Senate budget advances on party lines

BY LYNN BONNER - Staff writer

The state Senate gave preliminary approval to a $19.7 billion budget Wednesday that includes a tax cut for businesses that Republicans say will create jobs but which a Democratic dissenter argues would draw money away from necessary public services.

The budget was approved along party lines, with all Democrats present voting against it. Education spending and taxes have been at the center of the debate.

Gov. Bev Perdue says the Senate budget would force local districts to lay off school personnel. Her office distributed information after the Senate vote on the amounts each district stands to lose. Perdue's budget proposal kept part of a temporary sales tax increase adopted two years ago to see the state through the depths of the recession.

In a statement, Perdue spokesman Chrissy Pearson said the budget choices have made Perdue angrier than any other issue she has faced during her time in office.

The GOP-authored budget drops the temporary 1-cent temporary sales tax and a temporary income tax surcharge on top earners, and gives businesses, excluding those that pay the corporate tax, a tax exemption on their first $50,000 of income. The business tax cut is estimated to cost the state about $131.6 million next year and create about 1,100 jobs according to report from the Carolina Center for Competitive Economies at UNC Kenan-Flagler Business School.

Republicans contend that letting the sales and individual income taxes expire and adopting the business tax cut will create 17,000 jobs by this time next year. They are relying on the report from the Competitive Economies Center for their data.

Democrats haven't said much in public about the business tax cut, but Sen. Dan Clodfelter, a Charlotte Democrat, took it on during the budget debate.

People would figure out how to use the law to avoid paying taxes, he said, making the cut more expensive than $131.6 million. Clodfelter said he and other lawyers, as well as others in his firm, accounting firms and more would qualify. The state could use the money it gives up in the business tax
cut to restore programs eliminated in the budget, including drug courts and the Teaching Fellows program, he said.

"I appreciate the benefit, but budgets are about choices and those choices have moral implications and not just economic ones," he said.

Sen. Bob Rucho, the Mecklenburg County Republican who worked on the tax plan, said it would cost individuals more to try to take advantage of the business tax cut than the maximum $3,500 they would save.

"This is an energizing-the-economy bill," Rucho said in an interview. "Government creates the environment for jobs to be created in the private sector."

Alexandra Sirota, director of the N.C. Budget & Tax Center at the N.C. Justice Center said the jobs created would be more than offset by job cuts in the budget.

"On net, the Senate proposal will not create jobs," she said. "It will be a job loser because we know there are so many jobs that will be lost both directly and indirectly," she said.

States with lower tax rates tend to have move vigorous economic growth, said Mike Walden, an economist at N.C. State University.

But tax cuts don't top the list of most important growth factors, he said. The skill of the labor force, including the percentage of residents with college degrees, is a stronger economic stimulant, he said.

The Senate is expected to give the budget its final approval today; then, it goes to the House for votes Friday and Saturday.

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Details of NC Senate budget given tentative OK

Highlights of the $19.7 billion budget for North Carolina state government for the 2011-12 fiscal year tentatively approved Wednesday by the state Senate. The monetary figures reflect increases or reductions to base budget expenses, some of them based on projected increases in recurring spending. For tax changes, figures are for the amount of revenue generated or lost.

**K-12 SCHOOLS**

— require $124.2 million in additional savings as determined by local school districts, spread out from among the 115 districts.
— fund 1,124 additional teaching positions in grades 1-3 to reduce class size funding ratio from 1-to-18 to 1-to-17.
— spend $200,000 to study third grade literacy programs and ways to reduce remedial or developmental education at university and community college campuses.
— eliminate funds for Dropout Prevention Grant program, saving $13.3 million.
— reduce funding for new textbooks, saving $92.2 million.
— eliminate funds for student diagnostic pilot program, saving $10 million.
— reduces instructional supplies funding allotment to districts by 46 percent, or $42 million.
— reduce by 15 percent, or $59.5 million, state funding allotment to pay for school janitors, clerical staff and other personnel.
— reduce funding allotment for central staff in local school districts by 16 percent, or $17.2 million.
— reduce by $22.2 million, or 19 percent, funds to pay for assistant principals.
— reduce funds for instructional support for guidance counselors, social workers and media specialists by 5 percent, or $22.9 million.
— eliminate mentoring funds for school districts, or $9.2 million.
— eliminate staff development funds for school districts, or $12.6 million.
— reduce by 20 percent, or $16 million, in funding for the More at Four prekindergarten program and transfer the program to the Department of Health and Human Services.
— eliminate state funding for the Teacher Academy and reduce state funding for
the North Carolina Center for the Advancement of Teaching, both teacher
professional development services, saving $7.8 million.
— eliminate operating budget for residential schools for the deaf and the blind by
about 5 percent and funding for superintendent of residential schools, saving $1.7
million.

