

Net college tuition not keeping pace with inflation

By Douglas Belkin, Wall Street Journal

Nearly half of the nation's colleges and universities are no longer generating enough tuition revenue to keep pace with inflation, highlighting the acceleration of a downward spiral that began as the recession ended, according to a survey by Moody's Investors Service.

The survey of nearly 300 schools reflects a cycle of disinvestment and falling enrollment that places a growing number at risk. While schools for two decades were seeing rising enrollments and routine increases of 5 percent to 8 percent in net tuition, many now are facing grimmer prospects: a shrinking pool of high-school graduates, depressed family incomes and precarious job prospects after college.

The softening demand for four-year degrees is prompting schools to rein in tuition increases while increasing scholarships. Those moves are cutting into net tuition revenue—the amount of money a university collects from tuition, minus school aid.

For 44 percent of public and 42 percent of private universities included in the survey, net tuition revenue is projected to grow less than the nation's roughly 2 percent inflation rate this fiscal year, which for most schools ends in June. Net tuition revenue will fall for 28 percent of public and 19 percent of private schools.

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