NC campus forecast calls for freeze
Rising tuition costs lead universities to halt routine hikes

BILL GIDUZ
Davidson College is relying on its endowment and campus jobs to help students avoid graduating with debt.

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The pushback on the cost of a college education is beginning to bear fruit. Three decades of tuition increases that have far outpaced inflation and a recession that left graduates with few job prospects have made college a daunting decision. But changing demographics, price-sensitive buyers and the specter of vacant dorm rooms appear to be curbing the upward spiral of the cost of a college degree.

The number of students of high school-graduation age peaked in 2009 and is projected to decline through the next decade. Bond-rating firm Moody's says enrollment fell at more than 40% of colleges and universities in 2011. Declining enrollment is most prevalent in the Northeast and Midwest — not in Charlotte, where the population continues to rise — but universities across the region are reconsidering what they charge for a diploma.

The governing body of the state's highly lauded public universities will vote in February on a proposal to freeze the cost of in-state tuition. At private universities, administrators are pulling back the curtain on their tuition costs, admitting almost no one actually pays the full sticker price. They are trying to calm buyers with either lower tuition prices or a more transparent look at the discounting that’s available.

“Before the recession, when people looked at a college, the value of that college was somehow tied to its tuition,” says William Thierfelder, president of Belmont Abbey College, a private institution in Gaston County. “That psychology has changed, and people no longer connect cost with prestige. Parents are in despair and think college is beyond their reach. If tuition is beyond $24,000, most people look away.” Private colleges are eager to talk about price. They want potential students to know that a combination of institutional aid, federal aid, scholarships and in-house discounting could make private college similar in cost to public schools.
This year, private colleges freezing tuition include Johnson C. Smith University; Lees-McRae College, a private liberal arts school in Banner Elk; and William Peace College in Raleigh. Converse College, a women's school in Spartanburg, S.C., is slashing tuition 43%.

Belmont Abbey reduced its published tuition price 33% to $18,500 per year. Even at the lower rate, Thierfelder says almost no student is paying the full amount. Net revenue at the Catholic college is about the same, but inquiries from potential students shot up 40% when the college announced the change. Following eight years of record growth, the college enrolled 338 freshmen this year, the same as last year. It opened two dorms to accommodate an overflow of students.

"Colleges are moving away from the discounting game and trying to publish a sticker price that's more realistic," says Cathy Shell, director of financial aid at Lees-McRae, which froze its published tuition price this year at $23,450. It will offer that rate next year.

Private colleges are facing increased competition from community colleges. To save, students have turned to community colleges for the first two years of their education and transferred to a private school to complete their degree.

Enrollment grew 13.1% at Lees-McRae this fall from last year. Almost all students receive scholarships and other forms of aid that chip away at the published price.

Tuition increased at public universities during tight state budget years in the recession, and Shell says private colleges are becoming more competitive. "Because we offer competitive financial aid, we hear from our students that their out-of-pocket costs are comparable to what they'd pay at public universities."

The UNC System is taking notice.

UNC System President Tom Ross will ask the UNC Board of Governors to vote early next year to freeze tuition for in-state students. This comes after five years of state budget cuts and a 13.5% tuition hike at flagship school UNC Chapel Hill for 2012-13 that sparked an outcry on campus. In-state students are paying 90% more in tuition and fees than a decade ago.

UNC Charlotte Chancellor Philip Dubois says the possible freeze is a call to re-examine the public's investment in education in a state whose constitution says its universities should be "free of expense" as far as practical.

"At some point we can’t continue to call ourselves a public university if we look like a private university," Dubois says. "This is a good opportunity to take a breather from tuition increases, and as we enter the next legislative session with the economy rebounding, to talk about the importance of getting state appropriations back on track."

The University of South Carolina has offered to freeze tuition for three years in exchange for more funding from the state’s General Assembly. A deal has not yet been worked out.

Voters in California last year approved a tax increase that protected the state’s universities from a budget cut. The universities have proposed a seven-year freeze on tuition and fees if taxpayers can make up the difference. Similar moves are under way in Arizona and Texas.

Today, Dubois says tuition covers 40% of what’s spent to deliver classroom instruction. A decade ago, tuition paid for about 20% of the cost, and a greater share of university support came from allocations from the General Assembly.

"If you keep raising tuition, it shifts the responsibility from elected officials to parents and families. I think (President Ross’) point is they are doing their share," Dubois says. Families "are supporting, in the case of UNCC, 40 cents on the dollar, and the state constitution says the university should be nearly as free as possible. Let’s refocus the public debate."

If tuition is frozen, Dubois expects fees to rise. They are roughly equal to tuition, and pay for the student union, health services, computer labs and athletics, among other operations. UNCC’s applications have risen 37% in the past five years, and enrollment this fall at 26,561 is the largest ever.

Johnson C. Smith University President Ronald Carter says tightened lending standards for student loans have impacted students. At JCSU, retention recently dropped to 54% from 72% when 130 students had to return home after being denied loans.

The college froze tuition this year, a step also taken during the recession, to help students afford school.

“We recognize the challenges our students and families are facing when trying to finance their education during these tough economic times,” Carter says. “We celebrate being named as a ‘best buy’ (by U.S. News & World Report), but we can be beyond the reach of some of our students.”
Davidson College began to address the tuition bubble seven years ago with a no-loan policy. The private university uses its endowment to cover all demonstrated need. Four classes since have graduated under the approach, although students opt to take out loans to cover costs. Eileen Keeley, vice president for college relations, says Davidson took the approach after noticing it wasn’t enrolling, or even receiving applications from, as many highly qualified students who needed substantial aid as its equally expensive private-school peers were. Only a third of Davidson students received need-based aid, compared with 40% to 50% at similar institutions. “They were looking at the price of Davidson and having sticker shock,” Keeley says. “We needed to make it known that all students who were capable of getting into Davidson would know that this is a place they can afford.”

With a gift from The Duke Endowment, Davidson eliminated the loan portion of its financial-aid package. Students receive grants and employment if they want to graduate without debt. Its need-based enrollment is now 46%.

“This is Davidson’s answer to the rising cost of college and trying to make Davidson affordable,” Keeley says. “When we accept students, we have not looked at their financial-aid needs.”