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Remarks before the National Commission on the Cost of Higher Education

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Remarks Before the National Commission on the Cost of Higher Education November 7, 1997 Egan Research Center

Welcome to Northeastern University. You are visiting us as we celebrate our centennial year, and you are addressing a subject that has been close to our hearts for the entire century of our existence. We were founded during the Progressive era as a place of opportunity for urban, working class and immigrant students who found themselves unable to afford or attend the fine, traditional private colleges of the region. Despite many changes since our founding, the goals of access and affordability for young men and women from modest backgrounds have remained central to our identity.

The last eight years have been particularly challenging for Northeastern. During this period we have undertaken a major transformation in our character, shifting from a large, locally oriented, no frills, commuter school to a smaller institution serving an expanded geographic area with programs of heightened academic quality. Ours is just one story, but I believe it illuminates the socially constructive dynamics of the academic marketplace while exemplifying the challenges facing many mainstream colleges and universities today. It is a story, I believe, that says more about the recent history of colleges attended by significant numbers of Americans than headline grabbing articles about skyrocketing costs at a handful of Ivy League schools.

This morning I want to emphasize three points:

First, while higher education has been criticized for failing to respond to the needs of undergraduates, our transformation suggests the opposite. Some eight years ago the market spoke. Prospective students and their families made it clear that if we did not change, our future was very much in doubt. We heard the message, and we are acting on it.

Second, while our transformation is incomplete, we have been able to significantly increase the value of a Northeastern education with only modest increases in real tuition charges to our students and even more modest increases in total tuition revenues from undergraduates.

Third, our efforts at institutional adaptation are greatly affected by federal and state higher education policies. We strongly support the availability of low-cost, state-sponsored, higher education in Massachusetts, but it is also evident that our ability to serve the students we most want most to enroll - talented, ambitious sons and daughters from modest backgrounds - is greatly affected by state and federal action with respect to financial aid.

Boston's urban university

As background to the case I wish to put before you, let me provide some additional detail about the transformation to which I referred a moment ago. In the years before World War II and well into the postwar period, Northeastern functioned as a kind of quasi public institution in a state that lacked a well developed system of state-supported higher education. We kept our costs down by providing a bare-bones campus and keeping faculty salaries low. Despite minimal charges to students, we survived almost entirely on tuition revenues.

Our distinguishing feature throughout these years was - and remains today - cooperative education. Under this program, students alternate terms of full-time, paid employment with

periods of full-time classroom study. The money students earn helps pay the next term's tuition bills while the practical experience they gain reinforces learning in the practical fields that we have historically emphasized. Functioning in this way we grew by the 1970s into the largest private university in the United States.

Beginning in the 1960s, however, our circumstances began to be affected by the long delayed growth of public higher education in Massachusetts. A new system of community colleges was developed. The existing teachers' colleges were transformed into full four-year and masters institutions. Most important of all, in 1964 the state established a comprehensive campus of the University of Massachusetts in the heart of urban Boston.

By the 1980s it was becoming increasingly clear that the growth of the public sector was seriously eroding Northeastern's ability to serve our traditional constituency. As our costs crept upward in these years a larger and larger tuition gap developed between ourselves and the state-supported schools. Then, suddenly, in 1990, accumulating changes coalesced into genuine crisis. That fall we missed our freshman enrollment goal by 28 percent, or about 1,000 students. For a tuition-driven institution like Northeastern, this precipitated a financial free fall of major proportions. The next year was equally disastrous.

In assessing our situation we confronted a stark dilemma. On one side, many students who historically might have attended Northeastern now had respectable low cost options in the public sector. On the other side, many who had the means to pay private tuition did not see sufficient qualitative differences from the state's public campuses to justify our higher costs. The conclusion was unavoidable: we could no longer attract students based on accessibility and low prices; our only choice was to improve our offerings and attract students because of the quality of our programs.

1990-1997: Recasting Northeastern as a smaller, better institution

Spurred by the crisis of the early 1990s, Northeastern set out to systematically recast ourselves as a smaller and better institution. Between the fall of 1990 and the fall of 1997 we reduced undergraduate enrollments by 20 percent from about 15,000 to about 12,000 today. During this same eight-year period, we pared staff by 18 percent - from about 2,800 full-time faculty, administrators and support staff to 2,300.

