

Does SDA Higher Education Cost too Much?

The cost of attending a Seventh-day Adventist educational institution is of great concern to students, parents, educational personnel, and constituents. Is it out of line with other colleges and universities?

In order to understand the financing of SDA higher education in the United States and Canada and discover ways to monitor and control costs, the North American Division (NAD) conducted a comprehensive study in 1995.

Before reviewing the results, it needs to be pointed out that schools are considered “open systems”—that is, they must respond not only to internal forces and influences, but also to external forces.

Our schools must deal with the competitive influences of neighboring community colleges and public universities and the demands of accrediting associations, government regulations, and constituents. All these forces affect the operation of an institution, including the cost factor. Consequently, our institutions often have little control over expenditure decisions if they want to maintain academic quality, remain attractive to SDA students, and meet accreditation requirements and government regulations.

One encouraging conclusion of the study is that the tuition rise in the SDA system is consistent with that of schools and colleges across the continent. Chart A shows the relationship between

- The cost of living for an average family, known as the Cost Price Index (CPI),
- Changes in the cost of operating higher education, known as the Higher Education Price Index (HEPI), and
- Tuition charges for national col-

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leges and universities.

The reason for including both the CPI and HEPI is that schools and families have different expenses; for example, the average family has to pay for food and clothing, but not library books or laboratory equipment. Therefore, different price indexes help track costs more accurately. Tuition lagged behind both indexes until the early 1980s, but since then has increased more rapidly than either index. Although the SDA tuition increase was not quite as steep as the national average, it paralleled it quite closely.

Study Methodology

The 1995 study used data from 1980 to 1992 in order to discover the effect of expenditures on tuition increases in the NAD liberal-arts colleges. All the colleges follow the National Association of Collegiate and University Business Officers' (NACUBO) Accounting and Reporting Manual, which requires institutions to categorize revenues as follows: tuition, government grants, private gifts, endowment income, interest income, educational sales, and other income. Expenditures are categorized as instruction, research, public

service, academic support, student services, institutional support, plant operations, depreciation, and financial aid. The HEPI was used to adjust the 1980 data to a 1992 equivalent level. The study then examined the increase or decrease for each source of revenue and each expenditure. In order to compare institutions, the study calculated the cost-per-credit-hour for each type of expenditure; that is, the cost of keeping a student in the classroom for one hour per week.

Expenditure and Credit Hour Costs

Chart A shows the cost study results for expenditures. The increase

in cost-per-credit-hour from 1980 to 1992 is shown in constant 1992 dollars. In descending order, the greatest increases were as follows: (1) student financial aid, (2) institutional support, (3) instruction, (4) academic support, (5) student services, (6) depreciation, (7) plant operations, and (8) public service. The student aid increase is no surprise: A joint study by the National Association of Independent Colleges and Universities and the SDA higher education system showed that nationally, student financial aid jumped by 212 percent from 1980 to 1994.

The expenditure categories listed above are further divided into subsets of 34 activities that affect the cost of operating a college. The study examined each activity for its impact on cost-per-credit-hour and then ranked them in decreasing order of cost. Table 1 shows the results.

Student financial aid, academic instruction, general institutional administration, admissions, ancillary support, depreciation, public relations, building maintenance, and administrative computing each had cost increases of more than \$2 per credit hour in constant 1992 U.S. dollars, or more than one million dollars (\$2 times 549,141 credit hours) above inflation between 1980 and 1992.

These figures compare only the years 1980 and 1992. Data for the intermediate years reveal some fluctuations for most of the activities. However, most expenditures showed a consistent trend. There were no significant trend reversals for any activity. Also, some institutions

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Jarrod McNaughton, a junior public relations major at Pacific Union College, Angwin, California, discusses student aid options with Dan Harrom, student financial services counselor.

