

UA-92534443-1

# The American Agora

[W/](#)[Home](#)[About](#)[Columns](#)[A Matter of Opinion](#)[Podcast](#)[More](#)

## AU's Price Tag, up Ten Percent since 2016, Keeps Rising

September 24, 2018 | Mark Lu



The last institutional budget headed by former American University president Cornelius Kerwin takes effect starting October 1, 2018. Here's a run down of AU's finances from reports published by the university and financial ratings agencies.

### Prices keep rising

For a substantial number of students, especially their wallets, the most noticeable piece of Kerwin's legacy will be an 8.2 percent total increase (two consecutive 4.0 percent increases in fiscal year '18 and fiscal year '19) in tuition for all enrollment categories — save for Washington College of Law students, who have had two 3.5 percent increases — from \$22,023 in 2016-2017 to \$22,904 in the academic year 2017-2018 to a tab of \$23,820 per student, per semester, in the current academic year. See the [tuition tables on the AU website](#) for a breakdown. (For academic years before 2016, check in the university's financial aid archives. Alternatively, a quick Google search should suffice.)

Following the previous and current academic years, the total cost for full-time undergraduate students to attend AU will have increased by two increments of 3.3 percent per financial year. (In my calculations, I took the median costs of all compulsory expenses—standard tuition, 175-block meal plan, double occupancy in Nebraska/Cassel Halls, no health insurance; you may have a different price tag depending on which meal/housing plan you elect to have.) In the academic year '16-'17, it costed around \$29,600 for a full-time undergrad to attend AU. In the academic year '17-'18, that figure went up to \$31,484. In the academic year '18-'19 (the current one), the tab sits at \$32,618.

The budget, which was voted on and passed by the Board of Trustees in 2016, provides for two 4.0 percent increases in tuition and a 3.3 percent increase in overall cost. In addition to small incremental increases in fees and housing/meal plan prices, these changes amounts to a total increase of approximately 10 percent in the total cost of attending AU as an undergrad, over the course of just two years.

### Welcome

The American Agora is American University's home for political commentary and analysis.

Just as Agoras were the social and political centers of Ancient Greek life, the American Agora is a space for all manner of ideas to be aired and analyzed.

Our writers are students from a wide range of ideological backgrounds, covering a breadth of issues. On this website, you can find columns and debates, with podcasts coming soon.

All views expressed on this site are those of their authors. The American Agora takes no positions.

### Follow Us



### Subscribe

Email Address

Subscribe Now

The budget report's section on financial aid lists one major change with regards to the tuition discount formula, an equation used to calculate the amount of financial aid relative to tuition. In layman's terms, the tuition discount is a percentage measuring how much tuition money goes back to the students in the form of financial aid. AU claims that its total financial aid funding "is planned to be at 31.7 percent of tuition revenue" in the fiscal years '16 and '17. However, in an [evaluation of AU's financial condition](#) conducted by ratings agency Standard and Poor's (S&P), the tuition discount for undergraduates and graduate students was calculated to be "low at almost 24.9 percent" — a number that is lower than AU's self-reported rate from 1995 (page 22 from the budget). I intend to elaborate on this discrepancy in an upcoming article.

## Endowment woes

In the fiscal year '17, AU saw a 12.6 percent endowment return, according to the S&P report. However, listed in the university budget report (page 25) is the fact that the university's endowment in fiscal year 2016 went down \$9 million from \$589 million in fiscal year 2015 to \$580 million—the first time the endowment has taken a dip since the 2008 recession. Add the fact that undergraduate admissions rate has been steadily declining over recent enrollment periods, and you get a very different look at how AU is handling its current financial position. That 12.6 percent endowment return figure, which S&P interestingly described the university as having "enjoyed", is likely to come down significantly in future years. Here's why.

The university, which is less notable than most institutions of its stature in the research arena, depends heavily on student tuition for its financial operations and capital projects, according to a [report](#) done by Moody's, a sister ratings agency to S&P with its own evaluation of AU's portfolio. However, that reliance is in conflict with AU's increasingly strict stance toward undergraduate admissions, which is itself driven by a D.C. law that mandates that the university must house two-thirds of its undergrads. According to Professor Jeff Harris, chair of the Finance Department in the Kogod School of Business, it was this law that compelled the construction of the new Congressional, Constitutional, and Federal Halls on East Campus.

On page 2 of the Moody's report, "softening of student demand" is listed as the factor most likely to lead to a ratings downgrade. Another one is "significant additional borrowing beyond current plans." Currently, according to the S&P report, the university is operating on three major loans: a \$75 million fixed-rate term loan from JPMorgan Chase maturing in 2021, and two direct-purchase agreements from Wells Fargo and US Bank valued at \$58 million total, expiring this year and 2020, respectively.

According to the Moody's report, graduate student enrollment has remained steady but undergraduate enrollment is predicted to moderate, raising concerns that the recent decrease in fall admissions and increasing demand for tuition money will lead to higher individual tuition rates. Furthermore, an unprecedented decrease in the endowment and an "aggressive debt profile" made up of several multimillion-dollar loans will put even more stringent of a strain on the university pocketbook. For almost half of all AU students, this is the final piece of Neil Kerwin's fiduciary legacy: ambiguity and inconsistency over relentless tuition increases mostly because of the university's own balance sheets.

[Share on Facebook](#)

[Share on Twitter](#)

