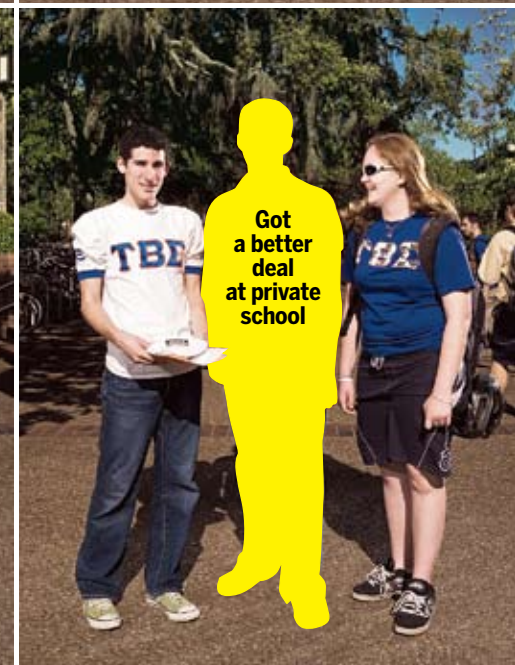


The Trouble With **Public Colleges**

Record applications. Soaring tuition. Tighter budgets. State U. may no longer be as great a deal or as easy a backup as it once was. **Parents and kids, time to rethink your strategy.** by PAT REGNIER



AT THE 50,000-STUDENT University of Florida, only 50 or so undergrads major in geology. It's not exactly an easy subject. But Michael Perfit, the department's chairman, says that thousands of UF's liberal arts undergrads fulfill their science requirement with geology—and they do a lot more than sort rocks. Students learn about the patterns of the oceans, groundwater systems, and long-term changes in the earth's atmosphere. Pretty key things in this era of climate change, especially in a coastal wetlands state like Florida.

But Perfit's department may soon be unable to offer so many courses to non-majors. UF fears severe state budget cuts in May (after this issue of MONEY went to press) and has warned that it may have to lay off half the geology faculty. The religion department is on the block for big cuts too. Ditto for lots of little things, like library journal sub-

scriptions and a student art gallery. Peter Laumann, a UF senior active in a student group protesting the cuts, says some of his instructors have asked students to stop submitting papers by e-mail. That way the university doesn't spend money printing them for grading.

Great public universities like Florida have long been both the financial and academic safety plan for high-performing college-bound seniors and their parents. But now, just when families most need low-cost, high-quality schools, State U. is under intense financial pressure. Arizona State University is proposing a temporary \$1,200 annual surcharge to get it through the recession. The University of Washington is bracing for a 26% cut in state money, bringing funding back to where it was a decade ago. Meanwhile, families searching for a bargain have deluged some of the



better public schools with applications, making them even more selective. And tuitions across the country continue their steep rise.

Don't get the wrong idea: Public colleges, especially the flagship "University of" campuses, are still among the best deals in higher ed. Their average resident tuition of \$6,600, or even the \$17,500 charged to nonresidents, still pales in comparison to the average \$25,000 at the privates. But these schools are facing a major fiscal crunch—and the challenges won't end when the recession does. If you want to make sure your child gets into a great school, and that you can afford to pay the bill when she does, you're going to have to rethink your game plan.