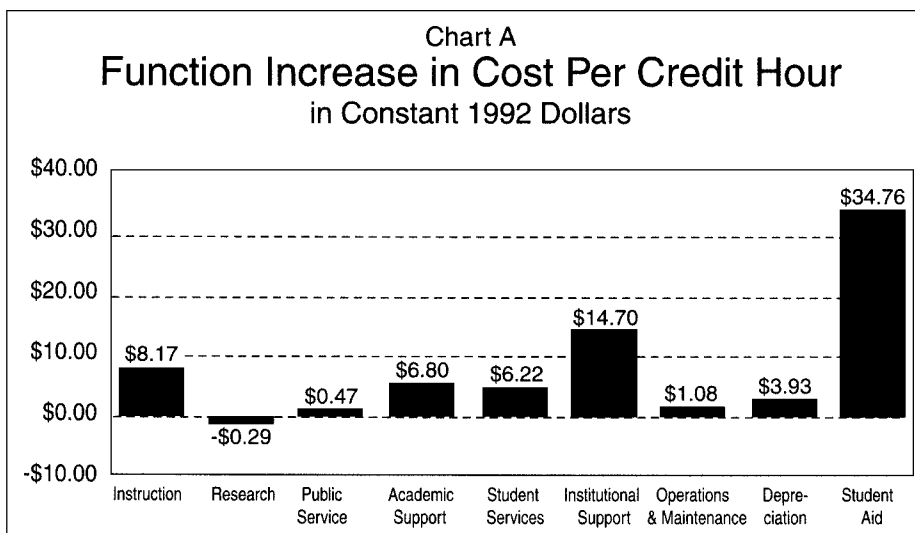
had implemented certain activities in 1992 that they did not have in 1980. Consequently, such schools rank high in increased cost for these activities. This does not mean that they currently expend more per credit hour than other institutions; rather, they may have brought their expenditures up to that of other institutions. It may be helpful for each institution to regularly compare expenditure patterns to the SDA system and national norms.

Expenditure Patterns

Student Financial Aid. The institution with the greatest student-aid increase cited two basic reasons: First, maintaining enrollment. They had to increase stu-

dent aid, as most of the students could not afford the tuition increase. Second, operating their Electronic Distance Learning (EDL) program, which involves teaching over a television network. The program was originally intended for prison inmates eligible for PELL grants. Expecting that others would also enroll, the college set the tuition below the regular rate but higher than the maximum PELL grant. Unfortunately, only inmates enrolled in the program. Since they were unable to pay more than the allotted grant, approximately half of the tuition had to be waived. The auditors required that this be shown as institutional student financial aid. Approximately 400 students were enrolled per term, necessitating about \$2 million in aid, which skewed the financial aid figures. Other institutions reported that they had increased financial aid to be competitive with surrounding institutions and with others in the SDA system.

General Academic Instruction. This item accounted for almost 35 percent of educational and general expenditures. Although it did affect the cost per credit hour, it had less impact than other components. In fact, as a percentage of total expenditures, it decreased from 39 to 31 percent. Schwab and Stemberge* showed that faculty salaries (without benefits) in the SDA system increased 201.5 percent between 1972 and 1992



(using 1967 as the base year) trailing behind the Cost Price Index, which increased 236.4 percent. When benefits are factored in, the SDA faculty salary increase was 246.1 for this study, slightly above the CPI. This restraint in faculty salary increases partially explains why academic instruction formed a smaller proportion of the expenditures in the SDA system. Another reason was reduc-

tion of course proliferation and elimination of unprofitable programs. The major increase in per-credit-hour cost in general academic instruction resulted from adding new programs.

General Institutional Administration and Logistical Services. Items viewed as increasing costs in this area included medical and general liability insurance, security, uncollected student debts, and

additional administrative personnel. One institution was forced, as a result of becoming an independent operation on a separate campus, to restructure and add several administrative personnel. Another institution, faced with major renovations and repairs, financed the project and incurred a substantial amount of debt over a number of years.

Admissions. As seen in Table 1, ad-

Table 1
SDA System Changes in Rank Order of Cost-Per-Credit-Hour for Activity Expenditures From 1980 to 1992 in Constant 1992 Dollars, With Institutional Norms