COMMUNITY COLLEGES
— give $34.1 million to fully fund projected enrollment growth of 3,672 full-time
equivalent students for next fall.
— require $50.8 million in additional savings through the community college
system.
— increase tuition by $10 per credit hour to $66.50 for residents and $258.50 for
nonresidents, saving $47.7 million.
— reduce funds for basic skills education by 12.4 percent, or $10 million.
— reduces customized training budget by $7.6 million on one-time basis.
— save $1.3 million to eliminate 19 positions in state community college system
office.

UNIVERSITY OF NORTH CAROLINA SYSTEM
— give $46.8 million to fund fully necessary expenses for projected overall
enrollment of additional 2,337 students.
— require $414 million in additional savings throughout the UNC system, at the
discretion of administrators.
— reduce the state subsidy to UNC Hospitals by 59 percent, or $26 million.
— offer $3.5 million to hire 27 workers in preparation of opening of East Carolina
University dental school this fall.
— provide $18.5 million to operate new or renovated UNC system buildings
completed in the coming year.
— shift $37.9 million from the state's general operating fund to offer need-based
financial aid for students.
— eliminate certain waivers that subsidized tuition of out-of-state students by
treating them as if they received the in-state tuition rate, saving $1.9 million.
— save $12.8 million by reducing by 12.3 percent, for grants and scholarships to
in-state students attending private colleges.

HEALTH AND HUMAN SERVICES
— reduce Smart Start funding by 20 percent, or $37.6 million.
— reduce mental health community services funds by $27.2 million.
— eliminate 250 of the 1,600 vacant positions within the Department of Health and Human Services to save $7.6 million.
— transfer $32.9 million in funds from proposal to abolish Health and Wellness Trust Fund to the Department of Health and Human Services.
— find $10.8 million in Medicaid savings in pharmacy services and $15 million in revising generic drug dispensing rates.
— find $90 million in additional savings through Medicaid's managed-care initiative.
— modify optional and mandatory Medicaid services to save $16.5 million.
— eliminate automatic inflationary increases for Medicaid provider reimbursements, saving $62.9 million.
— adjust Medicaid provider reimbursements to save $46.4 million, including a 2 percent cut in provider reimbursement rates, with some exceptions.
— eliminate the remaining $50,000 in the State Abortion Fund designed to help low-income families. The fund has become largely dormant for many years.

**NATURAL AND ECONOMIC RESOURCES**
— eliminate 12 vacant positions and shift one position in the Department of Agriculture, saving $824,000.
— transfer Division of Forest Resources and Division of Soil and Water Conservation from Department of Environment and Natural Resources to the Department of Agriculture.
— provides $2 million to operate Tobacco Trust Fund, which receives 25 percent of the state's portion of the national tobacco settlement.
— set aside $7.1 million to meet state match for federal drinking water revolving fund.
— requires state's three aquariums to spend $2 million in gate admissions for operating expenses.
— eliminate funding for oyster sanctuary program and reduce shellfish mapping program, totaling $1.7 million.
— reduce North Carolina Zoo operating expenses by 6.5 percent, outsource at least three gift shops to eliminate six filled positions and eliminate two vacant positions, saving $1.5 million.
— eliminate nine positions at the North Carolina Museum of Natural Sciences.
— transfer $6 million from Parks and Recreation Trust Fund to support park operations.
— eliminate 18 vacant positions in Division of Parks and Recreation to save $856,000.
— end routine inspections of animal operations, saving $473,000 and seven positions.
— eliminate 30 positions in seven regional offices of the Department of Environment and Natural Resources, saving $1.8 million.
— reduce by 89 percent Clean Water Management Trust Fund allocation from $100 million to $11.3 million.
— allocate $6 million for incentives for Goodyear and Bridgestone/Firestone plants in North Carolina.
— gives $10 million to One North Carolina Fund for economic incentives.
— reduce funding for High Point Furniture Market by 15 percent, or $121,000.
— gives $2 million less to the Institute for Regenerative Medicine at Wake Forest University.
— reduces funds to North Carolina Biotechnology Center by 10 percent, or nearly $2 million.
— reduces funds to North Carolina Rural Center by 10 percent, or $2.3 million.