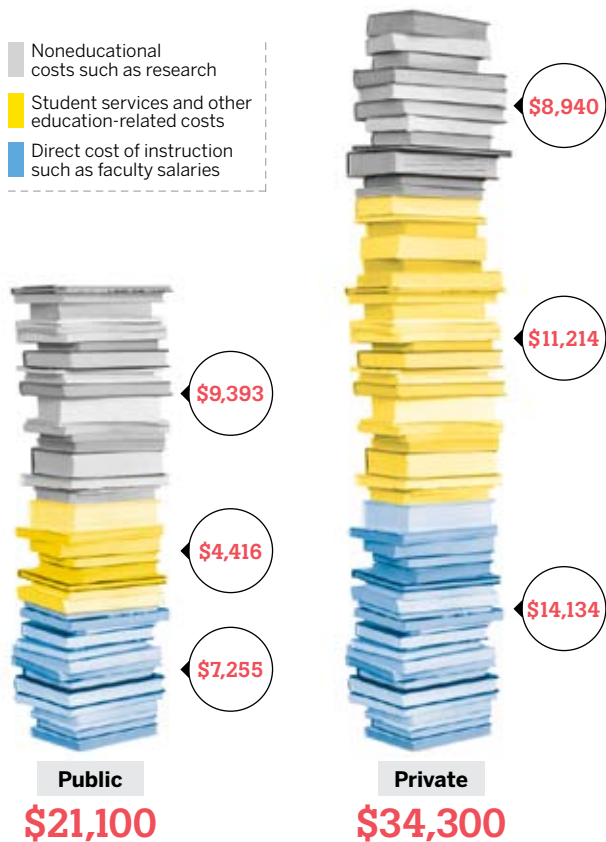
► The schools' hard knocks

Public higher ed varies dramatically by state. But at least one of these stories is probably unfolding where you live.

Less money for learning. Even before the recession, money was tight on many campuses. From 2000 to 2008,

► Where your money goes

Major private universities spend far more on teaching than large public institutions.



NOTE: Figures are for major research schools. SOURCE: The Delta Project.

state aid to public colleges nationwide fell from \$7,800 a student to just over \$7,000, according to the group State Higher Education Executive Officers. (That number is inflation-adjusted for the rising price of running a college.) The drop looks worse if you consider what happened for the competition. Top private universities, propped up by high tuitions, big endowments, and donations, were poaching some of the best faculty from flagship public schools, says Kathleen Sell, former chief budget officer for the University of Wisconsin system. Now top private schools spend almost twice as much per student on instruction as top publics. (See the graphic.) At Florida, president Bernard Machen worries about a high student-to-faculty ratio and whether his students are challenged in class and learning to think critically. "We have some evidence that our kids are not," says Machen.

Tuition (still) rising. At the University of Washington, students may see 14% hikes for each of the next two years. Most of a \$620 in-state hike at State University of New York campuses won't even go to students' education—it will help the state balance its budget. "The state gave us big cuts, and then said, yes, you can raise tuition, and then took back 80% of that tuition increase," says president Shirley Strum Kenny of SUNY at Stony Brook.

In those states (as well as in Florida), tuition increases will come from a low base—SUNY will still cost only about \$5,000. But many other publics have already cracked five digits for in-state tuition. Since 1997, the University of Illinois at Urbana-Champaign has increased in-state tuition at an annual rate of over 9%, in part to keep up with the faculty arms race as state aid per student fell. Annual tuition and mandatory fees have hit about \$12,000. Room and board will put you at \$20,000. Disclosure: This writer went to Illinois (and loved it) when it was cheap, without needing a single loan. That probably wouldn't have been possible at today's rates.

Tighter admissions. There's a bumper crop of college-bound seniors these days, and now the economy has even more of them looking at publics. Binghamton University, a top campus in the SUNY system, had 34,000 applications for 2,800 spots—a record for the school—and accepted just 32%. In California the admissions crunch has reached beyond the coveted Berkeley and UCLA campuses and into the Cal State schools, usually a safe bet for any resident in the top third of his or her high school class. This year San José State was forced by budget cuts to turn away more than 4,000 qualified applicants.

It used to be that just a handful of publics—the likes of Berkeley, Virginia, and Michigan—counted as selective, says Barmak Nassirian of the American Association of Collegiate Registrars and Admissions Officers. But these days the University of Minnesota-Twin Cities has an acceptance



University of Florida president
Bernard Machen says his school has
become **“ridiculously selective.”**

rate of just 52%, down from 82% in 1995. Florida, Texas at Austin, and UC–San Diego are even tougher. Nassirian reckons that any state school that rejects 30% or more of its applicants is excluding kids who can do the work. Machen at Florida agrees. “We could take another whole cohort from our applicant pool and not significantly diminish the quality of our student body,” he says.

