POSTSECONDARY EDUCATION

Financial Trends in Public and Private Nonprofit Institutions

Why GAO Did This Study

The number of students seeking postsecondary education at public or private nonprofit institutions has increased by 31 percent over the last decade, and close to 90 percent of the overall student population is now enrolled in these types of schools. As demand for a postsecondary education has grown, so has the cost, and families are finding college increasingly difficult to afford. To help students pay for college, the Department of Education (Education) provides assistance through Title IV of the Higher Education Act, awarding $133 billion in federal student aid in the 2009-2010 school year.

To help ensure transparency and accountability in the public and private nonprofit postsecondary education sectors, GAO was asked to review schools in these sectors with respect to their (1) revenue trends; (2) expenditure trends; (3) student graduation rates; and (4) disclosure of information to students on cost of attendance, graduation rates, and future employment. GAO reviewed relevant federal laws and regulations, reports, and Education records and data on revenues, expenditures, completion rates, and student characteristics. GAO also interviewed Education and postsecondary association officials and conducted site visits to a nonrepresentative sample of nine schools representing a range of size, type, and geographic location. The results of the site visits are not generalizable to all public and private nonprofit schools. Education provided technical comments, which were incorporated as appropriate.

What GAO Found

For fiscal years 1999 through 2009, both public and private nonprofit schools increasingly relied on tuition revenues when compared with other sources of revenue. Net tuition and fees—revenues received after subtracting institutional aid provided to students—climbed from 16 to 22 percent of total revenue at public schools, and from 29 to 40 percent at private nonprofit schools. According to four schools GAO interviewed, increased reliance on tuition revenue is partly a result of significant decreases in state and local appropriations and other revenue sources, such as endowment income. Analysis of Education data shows nearly all types of public and private nonprofit schools saw decreases in state and local appropriations ranging from 6 to 65 percent, as well as decreases in other revenues, ranging from 13 to 75 percent. In response to these declines, schools that GAO visited pursued additional revenue from out-of-state and, in some cases, international students, government funded research, and fund-raising.

Instructional spending consistently made up the largest share of total expenditures at public and private nonprofit schools, about 30 percent in fiscal years 1999 through 2009; however, spending varied across school types when accounting for student enrollment. Nonetheless, faculty compensation and benefits comprised the largest portion of instructional spending, about 70 percent, and increased for all school types during this time period. The overall number of faculty also rose with a shift toward hiring more part-time and nontenured faculty. Spending on most noninstructional activities also increased, particularly for research and student services. Schools GAO visited have adopted strategies to contain costs in response to revenue constraints, including centralizing administrative functions, cutting personnel costs, delaying construction projects, and eliminating certain class offerings.

According to GAO analysis of recent Education data, about 50 percent of first-time undergraduate students at public and private nonprofit schools graduated within 6 years. However, graduation rates varied with student characteristics such as gender, race, and income. For example, financially independent students graduated at lower rates than financially dependent students. Education’s annual graduation measure provides a limited picture of student outcomes because it does not account for many nontraditional students, such as those who begin on a part-time basis and some transfers. Thus, graduation rates vary considerably depending on a school’s student body and mission. Several efforts involving multiple stakeholders are under way to develop outcome measures that better account for all students.

Schools visited by GAO disclosed required information on cost of attendance, graduation rates, and future employment primarily through websites and, in some cases, in printed materials. Nationally, less than 1 percent of Education’s program reviews and independent audits found violations of information disclosure requirements at public and private nonprofit schools. Education has taken a number of steps to help schools disclose complete and accurate information including developing a tool for school websites to help students better estimate and compare the costs of attending college and providing guidance to institutions on ways to disseminate information to students.