U. LOSE

No Common Cents

In the days of dwindling funding for higher education, this one really hurts.

Unauthorized investment trading since 1992 has cost an unknown number of colleges and universities at least $138 million. As if school administrators needed another excuse to jack up your tuition and fees.

The investments were part of the Connecticut-based Common Fund, a $20 billion pool of investments from 1,400 schools nationwide. First Capital Strategists Inc., one of many investment firms working for the Common Fund, is the group responsible for the loss.

The lost money was actually investment earnings, not student dollars. But the losses are expected to have a trickle-down effect.

The use of investment earnings varies at each school. Some reinvest them; others factor them into their annual budgets.

The Pennsylvania-based First Capital will not say how many schools were affected by the loss, but it seems that many of the 1,400 schools may feel the pinch. Penn State U. officials say the school lost at least $736,000 in the transactions. The U. of Michigan's losses amounted to at least $1.5 million.

"It looks like the university will have to absorb the loss," says Randy Harris, associate vice president of finance at Michigan.

First Capital officials say Kent Ahrens, a senior trader with the firm, admitted he lost a "relatively small" amount of money — less than $100,000 — in an initial investment. But rather than reporting the loss, as is customary, Ahrens tried to trade his way out of the red and lost even more money.

First Capital has suspended Ahrens. According to First Capital officials, "He clearly understood that his actions were in contravention not only of the Common Fund's investment guidelines but also First Capital's policies and procedures."

The Common Fund, a nonprofit organization, has experienced some fallout from Ahrens' actions. The U. of Minnesota, which lost no money, pulled its investments in July from the Common Fund and from First Capital. Six other schools, including Denison U. in Ohio, have since followed suit.

The Common Fund officials are doing everything they can to recover the losses, says Michigan's Harris. "But we're still going to see a big reduction in our year's earnings."

Travis Spencer, Eastern Illinois U.