

# Re-Thinking Higher Education for a Post-Pandemic World | Snapshot: Cost

## United States

Much of pandemic era fear about college costs has been driven by the prospect of enrollment losses. Net tuition revenue is the largest source of income for public and private, non-profit four-year institutions in the United States. The fear appears well founded: the latest data indicate an overall postsecondary enrollment decline of three percent, driven in large part by declines among first-year (16 percent) and international undergraduates (14 percent). Undergraduate enrollment is down at most institution types. Early projections that community colleges would fare well were upended this fall with a first-year enrollment decline of 23 percent. Widespread adoption of tuition freezes among public universities has further constrained revenue.

Other sources of income also appear less reliable for at least the immediate future. Some forecast state budget shortfalls of \$200 billion by the end of fiscal year 2021. The percentage of institutional revenues from state and local appropriations had already declined among all public institution types since 2008 (p. 22). Federal contributions as a percentage of overall revenue remained relatively steady during the same period (p. 22), but federal support is quickly proving inadequate during the pandemic as college spending in response to Covid-19 outstrips CARES Act funding.

The outlook for philanthropy is mixed. Charitable giving across sectors increased by 7.5 percent in the first half of 2020 compared to the year prior and some higher education institutions—notably several community colleges—reported record fundraising during the same period. Yet, a survey of senior advancement officials suggests potentially historic giving lows in the coming year. Over 40 percent of institutions project fundraising declines of 10 percent and a growing number anticipate more than 30 percent losses.

Housing, dining, and events among other auxiliary revenue streams have also been hit hard by the pandemic's forced transition to online learning. Auxiliary services account for 10-25 percent of operating revenue at institutions with on-campus housing.

Although, they have begun introducing or increasing some student fees, institutions and systems are largely responding to revenue losses with budget cuts. Nothing is off-limits: academic programs, athletics, jobs. Recent survey results indicate that unbudgeted financial costs related to the pandemic are college presidents' greatest concerns.

## Worldwide

There are still 23 countries in which schools at all levels remain closed. For those that have re-opened, severe financial challenges abound. Such is the case in Britain and Australia, which are heavily dependent on international enrollments and expect significant declines in government support. The decline in Chinese students alone to these two countries and the U.S. could result in \$3.5 billion in losses this year. Japan, Korea, and New Zealand could also see significant losses in international enrollment income. Expected enrollment declines at Latin American universities portend their greatest crisis in decades. Meanwhile, already disadvantaged African universities may find themselves even deeper in financial trouble. Still, some remain optimistic about resumption of international student mobility next year.

## Some Proposed Innovations

Scholars, policy analysts, and administrators have proposed a bevy of immediate and long-term changes to the higher education business model that could have salutary effects on institutional and system finances as well as reduce the costs for students and their families. Here are only a few suggestions:

- Decouple residential from academic life. While financial analysts are cautiously optimistic about the global campus model of Purdue and Arizona, others are skeptical.
- Differentiate tuition. In addition to more widespread adoption of a model that varies tuition by academic program, some propose even differing by a course's method of instruction.
- Invest in instructional technologies. Some interpret the current forced online learning experiment as a means to leverage a new generation of digital technologies that can be scaled up to reduce overall costs. Others are less sanguine, noting that the evidence for any relationship between online learning and institutional costs is limited and not likely to have a big impact on the bottom line.
- Prioritize development of alternative credentials to traditional degrees. Policymakers would need to adjust regulations for disbursement of student aid for short-cycle and lifelong learning programs.
- Share services across institutions. In addition to coordinating on administrative services, some see promise in consortia developing and licensing courses, following the model of Texas institutions as well as international collaborations like that of China, India, and Russia.
- Limit or outsource non-academic ancillary services. Some see trustees as the key to controlling runaway costs, especially those related to student services. Others note that much of student affairs budgets fill gaps in services not provided by the government.
- Expand opportunities for students to pay for college. The jury is still out on income-sharing agreements. While they could incentive more students to participate in higher education, some see them as yet another predatory instrument of the financial world.

### Some Questions for Consideration

- What part of higher education's business model is in most need of reform?
- What needs a band-aid? What needs corrective surgery?
- What are the greatest opportunities for and obstacles to reforming higher education's business model in ways that make higher education more affordable?
- How can higher education prepare students for civic life and labor market participation without mounting debt?
- Will pandemic-induced budget cuts return to normal or become permanent?
- What will become of the free college movement that started before the pandemic?
- What data would provide the most insight into understanding how to make higher education more affordable for more people?
- What unintended consequences are possible/likely?
- What particular innovations or trends re: college costs are most exciting/troublesome to you?