Activity	Change/ Credit Hour	Institutional Change Norms			% of 1980 Expend.	% of 1992 Expend.
		Minimum	Median	Maximum		
Student Financial Aid	34.76	-32.54	29.23	151.18	10.0	19.3
General Academic Instruction	6.38	- 41.99	2.46	74.11	39.0	31.2
Gen. Admin. & Logistical Serv.	5.83	-3.21	4.10	22.61	5.4	5.9
Admissions	5.47	1.23	5.87	18.97	1.5	2.9
Ancillary Support	4.16	0.00	1.09	13.29	0.6	1.8
Depreciation	3.93	-9.72	3.04	13.41	4.5	4.7
Public Relations	3.77	-3.23	5.26	10.84	3.1	3.5
Building Maintenance	2.41	-3.71	1.55	11.66	1.5	1.9
Admin. Computing	2.06	-3.19	1.31	6.82	0.7	1.2
Vocational Instruction	1.78	0.00	0.00	6.73	1.4	1.7
Fiscal Operations	1.72	-2.92	1.65	5.24	2.8	2.6
Financial Aid Administration	1.60	-1.48	1.99	6.62	1.3	1.4
Executive Management	1.31	-3.74	1.07	4.01	1.8	1.7
Libraries	1.08	-2.88	0.60	7.29	3.6	3.0
Academic Administration	1.00	-2.97	0.38	3.94	1.9	1.8
Community Services	0.74	-9.08	0.46	5.38	0.7	0.8
Counseling	0.70	-1.60	-0.03	2.86	0.9	0.9
Repairs	0.65	-3.12	0.00	4.79	0.3	0.4
Academic Records	0.48	-1.98	0.82	3.82	1.6	1.4
Grounds	0.34	-0.99	0.79	2.56	1.2	1.0
Academic Personnel Dev.	0.26	0.00	0.00	1.35	0.0	0.1
Educational Media	0.20	-2.27	-0.11	5.10	0.5	0.4
Curriculum Development	0.05	0.00	0.00	0.56	0.2	0.1
Academic Computing	0.04	-1.51	0.00	2.75	0.8	0.6
Co-op Extension Services	0.04	0.00	0.00	0.31	0.0	0.0
Museums	0.02	0.00	0.00	0.03	0.0	0.0
Custodial	-0.05	-1.15	0.02	2.73	1.7	1.3
Social Development	-0.17	-5.16	-0.50	5.00	0.9	0.7
Research	-0.29	-4.19	0.00	1.20	0.6	0.3
Plant Administration	-0.30	-11.34	0.67	3.97	2.1	1.5
Public Broadcasting	-0.31	-3.25	0.00	1.66	0.6	0.4
Health Services	-0.60	-2.44	-0.42	1.61	1.0	0.5
Student Services Admin.	-1.26	-4.00	-1.37	3.33	3.0	1.8
Utilities	-1.96	-8.95	-1.48	5.84	4.6	2.7

missions was the only activity that did not decrease in cost for at least one institution. Every institution added recruiting offices with full-time directors and support staff. This involved expenses for salaries, travel budgets, publications, and supplies. Before 1980, some institutions engaged in few recruiting activities, since enrollment was not a concern. One of the two institutions whose admissions costs increased the most believed its financial report was slightly skewed by the fact that public-relations expenditures were posted into the admissions account for several years but now are included in separate accounts.

Ancillary Support. Developing support programs influenced the increase in this activity in various ways. One institution, encouraged by Title IV funding, implemented an on-the-job training program to give students an advantage when seeking long-term employment. When the funding ceased, the institution decided to absorb the costs of this successful program rather than discontinue it. Other institutions developed support programs for students in engineering and technical majors.

Depreciation. The major increase in this area involved equipment, especially computers and related items. Computer purchase for academic use is fragmented among departmental budgets and hard to identify as a major expenditure. Only when depreciation for all such equipment is calculated does the amount invested become apparent. Science laboratory equipment has also been a major

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depreciation item. In 1980, computer and laboratory equipment were depreciated over seven to 10 years. Depreciating them over only three years, as is cur-

