

Tuition hike results from many factors

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No one particular factor is responsible for the 2006-07 increase in the cost of attending Lehigh, said Peggy Plympton, vice president of finance and administration.

“It’s a group of things,” Plympton said. “It would be too bad for people to be thinking there is one thing because that is just not the way the university’s financial picture works.”

Costs and donations

Plympton named faculty salaries, health care, the price of oil, financial aid, technological investments and building renovations and operation as examples of the university’s yearly expenses that contribute to cost increases.

The Higher Education Price Index measures the price increases of the goods and services colleges typically purchase.

Sandra Baum, senior policy analyst for the College Board, said the HEPI demonstrates the dramatic increase in energy costs during the past few years.

The HEPI for this year is 3.5 percent, and the projected HEPI for 2006 is 5.1 percent.

Although no direct cost caused the 6.78 percent increase for next year, Plympton said the university does calculate the increases on a yearly basis.

“We have a multi-year planning perspective,” Plympton said. “But in each year’s budget process, you have to look at what are the particular pressures that are anticipated in the coming year.”

For example, because of the Shine Forever capital campaign, the amount of donations increased, Plympton said.

“Last year was the year that we received the largest amount of donations in the history of the university,” Plympton said. “And the target for this year is to get more than that.”

Plympton said much of these endowments go toward financial aid allocations and general tuition costs.

She said the university’s three financial concerns are economic viability, building maintenance and endowment investment.

The nationwide “arms race”

The tuition increase comes at a time when universities nationwide are engaged in an academic “arms race” — a Cold War-era term that in this case refers to an inescapable and spiraling university competition to simultaneously attract the smartest students while remaining financially responsible via tuition increases.

James Dearden, chair of the economics department, researches and writes about merit aid and college rankings. He said the reason university prices rise faster than consumer prices is this interuniversity competition.

“Universities are caught up in an arms race to attract students,” Dearden said. “Universities have figured out that the way to attract better students is to have better faculty and facilities and to offer better students merit aid. And attracting good students is expensive.”

The long-term result of this competition to get the best students is a zero-sum game, Dearden said, because offering more money won’t improve the quality of high school seniors.

Dearden said he was not surprised by the tuition increase and he thinks the increases were probably warranted by Lehigh’s U.S. News & World Report ranking increase.

“What you have to figure out is who’s better at playing this game,” Dearden said. “And the university last year moved from 37 to 32. Maybe we are offering merit aid to the right people.”

Financial aid follows suit

Dearden said universities are offering more need-based aid in addition to the increase in merit aid brought about by the college “arms race.”

Kenneth Redd, director of research and policy analysis at the National Association of Student Financial Aid Administrators, confirmed the trend of increasing aid in an e-mail.

Redd said according to the College Board, average tuition and fees at four-year private colleges rose from \$12,216 to \$21,235 from 1995-96 to 2005-06. At about the same time, the percentage of undergraduates at private colleges who received financial aid increased from 70.4 to 83.3 percent.

“This means that the cost of attending private colleges has grown sharply, and more students have received both grants and loans in order to help pay their expenses,” Redd said.

Likewise, Plympton said Lehigh financial aid was a significant contributor to the increase in spending.

“The overall financial aid budget is increasing 9 percent,” Plympton said.

Director of Financial Aid Linda Bell said Lehigh will award \$45.5 million in grants and scholarships next year.

In comparison, Lehigh awarded more than \$38.7 million during the 2004-05 academic year, according to the financial aid Web site.

Plympton said the vast majority of the aid was need based, not merit based.

About 50 percent of Lehigh’s undergraduate students receive some form of institutional aid, according to the financial aid Web site.

Keeping tabs on peers’ tuition

J. Douglas Toma, associate professor at the Institute of Higher Education at the University of Georgia, is working on a book about competition in higher education. In an e-mail interview on Tuesday, Toma said private institutions raise tuition as much as they can while monitoring what competitors are doing.

Baum said colleges administrators can’t talk one another in advance about tuition increases.

“But of course they watch to be sure they don’t get out of line with similar institutions,” Baum said.

Higher cost is presumed in American culture to equate with higher quality, Toma said.

“If universities overreach in setting tuition price, the hit may not come on image but in a decrease in the number of desirable applicants they may receive,” Toma said. “Even then, there may not be that much of a risk for a place like Lehigh, given the great demand for places in the annual entering class there.”

On questioning fairness

The tuition increase allows Lehigh to increase revenues and fund better programs, Dearden said. The university is using the right methods and should even increase its need based aid donations, he said.

“In spite of the fact that I would probably have to pay full price ... I still think it’s the right practice,” Dearden said. “It really comes down to a fairness issue.”

Toma said he found it difficult to define the practice as fair or unfair.

“It is difficult to say that much is fair about how higher education charges tuition,” Toma

said. “Private institutions, in particular, typically charge as much as they can and [use] tuition discounting to attract students who are more sensitive to price but still highly desirable.”

Plympton was asked if Lehigh was trying to charge the wealthier students more money while giving more aid to the poorer ones.

“I wouldn’t describe it with the words that you used,” Plympton said. “[United States higher education] is a very competitive environment and students are very discriminating shoppers. So we need to be sure that we have very competitive academic programs and very competitive faculty.

“On the other hand, we need to be very aware of having a well distributed class on all kinds of dimensions, and financial aid is obviously a major player.”

A rational increase?

“Rational depends on many factors that make it impossible to make a fair judgment,” Redd said.

Redd said people must remember that schools have to pay a myriad of costs.

“This means that colleges could cut their tuition,” Redd said, “but in order to remain viable they would either have to: reduce their aid budgets, reduce spending on faculty salary and/or employee health care and other benefits or reduce the services they provide to students.”

“All of these choices would harm some group on campus,” he said, “so there are no easy answers to the questions of finding ways to reduce tuition.”

Additional reporting by Lindsay Moyer.