments in facilities, technology, and other resources continue every year, even when faculty and staff may go for several years without raises. In fact, there are state schools where faculty and staff have received no raises in several years, where faculty and staff are contributing a larger share of their salary to cover health care costs, while facility and technology costs continue to rise and state funding dwindles.

On the other side of the equation, many colleges and universities are now using the same quality improvement methods that industry and government agencies have used to control costs in the past. There are many examples of:

- a. Process flow charting and streamlining to reduce cycle time and cost of administrative procedures.
- b. Redesign of work processes to consolidate functions and reduce costs.
- c. Improved work flow for increasing maintenance productivity.
- d. Use of stakeholder focus groups to identify problems with academic and administrative processes in order to make improvements.
- e. Use of Balanced Score Card measures to assess organizational performance.
- f. Use of benchmarking to identify best practices from peer institutions.
- g. Increased use of surveys to identify areas where institutional performance is not meeting stakeholders' needs.

Quality improvement efforts have resulted in numerous cost avoidances and gains in efficiency in a wide variety of institutions. Campuses such as the University of Wisconsin, Rutgers, Binghamton, Berkeley, Penn State, and The University of Alabama all have active quality improvement efforts that have aided in cost containment and in improving the manner in which stakeholders' needs and expectations are being met. These campuses have followed the advice of several major corporations regarding how to conduct quality improvement studies that help contain costs, including advice from Cisco Systems, Federal Express, Boeing, Milliken, and others.

Without these quality improvement efforts, administrative costs at universities would rise at an even faster pace and students would be spending days conducting business that they can now conduct in minutes.

WHAT ACTION IS NEEDED?

1. Encourage more campuses to use quality improvement methods that have been successful in the private sector in order to contain and reduce administrative costs. Expanding the use of the Malcolm Baldrige National Quality Award in Education (administered by the U.S. Department of Commerce) as the model for accrediting community colleges, colleges, and universities, would drive quality improvement and cost containment throughout higher education.
2. Recognize that efforts to restrain costs through other means will simply reduce investments by campuses in new facilities and technologies and will result in fewer construction jobs, loss of jobs in the computing and technology industries, and increasing maintenance and facilities backlogs on campuses that will eventually result in environmental, health, and safety problems and even higher repair costs in the future.