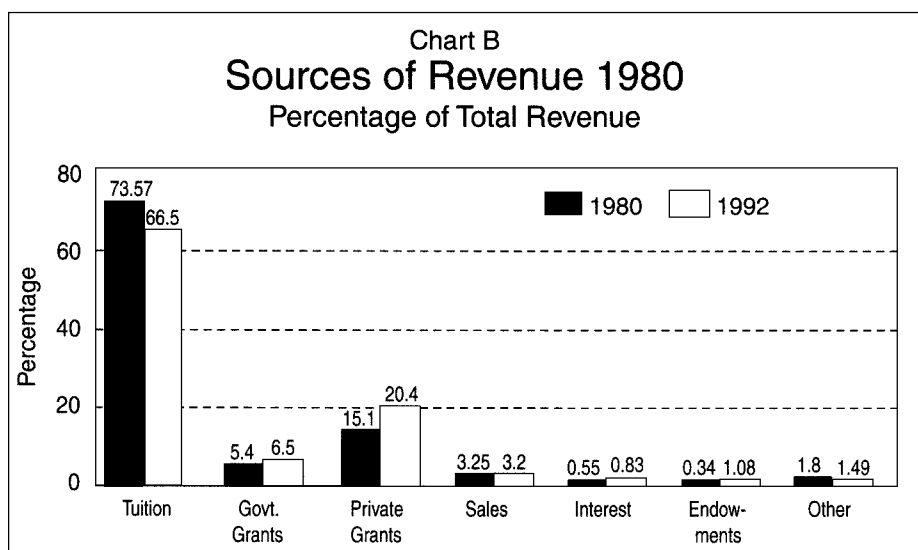
rently done, increases the costs in this area. The increased amount of technical equipment required and the faster rate of depreciation obviously affect the institutional costs. Some of the depreciation increases come from buildings constructed on several of the campuses since 1980.

Public Relations. Public relations accounted for 3.1 percent of the budget in 1980 and 3.5 percent in 1992. In 1980, several institutions had virtually no public relations expenditures, but in recent years this has become necessary, especially in attempts to increase enrollment. A couple of institutions also had incidents that necessitated damage control.

Building Maintenance. Maintenance is an unavoidable cost. One college experienced flood damage; another had to contend with substantial roof repair.

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Administration Building, Canadian Union College, College Heights, Alberta.



Administrative Computing. Unlike academic computing costs, administrative computing costs are not distributed across departments and cannot be camouflaged. Most of the colleges either installed comprehensive administrative systems for the first time or replaced their equipment with more powerful and flexible systems to meet state, federal, and SDA system reporting requirements.

Utilities. The cost of utilities actually decreased in terms of constant dollars and as a percentage of the educational and general expenditures (2.7 versus 4.6 percent). The decrease can be traced to installation of computer-controlled energy systems and conversion to low-en-

ergy lighting systems. Campuses with the greatest utilities costs reductions installed reserve power generators to qualify for lower consumption rates offered by utility companies. One campus switches to a reserve power generator during peak periods, while another produces its own power.

Sources of Revenue

The study also examined revenue sources. Tuition was not increased to compensate for decreases in other revenue sources. Chart B shows that the portion of expenses paid by tuition has actually decreased, leading to greater dependence on private gifts and government grants. However, the major portion of revenue, approximately 66 percent,

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educational institutions each year, the colleges and universities will likely experience more financial stress in the future.

SDA tuition costs cannot continue to escalate. In fact, we should lower them so that more young people can attend our schools. Study is being given to how this may be accomplished, but there are no easy solutions. The administrators of our educational institutions have, in general, done a commendable job in dealing with difficult financial times and competitive surroundings.

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Don Love Building, Union College, Lincoln, Nebraska.

still comes from tuition. Educational personnel interviewed agreed that tuition cannot continue to increase at the same rate, but that other sources of revenues probably will not compensate for the shortfall in this area. Since inflation continues to raise the cost of operating

Economic conditions will probably not improve much for higher education in the near future. As governments get more involved in medical care, crime prevention, and K-12 schools, financial aid to college students may be reduced. Our institutions will need the support of each church member to keep them healthy. They need not only our moral support, but also active involvement in enrollment, gifts, and grants. College and university administrators deserve our appreciation for their diligent efforts to keep our institutions financially healthy. ✍

Chan Shun Centennial Library, Southwestern Adventist University, Keene, Texas.

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REFERENCE

*Robert C. Schwab and Allen F. Stenbridge, "Adventist Professor Remuneration: What's Happened in 20 Years?" *The Journal of Adventist Education* 56:4 (April/May 1994), pp. 26-31.

Blake Administration Building, Oakwood College, Huntsville, Alabama.