JUSTICE AND PUBLIC SAFETY
— eliminate 195 full-time positions in judicial system already made vacant through voluntary reduction in force, saving $13 million.
— implement hiring freeze for 35 additional vacancies of clerks, assistant district attorneys and other positions to save $1.7 million.
— reduce 55 support staff positions for district attorneys to save $2.6 million.
— eliminate $1.1 million for nonprofit mediation centers.
— eliminate 19 vacant magistrate positions to save $826,000.
— eliminate all state funding for drug treatment court program to save $2 million and 32 jobs.
— eliminate Sentencing Services program to save $2.1 million and 11 positions.
— eliminate 40 vacant positions in the Department of Justice, saving $2.5 million.
— reduce funding to hire private lawyers for indigent defendants by $10.5 million.
— eliminate 34 executive level positions within correction, crime control and juvenile justice departments as part of consolidation of agencies into new Department of Public Safety.
— eliminate 21 staff psychologists, housing unit supervisor and youth counselor technicians in juvenile justice system, saving $1.1 million.
— eliminate $3.2 million and 57 positions at Samarkand Youth Development Center in Moore County.
— reduce various operating expenses for computers, equipment, motor vehicles, inmate clothes and other items to save $7 million.
— eliminate 255 vacant positions in Department of Correction to save $14.1 million.
— reward prisoners with shorter sentences for positive conduct and good behavior while still requiring prisoners to serve at least their minimum sentence, saving $2.5 million.
— eliminate 25 state-paid chaplains at prisons to save $1.4 million.
— end community work crews whereby prisoners could work on local government projects, eliminating 39 positions and saving $1.6 million.
— eliminate 39 Correction officer positions associated with inmate litter crews, saving $1.6 million.
— close four minimum security prisons as part of criminal justice reforms that will shift more misdemeanants to county jails, saving $5.4 million and 203 positions.
— eliminate funding for two private contractors for drug and alcohol abuse treatment beds for minimum custody offenders to save $5.2 million.
— reorganize State Capitol Police by focusing on security in and around state-owned Wake County buildings to save $2.3 million and 40 positions.

TRANSPORTATION
— eliminate 39 emission specialist positions as part of restructuring of Division of Motor Vehicles inspection program, saving $2.2 million.
— raise tolling on existing ferry routes and adds tolls to two other routes, generating $2 million.
— reduce $3.1 million in Aviation Division grant funds for commercial air carrier and general aviation airports and other aviation programs.
— eliminate ferry division vacant positions, reduce nonessential temporary workers and close Morehead City field office.
— reduce primary and secondary system maintenance by $50 million.
— increase by $346.6 million funds for road resurfacing, system preservation and maintenance.
— freeze salary step increases for Highway Patrol troopers, reduce patrol operating funds and require administrative consolidations.
— increase by $131 million fund for urban loop construction.
— reduce "gap" funds for Garden Parkway and Mid-Currituck Bridge toll projects and use proceeds for local districts to replace school buses and for urban loop construction.

OTHER STATE AGENCIES
— eliminate 94 positions and save $6.1 million in the Department of Administration.
— cut in half the Performance Audit division in the State Auditor's Office and shift up to five of the nine eliminated positions to the General Assembly's Program Evaluation Division.
— eliminate 10 vacant and filled positions in the N.C. Museum of Art through operating reductions to save $471,000.
— eliminate 40 vacant and filled positions through program and personnel reductions to save $1.9 million
— reduce funding for The Lost Colony and Vagabond School of Drama and eliminate funding for Shakespeare Festival by a combined $309,000.
— reduce state funding to local libraries by 13 percent, or $2 million.
— reduce Roanoke Island Commission funding by 25 percent as commission becomes self-supporting in 2015.
— eliminate 17 vacant positions in the General Assembly to save $1.9 million.
— eliminate 18 filled and vacant positions in the Governor's Office, including the communications and deputy communications directors, saving $1.4 million.
— reduce funding for North Carolina Housing Finance Agency by $2.1 million.
— eliminate 61 vacant positions in the Department of Revenue to save $3.5 million.
— set aside $1.5 million to leverage matching funds for North Carolina Symphony.