► **Why the crunch will continue**

There is a basic supply-and-demand problem. The demand is self-explanatory: Despite the squeeze, the best state colleges still offer terrific academics (and often a great football team to boot). They give students the chance to rub shoulders with faculty and researchers on par or close to those at the Ivies, where the great minds are gated off from all but about 10% of a largely privileged, high-caliber applicant pool. Stony Brook, for example, boasts the anthropologist Richard Leakey and the Grammy-winning Emerson String Quartet among its faculty. A kid has to study hard to go to a Stony Brook, a UC–San Diego, or a Wisconsin, but

she doesn’t necessarily need a full-blown résumé at 17. Not quite yet.

The supply of rigorous research schools isn’t keeping up. Campuses can jam the dorms with more students, but that’s a mixed blessing if it means kids have to rely on adjunct professors and giant classes to make the numbers work. “Quantity has been maintained at the expense of quality,” says UC–Santa Barbara English professor Christopher Newfield, speaking of the University of California system.

To make up for tight public funding, schools have brought in more private money. But research and philanthropy dollars come with strings, so they don’t usually mean smaller language labs and more poetry professors. That leaves colleges leaning ever more upon tuition, which is now 36% of public colleges’ revenue vs. 31% a decade ago, according to data from the state higher-ed officers.

Many advocates of state-supported colleges point to an ideological shift. When returning GIs and then the baby boomers piled into colleges, Americans thought of higher ed as a public good. Now it is mostly considered an individual benefit. The personal return on education certainly is large. Harvard economists Claudia Goldin and Lawrence Katz calculate that college grads earn 60% more than those who stop at high school. “It isn’t every asset where you get [that return] without having a Madoff problem,” says Goldin. Given the value of what colleges sell, it makes sense that legislators pressed for money would ask the customers to pay more. At least if you see education as nothing but a product.

And the legislatures *are* pressed for money, especially now. Most states have to balance their budgets every year, and revenue is in the tank. Few politicians want to raise taxes. Meanwhile, the ever-growing cost of health-care



programs like Medicaid is swallowing up budgets.

Politically, it doesn't help that the students at the best state schools can look like a subsidized elite. Low-income students are underrepresented on many name-brand campuses. According to the Education Trust, only 22% of undergrads at flagship universities receive Pell Grants (available to low- and moderate-income families) vs. 35% at all colleges. The past decade has been especially hard for less affluent people trying to get a college education. The regional and community colleges that serve many of them are hurting too, and need-based financial aid hasn't kept pace with tuition. The cost of a public college, even after aid, now eats up 33% of a lower-middle-income family's earnings, compared with 23% 10 years ago, according to the National Center for Public Policy and Higher Education (NCPPE). For upper-middle-class families, that figure has gone from 12% to 16%.

Given these pressures, states are likely to require higher-income families, at least, to pay more. One idea, called high tuition/high aid, is intended to get more dollars out of families who can spare them and direct more aid to those who can't. Skeptics wonder if states will live up to the "high aid" part of the bargain. (And even with aid, tuition sticker shock could keep many qualified students away.) In Wisconsin, the main Madison campus has proposed an explicit income test: By 2012, families earning more than \$80,000 would pay a \$1,000 annual tuition surcharge.

► What's a parent to do?

How you respond to these changes depends on how long you have before your child heads off to school.

