I. Abstract

We estimated real total cost functions for private baccalaureate colleges for the academic years of 2006-2007, 2009-2010, 2013-2014, and 2014-2015. Using data for 242 colleges, collected from IPEDS, our results reveal that the growth rate of colleges' costs decreased during the recession years of 2009-2010 relative to their pre- and post-recession levels. These results indicate that the Great Recession had a depressing effect on colleges' cost growth in the short-term, but not the long-term.

II. Empirical Model and Variables

$COST_i = f(FTEUG_i, GRAD_i, ADMIT_i, CITY_i, ME_i, GL_i, PL_i, SE_i, FW_i, RMSW_i)$

- $COST_i$ is the sum of academic support, public service, operations & maintenance, research, student services, and instruction.
- $FTEUG_i$ is the Full Time Equivalent Undergraduate Enrollment
- $GRAD_i$ equals 1 if college has graduate program; 0 if not
- $ADMIT_i$ is the percentage of applicants admitted
- GL_i equals 1 if college is located in the Great Lakes Region; 0 if not
- PL_i equals 1 if college is located in the Plains Region; 0 if not
- SE_i equals 1 if college is located in the South East; 0 if not
- FW_i equals 1 if college is located in the Far West; 0 if not
- $RMSW_i$ equals 1 if college is located in the Rocky Mountain or South West Region; 0 if not

III. Theory and Hypothesis

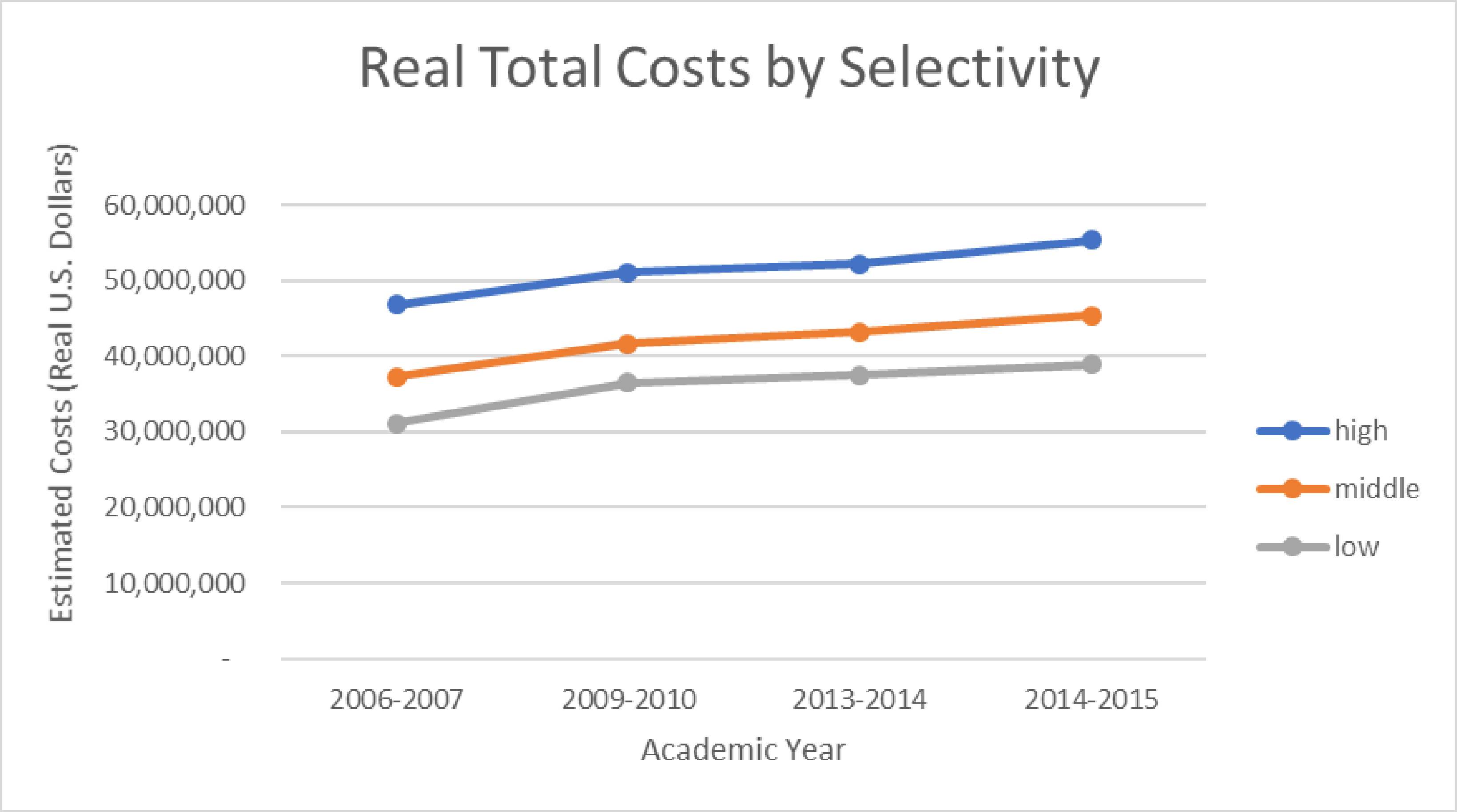
- $FTEUG_i$ is hypothesized to have a positive relationship with $COST_i$ because greater student enrollment causes an increase in the quantity of services a college must provide.
- $GRAD_i$ is hypothesized to have a positive relationship with $COST_i$ because colleges offering graduate programs incur additional costs than those without.
- $ADMIT_i$ is hypothesized to have a negative relationship with $COST_i$ as colleges with a lower ADMIT typically provide more services and have higher costs.
- $CITY_i$ is hypothesized to have a positive relationship with $COST_i$ because costs in urban areas tend to be higher than rural areas.
- ME_i, GL_i, PL_i, SE_i, FW_i, $RMSW_i$ are hypothesized to have a negative relationship with COST because we expect them to be cheaper regions than the New England Region.

IV. Data

- Cross sectional data for:
  - 2006-2007 Pre-recession year Sample Size: 207
  - 2009-2010 Great Recession year Sample Size: 208
  - 2013-2014 Post-recession year Sample Size: 212
  - 2014-2015 Post-recession year Sample Size: 211

- Data collected on IPEDS (The Integrated Postsecondary Education Data System)

V. Empirical Results



Selectivity and ADMIT are inversely related, as ADMIT increases, selectivity decreases.

VI. Conclusion

- We marshal evidence that the Great Recession impacted the growth of colleges' costs temporarily, but not permanently. College cost growth decelerated during the recession, compared to the pre- and post-recession years.

Academic Year	Cost Growth Rate by Selectivity		
	High	Middle	Low
2006-2007	3.10%	3.90%	5.79%
2009-2010	0.54%	0.90%	0.66%
2013-2014	6.06%	5.14%	3.84%

Selectivity and ADMIT are inversely related, as ADMIT increases, selectivity decreases.