While absorbing these painful reductions, we began to systematically improve quality. First and foremost, this meant improving our long neglected physical facilities. So, despite the severe financial pressures of those years, we embarked on a \$100 million building program supported by a newly aggressive effort to raise private support from our alumni combined with heavy borrowing. We built a new classroom building and an engineering and science research center; we renovated our student center, rehabilitated several older classroom facilities, upgraded campus housing and opened a student recreation complex. We also put \$20 million into computing infrastructure and wired the campus to hook up students, faculty, and staff to both the university computer system and the Internet.

While we were improving our facilities, we launched a multifaceted effort to improve the quality of our programs. We eliminated 13 majors that were weak or outdated, approved 32 new programs and degrees, strengthened general education, and undertook a comprehensive review of our graduate offerings. We also initiated a major effort to increase the scholarly qualifications of our faculty through both hiring and promotion, and in the process increased our level of extramural funding for research and education while remaining a student-centered university primarily focused on undergraduate teaching.

Moreover, we have worked hard to leverage more value for students in our cooperative education program. This year we will spend approximately \$6 million on a cooperative education infrastructure that will place nearly 6,000 students with some 1,400 employers. We are aggressively developing placements in technically-oriented, high-demand labor market segments populated by corporate customers willing to pay for the talent and skills of our students on co-op. Our goal is to establish

Northeastern as an educational destination of choice for students across the region and nation attracted to our distinctive form of practice-oriented education.

While our transformation is a work in progress, early results are promising. At the beginning end of the continuum, our applications are up 52.6 percent from a low of about 9,100 in 1991. At the same time, our selectivity has increased markedly. Mean combined SAT scores have risen 105 points in eight years, including 33 points between the fall of 1996 and the fall of 1997. Freshman enrollment has stabilized and retention rates have risen steadily. The results for those who have completed our programs are equally encouraging. A careful study of the class of 1996 six months after graduation revealed that 83 percent were employed full-time in a field related to their studies and half the remainder were not interested in full-time jobs at that point. Moreover, during years when real wages for most Americans have declined, average salaries for our graduates have risen 6.6 percent in real dollars since 1991 and in 1996 exceeded \$33,000.

1990-1997: A look at the budget

Against the background of Northeastern's recent strategic restructuring, let me address more directly the issue with which this commission is most concerned: the impact of the changes I have described on our budget and particularly on tuition charges to our undergraduates.

Let us first consider revenues. In recent years, we have worked aggressively to develop non-tuition sources of funding. I have already alluded to the growth of extramural funding for research and education. We are also setting institutional records in private giving. We will intensify these efforts because we know our future depends on them, but we also recognize that in the near term we will remain largely dependent of student payments. The heart of our financial story is an account of tuition policy.

Since the fall of 1990, the sticker price of tuition for full-time

undergraduates at Northeastern has increased at an annual rate of about 8 percent - from \$9,300 to \$14,600. But the sticker price is not what we actually charge to many students. We have, in fact, offset a substantial proportion of these apparent increases by dramatically raising institutional financial aid. In fact, per student aid from institutional sources increased from about \$700 per year in 1990 to almost \$3,200 this year, chiefly through reductions in actual tuition charges to individual students. If nominal tuition increases are reduced by the average amount we returned to students in financial aid, the result is a net or actual tuition increase of only 4.9 percent per year over the eight-year period I have reviewed. During these same years, the annual increase in the CPI averaged 3.3 percent.

As for our overall revenue picture, gross tuition revenues from full-time undergraduate students - that is nominal revenue growth prior to the distribution of financial aid - rose by 29 percent, from \$131 million to \$169 million-- between fiscal year 1991 and fiscal year 1998. Yet, institutional financial aid for undergraduates grew more than 278 percent, from \$9.8 million to \$37.6 million. The result was that our net tuition revenue - that is, gross tuition less institutional financial aid - has increased only \$10.7 million or just 9 percent, which is 1.3 percent per year over eight years. During these same years, the CPI rose 23 percent.

Thus, at a time when we were putting in place a new strategy of qualitative improvements, we had to figure out a way to make progress with only modest revenue growth.

How was this accomplished?

I have already mentioned our faculty and staff reductions. We combined our reduced payroll with painful restraint on salary increases throughout this period. In three of these eight years our employees had no increases at all. We also sought new efficiencies in our benefits programs, and were able to reduce these costs by nearly nine percent. The story is similar for most non-personnel costs: we have essentially frozen real dollar non-salary expenditures throughout this period. Adjusted for inflation, between fiscal year 1991 and fiscal year 1998 total

university expenditures have increased by only 4 percent.