RESERVES, FEES AND TAX CREDITS
— increase by $248.1 million contributions to the retirement system for state employee and other public workers and emergency responders.
— spend $7.1 million to continue health benefits coverage for active and retired employees in the State Health Plan.
— reduce by $12 million the Job Development Incentive Grants reserve.
— provide no pay increases for state employees and public school teachers.
— generate more than $100 million in various fees, of which about one-third would go to counties if separate criminal justice reforms are approved.

Source: Senate Appropriations Committee Report on the Continuation, Expansion, and Capital Budgets for proposed budget bill.
The University of North Carolina at Wilmington nixed getting rid of Leutze Pond from its master plan after student and staff outcry.

Wide-spread campus outcry saves ponds at UNCW
By Jason Gonzales
Former UNCW Chancellor James Leutze tore down a parking lot and put up a paradise, Bruce McKinney, president of the faculty senate, likes to recall.

Leutze is credited as the main force behind replacing a parking lot with ponds for the school's Campus Commons.

"One of the biggest things is that was part of the legacy of Leutze," McKinney said.

But a recent proposal in the school's upcoming master plan looked to fill or alter the Campus Commons and the Bluethenthal Wildflower Preserve ponds to create green space for activities.

That drew a resounding no from faculty, staff and students, leading administrators to quickly scrap the idea.

And while the administration is still ironing out the details of the plan, said Charles Maimone, vice chancellor for business affairs, any option of making changes to the ponds has been nixed.

"It was clear from review, the vast majority are in favor of seeing them stay," he said.
According to an email to the school from James Ross, the university architect, the top topic of feedback from students, faculty and staff was related to the ponds.

"I wanted to communicate this decision (not to remove the ponds) immediately rather than waiting until we have the next draft of the plan," he said in the message.

Leutze said that the ponds symbolize the role water has played in the Wilmington area.

"And as a feature, water is an integral part of Wilmington," he said. "If I could, I would have redirected the Cape Fear River through campus."

Leutze said when the ponds were installed, there was dissatisfaction with the administration for installing them. He said he is happy to see they are now something worth saving.

"I don't know what the motivation would be for looking to remove the ponds," he said.

A draft plan originally called for creating the green space because many expressed interest in it, but Maimone said the plan was never set in stone.

"It appears as an option, and then we vet those options," he said.

There are three different versions of the plan, and the administration is making an effort to incorporate as many ideas as possible into them, he said. The goal is to create a map for future development.

"This doesn't obligate us but guides the university," he said.

With the ponds saved, McKinney said many faculty members are letting out a sigh of relief.

That's because the ponds are a distinctive part of the campus, he said.

"The area gives everyone a nice place to go to relax, he said. "Yeah, you could probably do that with green space, but it wouldn't have the same ambience if that's what transpired."

"It would be a disservice to Leutze."

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Education Department Increases Its Regulation of For-Profit Colleges

By TAMAR LEWIN

The Department of Education on Wednesday tightened its regulation of for-profit colleges and other vocational programs that get billions of dollars in federal aid but leave many students with crushing debt and credentials worth little on the job market.

Under the new rules, programs would lose their eligibility to dispense federal student aid — and as a practical matter, be shut down — if, over the next four years, their graduates fail to meet new benchmarks for loan repayment and ratio of debt to income. But amid intense lobbying by the for-profit college industry and pressure from Republican lawmakers, the department significantly eased the rules from an earlier draft: officials said, for example, that no program would lose eligibility until 2015.

“We believe that very few programs will be forcibly closed by our standards,” Secretary of Education Arne Duncan said. “We want to give people a chance to reform. As a country, we need this sector to succeed. This is not about ‘gotcha.’ ”

These rules, which try to define how such programs prepare students for “gainful employment,” have been the hardest-fought issue in the debate over exploitive and fraudulent practices in the industry. The colleges and their allies spent $12 million lobbying against the rules since the start of 2010, and this spring, the House passed a budget amendment that would have blocked the department’s work on them. The rules were supposed to be issued last summer, but were delayed after the Education Department received a record 90,000 comments on its draft proposal.

