Encouraging Institutions to Reduce Costs

Challenge:

Private nonprofit colleges are deeply aware of the growing college affordability crisis: more students from low-income families are attending college, middle-income families have limited funds, states' support for all sectors of higher education has decreased, students are borrowing more, and the economy continues to recover more slowly than hoped. We welcome congressional focus on college affordability, and want to jointly work toward solutions that address the issue without diminishing the quality of education, reducing the rigor of degrees, or conflicting with institutional autonomy.

For the past decade, private nonprofit colleges have continuously sought efficiencies in delivering a quality education. A growing number have entered into consortial arrangements with other institutions. Through these partnerships, they have maximized their joint purchasing power – and decreased overhead – in such areas as insurance; technology; energy; back-office functions; and cross-institutional academic offerings and calendars. The economic downturn has accelerated this work. Such efforts achieve savings without sacrificing the quality of educational programs, or impeding access to them.

Still, private nonprofit colleges want to do more. However, anti-trust restrictions severely limit private non-profit colleges' ability to explore issues and innovate solutions in such areas as financial aid, price, and a myriad of related topics.

Education law provides some extremely limited relief (only on institutional need analysis principles, common aid applications, and exchange of financial aid data) to a very narrow band of universities (only those that are need-blind). However, the exceptions are so restricted as to render them inaccessible for most colleges, and of only limited value to the few who quality. Anti-trust restrictions on private nonprofit institutions put this sector at a significant disadvantage in comparison with their public college competitors, none of which are under the same prohibitions. More importantly, the restrictions stifle the ability of colleges to work collectively on policies intended to ensure that college choice remains possible and affordable for most Americans, particularly those from middle- and low-income families.

Recommendations:

1. **Encourage consortial arrangements.** Congress could play a positive role in helping colleges work cooperatively in reducing cost by providing support to cash-strapped colleges that cannot afford the start-up costs associated with many of the efforts outlined above.

   We propose establishment of a grant program to support innovative collaborative approaches to reducing institutional overhead expenses. These could include such techniques as shared services, common purchasing, and streamlined administrative procedures. The impact of this program would reach beyond direct grant recipients, in that new cost-saving approaches developed under these grants would serve as models that could be adopted by other institutions throughout the country.

2. **Consider an anti-trust exemption.** Congress should consider amending and expanding the exemption[1] from anti-trust restrictions for private, non-profit colleges for purposes of promoting affordability. Such an exemption could be for a limited time and could be under circumstances prescribed by Congress to ensure public affordability purposes are served through the exemption.

[1] Section 568 of the Improving America's Schools Act of 1994