While we worked to restrain expenditures in most categories, we did make critical investments in key areas. We increased our debt to fund the capital projects that were central to our new strategy. And we invested heavily in computer and telecommunications technologies that are indispensable to quality education in the 1990s. Over the past seven years we have spent an average in real terms of nearly \$17 million per year on debt service and maintenance.

In summary, we been able to recast ourselves as a smaller, better university that preserves our distinctive approach to practice-oriented education and at the same time keep our tuition in check primarily by becoming more efficient, by cutting back on operational costs, by increasing our debt, and by rapidly expanding our financial aid expenditures.

Prospects for the future

Let me now turn briefly to the third of the three points I mentioned at the outset - the impact of governmental policies on Northeastern.

We are determined, as I have indicated, to continue enrolling students from modest backgrounds. But it has become harder and harder to do so in the recent context of rising institutional costs and declining state and federal student aid. In spite of our growing financial aid expenditures, debt incurred by our students has risen alarmingly. Moreover, the average income of our entering students is edging upward. In this connection, we are grateful for current government aid programs for students, and we especially appreciate recent tax incentives to support college attendance. We hope the government will continue to make enrollment at independent colleges possible through portable aid programs.

Public policies on student aid affect institutions like Northeastern as much as they affect individual students. Our need to forego much of the tuition income we might have

received between 1991 and 1998 in order to expand financial aid has prevented us from making many investments that are critical to our overall goal of raising the quality of our programs. As my account of our expenditure budgets indicates, we have been forced to skimp on faculty and staff salaries and neglect expenditures in most non-personnel accounts for too many years in a row. Without new support for students from outside sources, this tension between financial aid and institutional investment will only mount. We would respectfully urge the commission to consider the social value of enabling talented and ambitious students from modest backgrounds to attend private institutions like Northeastern that are attempting to stay affordable.

Given our defining characteristic, we have, of course, a particular interest in how federal policy impacts cooperative education. Throughout Northeastern's history, our students have depended upon earnings from co-op assignments to help pay for college. Today, a Northeastern student can earn as much as \$10,000 for a six-month assignment, although many earn significantly less than this. While co-op thus remains an important source of support for many students, living expenses during co-op terms can consume a sizable portion of these funds. Moreover, under federal law, co-op earnings are taken into account when determining a student's financial need under federal financial aid guidelines.

I would like to take this opportunity to endorse a proposal made by the National Commission for Cooperative Education to exempt some or all co-operative wages from the financial aid formula. As it is, federal law is in the peculiar position of treating students more favorably if they avoid cooperative education. We are working hard to infuse new quality into our co-op program so that it might better serve students. A supportive federal policy in this regard would be tremendously beneficial to our efforts to continue enrolling students of limited means. A similarly helpful proposal would be a federal tax credit for employers that participate in workforce development by employing co-op students.

Conclusion

Let me return at the end to a point I emphasized at the beginning. Northeastern's recent history is a story of working hard to survive in a competitive academic marketplace. Facing our crisis at the beginning of this decade was not easy. But competition has made us a better institution and enhanced our ability to contribute to our students and to the economy of the region. I have little doubt that many other institutions have found new strength and have crafted their own unique ways of meeting the educational needs of our citizenry.

I am by no means a myopic apologist for higher education. I believe, in fact, that many of the current criticisms of the nation's colleges and universities, including those that brought this commission into being, are well founded. But I also believe that competition among academic institutions remains a powerful guarantor that, over time, our campuses will seek out strategies of price and program that best meet the needs of the public. I believe that the Northeastern story is an excellent illustration of how well this dynamic can work. From my perspective, that is a critical part of the recent history of American higher education that is too often lost in public discussions of the shortcomings of our academic institutions.

Other addresses:

1998

- [State of the University Address](#), October 8, 1998
- [Address to the Northeastern Corporation](#), May 21, 1998

1997

- [Centennial Convocation Address](#), October 16, 1997
- [State of the University Address](#), September 29, 1997
- [Address to the Northeastern Corporation](#), May 28, 1997

- [Remarks to the Boston Chamber of Commerce](#), April 4, 1997
- [Address to the University Community](#), February 27, 1997
- [Inaugural Address](#), January 17, 1997

1996

- [State of the University Address](#), September 30, 1996
- [Acceptance Remarks to the University Community](#), May 29, 1996

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