The colleges contend the rules are unnecessary and illegal, and would limit educational opportunities for the low-income and minority students who make up most of their enrollment. An industry spokesman said litigation or a new legislative challenge to block the rules were possibilities.

“It still has the same basic framework, so we’re still going to be looking at their statutory authority to create these metrics,” Harris Miller, president of the Association of Private Sector Colleges and Universities, said Wednesday night. “But there’s no doubt that they have taken into account our concerns...
about issues such as time and giving schools an opportunity to make some changes.”

In the last year, Senate hearings and news reports about abuses in the for-profit education industry have documented how millions of low-income students borrow heavily for training programs that often do not help them land good jobs. Students at for-profit colleges make up 12 percent of those in higher education, but almost half of those who default on student loans. Although the new rules are a particular threat to for-profit schools, which charge high tuition for vocational programs, they apply broadly to career education, including certificate programs at public and nonprofit colleges, which the Higher Education Act requires to “prepare students for gainful employment in a recognized occupation.”

On Wednesday, department officials estimated that 5 percent of the 13,155 for-profit programs covered by the rules, and 1 percent of the 42,290 public and nonprofit programs, would lose their eligibility for student aid. A program would lose eligibility for federal aid only if: fewer than 35 percent of its graduates are repaying principal on their student loans three years out, and, for the typical graduate, loan payments exceed 30 percent of discretionary income as well as 12 percent of total earnings.

“We’re asking companies that get up to 90 percent of their profits from taxpayer dollars to be at least 35 percent effective,” Mr. Duncan said.

The new rules take a “three strikes and you’re out” approach. The first time a program failed to meet all three criteria, it would have to report by how much it missed the benchmarks, and outline what it would do to improve. The second time, it would have to warn students that they may not be able to repay their debt and that the program could lose its eligibility. Only a third strike in four years would result in curtailing student aid.

Terry W. Hartle, senior vice president of the American Council on Education, said it was impossible to predict how the industry would react, or know whether the rules were weakened too much.

“No one can really say if it will affect 10 percent of programs, or a 10th of a percent,” he said.

In a conference call with reporters on Wednesday, Gene B. Sperling, director of the National Economic Council, warned that the explosive growth of the for-profit education sector had many of the “same characteristics of what happened with subprime housing and securitization,
namely that they can capture all the upside of increasing volume while shifting all of the downside to somewhere else, which is students and taxpayers.”

He said the rules would “only decrease access to very weak programs that leave students with a crushing debt burden.”
After two years of sharp declines in hiring, M.B.A. students are having more success landing jobs, and getting them earlier, than during the depths of the financial crisis.

The increase comes as companies become more optimistic about their opportunities for growth, gaining confidence that new hires now will pay off down the line.

While there remain some pockets of weakness in industries such as health care, hiring at many traditional career destinations for M.B.A. graduates, including finance and consulting, are nearing pre-recession levels. Hiring is up by double-digits at consulting firms such as Bain & Co. and Accenture PLC, compared with 2008 troughs. Similar gains are being seen at financial-services companies, including Goldman Sachs Group Inc. and Morgan Stanley.

Overall, 57% of full-time M.B.A. students in the U.S. had offers by mid-March, compared with 40% a year earlier, according to a Graduate Management Admission Council survey released last month of 905 companies and 127 business schools nationwide. And the improvement continues as the latest school year closes out.
"More companies are wanting to dance," said Cheri Paulson, director of the center for career development at Babson College's F.W. Olin Graduate School of Business. The school saw listings for full-time jobs increase 39% over last year.

Consulting firms have reported especially robust hiring as demand—and funding—for their services rebounds. Recruiting for that sector "came back with a vengeance" in the past 12 to 18 months, said Fred Staudmyer, assistant dean and director of career services at Cornell University's Johnson Graduate School of Management. Nearly one-quarter of the school's graduating class has received offers in the industry.

Boston-based Bain & Co. said it plans to hire more people this year than it did pre-recession, in order to meet new-client demand in areas including energy, financial services and private equity. "And we'll hire more people next year than we did this year," said Mark Howorth, the company's head of global M.B.A. recruiting.

Bain will bring on first-years numbering in the "mid-hundreds" this summer, drawing from a core of 25 business programs, Mr. Howorth said. The incoming class is 40% to 50% larger than last year's and is "far and away" the largest incoming M.B.A. class Bain has ever had, he added.