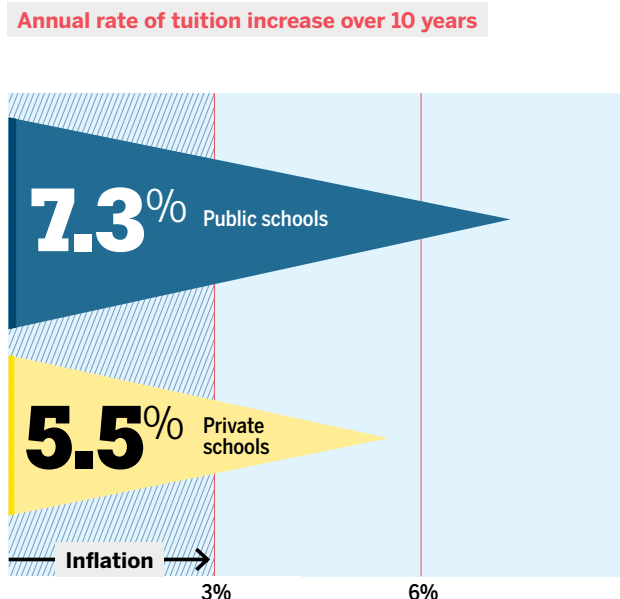
If your child is young. The toughest problem is figuring out what the tab will look like more than a decade down the road. "We ought to be able to tell you, if you have a 6-year-old, how much it will cost to send him to a state university," says Patrick Callan of NCPPE. "In reality, who knows?" Tuition increases don't move along any kind of predictable path (look at the numbers for all public schools, below).

A potential hedge against this uncertainty is a state prepaid-tuition program. In most of them, the value of your investment in a prepaid will grow along with average in-state costs, and you'll get that return even if your kid ultimately goes to Notre Dame. Trouble is, most states don't offer prepaid. And if yours does, you still need to research the plan carefully. Most charge a premium above the value of current tuition, which lowers your return, says Joseph Hurley of Savingforcollege.com. And with the stock market in the tank, some prepaids are financially weak. You are safest if the plan's obligations are guaranteed by the state or the public university system.

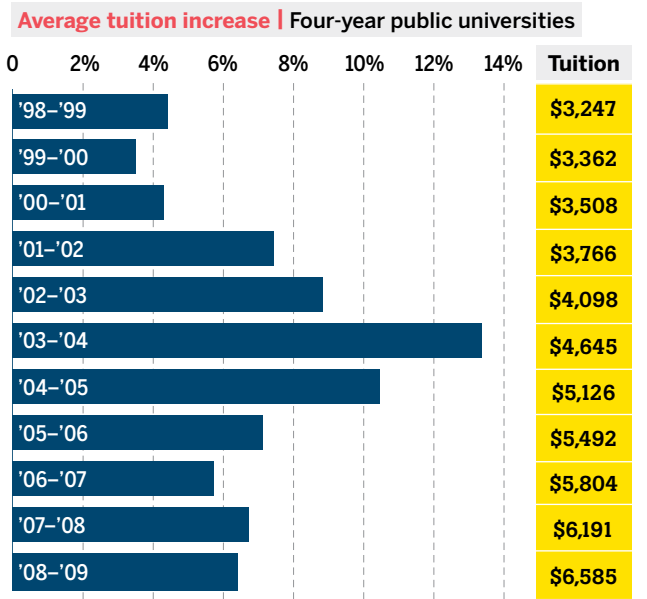
In states without a prepaid plan, the only answer to unpredictable tuition is to build as big a savings cushion as you can in a conventional 529 savings plan. At a minimum, assume tuition costs will grow at about 7% a year; the average for resident tuition over the past decade.

► Planning for uncertainty

On average, tuition at public schools has been going up at more than twice the rate of inflation. But from year to year the increase can vary greatly and is often over 10%.



SOURCE: The College Board.



SOURCE: The College Board.