Accenture has also picked up the pace. The management-consulting firm hired about 64,000 new employees globally in the 2009-2010 academic year and is on track to add the same number this year. That figure, which includes experienced hires and new graduates, was a record well above the 25,000 figure from 2008.
Though a "relatively small" percentage of Accenture's new staffers are from M.B.A. programs, Senior Director of Global Recruiting John Campagnino said the company has increased its M.B.A. hiring by about 50% from last year.

Andrew Snyder, who graduated from the University of Virginia's Darden School of Business this spring, chose Accenture over five other offers. Mr. Snyder, 29 years old, said he was impressed with the consultancy's culture and was encouraged that "they had expressed interest in me as much as I had expressed interest in them." A salary in the "low six-figures" didn't hurt either, as he turned down offers from multiple consulting firms and government agencies.

Recruiters for finance and accounting jobs have also been busy. According to the GMAC survey, 71% of companies in those fields plan to take on 2011 M.B.A. graduates with an average of 19 new hires per company. That compares with 67%, hiring an average of 14 new employees last year.

The overall number of business-school graduates that Goldman Sachs hired this year was about even with the past two years, but that is still more than 25% higher than 2008 figures, said Sandra Hurse, global head of campus recruiting. She said strong candidates received offers from more companies this year than they did in 2010, but the company hasn't yet been forced to increase compensation.

This year, Morgan Stanley recruited about as many students for full-time jobs and internships as they did last year, said Keisha Smith, global head of campus and experienced hire recruiting. She said that although the number of students they've recruited is up from 2009, it is still not as high as before the downturn.

As more financial-services and consulting companies come back to campuses, competition for M.B.A. talent is also pushing salaries higher—though not quite in line with inflation. The average starting salary is expected to be to $91,433 this year, according to the GMAC survey.

Some companies are also sweetening signing bonuses. The University of Michigan's Ross School of Business saw that perk increase by one-third to a median $20,000 this year, said Damian Zikakis, director of the office of career development.

Companies outside of consulting and finance also saw an uptick in hiring. For example, General Electric Co. will hire about 100 students from business-school campuses this year, up from about 80 in 2010 and about 70 in 2009, said Steve Canale, manager of global recruiting and staffing. Mr. Canale said that during the downturn, the company cut back mostly on its direct hires, placed in segments such as GE Capital, rather than the company's leadership program.

Although Mr. Canale said that he has noticed increased competition for students, so far, that hasn't caused upward pressures on salaries or signing bonuses.
To be sure, not all companies are clamoring for new talent. According to the GMAC survey, just 68% of health-care and pharmaceutical companies are looking to hire M.B.A. graduates this year, with an average of 11 openings per company. That's down from 24 spots last year. And just 39% of companies overall are interested in expanding in marketing and sales.

Saloni Desai, a recent graduate of Pepperdine University's Graziadio School of Business and Management, has been looking for a marketing position or work in the health-care and biotechnology industries since the beginning of 2011. She has submitted about 30 formal applications and received four or five interview offers, but she isn't yet employed.

But for the most part, schools and students are benefiting from the renewed activity.

The University of Virginia's Darden has seen a 10% to 15% increase in companies on campus, with firms like MasterCard Inc. and Novartis AG now appearing as well as regular visitors like McKinsey & Co. and Danaher Corp. hiring more freely, said Jack Oakes, assistant dean for career development.

The school read as a positive sign that consulting firms and investment banks were increasing their activity. If companies are willing to spend on outside consultants, Mr. Oakes said that was a good indication they would be willing to spend on new talent, too, he said.

As of mid-May, about 85% of Darden students reported job offers, compared with 77% reported at last year's graduation.

The Johnson Graduate School of Management at Cornell has also seen a sharp uptick in hiring as companies sign on multiple students rather than just one top pick. Mr. Staudmyer expects "close to 80%" of students are graduating with job offers this spring, compared with a pre-crisis level of 93% to 96%. The job offers in 2009 were in the high 60s, he said.

At the University of Michigan's Ross School of Business, 76.5% of M.B.A. graduates have received at least one offer this year, up from 63.3% last year, said Mr. Zikakis. Still, more than 82% of students had offers in 2008, before the downturn set in.

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