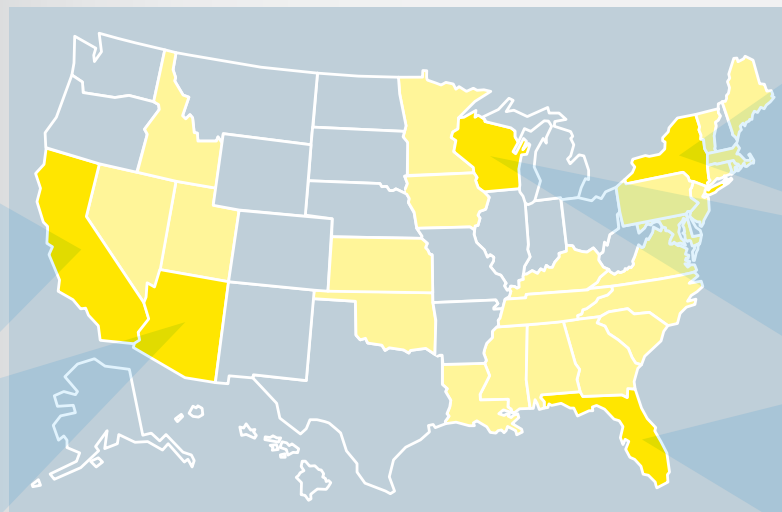
► Budget crunch

In the past year, 28 states have made cuts in higher education.

California

The University of California system has turned down more applicants than it has since 2000.

Arizona ASU wants students to pay a temporary \$1,200 surcharge; faculty must take unpaid days off.



New York

Tuition is up 14%; most of that money will go to the state to help close its deficit.

Wisconsin

Wealthier families may pay a greater share of tuition costs.

Florida

Geology and religion programs at the University of Florida may be pared back.

SOURCES: The Center for Budget and Policy Priorities, MONEY research.

If you have a kid in high school. State schools can no longer be considered “safe” schools. Over the coming years the demographic crunch will ease, but some top publics want to shrink their enrollments to improve their educational experience. (And maybe their rankings.) So encourage your child to take the hard science course with honors credits. If a course offers college credit, even better—it will be easier to graduate within four years.

At application time, high school counselors and college consultants advise casting a wide net beyond your state schools. After financial aid offers come in, a private school or an out-of-state public might be within reach, says private admission consultant Bari Norman.

This could be an especially good time to look across state lines. Tuition and fees alone at some public Big 10 schools run \$20,000 to \$25,000 for out-of-state students. That’s high, but it compares with around \$35,000 for Boston University, in roughly the same ballpark in terms of prestige. And Minnesota and the SUNYs have nonresident prices that are competitive with resident tuitions in expensive states like Illinois and Pennsylvania.

Nonresidents traditionally have a harder time getting into flagship campuses, but Nassirian at the registrars association says this year standards might be a little more forgiving. The schools need the higher tuitions the nonresidents pay. (If so, that also makes admissions a bit tougher in-state, an extra squeeze on families with more limited resources.)

Big is what publics do best, and some bright kids aren’t self-directed enough to find their way on a 30,000-plus campus. That will be especially true in this era of budget cuts. So kick the tires when you visit the campus. Key questions to ask admissions officials (and any student you can buttonhole): Are the big lectures getting bigger? Has the college cut back on student advisers? Is it getting harder to get into essential courses and graduate in four years? Is the university relying more on part-time adjunct faculty and teaching assistants? And how is life for graduate teaching assistants? At Big State U., graduate TAs will always carry a lot of the teaching load, but you’ll want to know if those apprentice professors are under even more pressure now.

Finally, you can be reassuring as the fat and thin envelopes roll in. If your child goes to her second-choice college and does well, says Sell, most flagships are quite open to transfer students. Besides, as hard as this may be to see at age 17, life doesn’t really turn on being a Longhorn, Badger, or Gator. “The real difference in America is not between people who go to Florida and those who go to Central Florida,” says Callan at the education policy center. “It’s between those who go to college and finish and those who don’t.” In these tough economic times, you can remind your child how lucky she is to be on the right side of that line. ■

FEEDBACK: pregnier@money.com