WICHE
Western Interstate Commission for Higher Education

Policy Insights

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Tuition and Fees in the West 2011-12

Average resident undergraduate tuition and fees for the academic year 2011-12 at public two-year institutions in the WICHE states (excluding California) increased by 9.7 percent ($286) from the previous year, while published prices at public four-year institutions grew by 13.7 percent ($856). By comparison, nationally, the one-year increase was 8.7 percent for two-year and 8.3 percent for four-year institutions. The increase in the regional average published price for two-year and four-year institutions in the West (excluding California) outpaced the national average increase in both dollars and percent change.

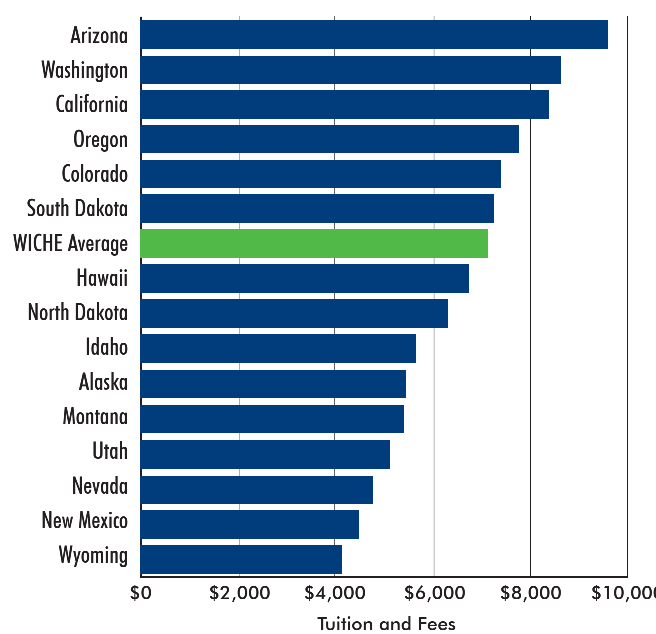
This issue of *Policy Insights* reviews the results from an annual survey, conducted by the Western Interstate Commission for Higher Education (WICHE), of tuition and fees at public colleges and universities in the WICHE region (which includes Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, North Dakota, Oregon, South Dakota, Utah, Washington, and Wyoming). Complete data are available in *Tuition and Fees in Public Higher Education in the West, 2011-12: Detailed Tuition and Fees Tables* (www.wiche.edu/pub/15454), published by WICHE in November 2011. The survey on which the report and this policy brief are based was administered to state higher education executive offices or system offices in the Western states.[1]

Four-Year Institutions

Average tuition and fees for resident undergraduates in 2011-12 at public four-year institutions in the region were $7,125, an increase over the previous year of $856 (13.7 percent). By comparison, the national average was $8,244, which was up $631 (8.3 percent).[2] After adjusting for inflation, the change in average resident undergraduate tuition in the region was 11.3 percent over 2010-11; the five-year increase, from 2006-07, was 44.7 percent.[3]

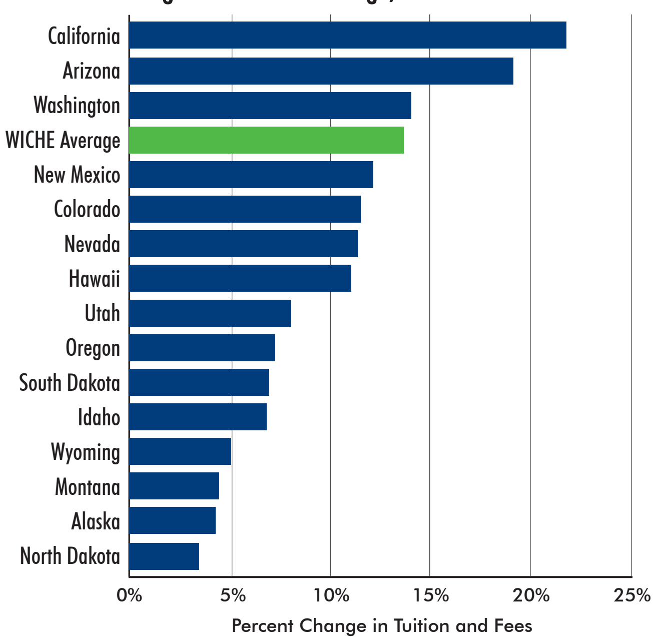
Within the WICHE West, there was substantial variation in tuition prices at four-year institutions, ranging from $2,513 at Great Basin College in Nevada to $14,454 at the Colorado School of Mines. The statewide average price in this sector was lowest in Wyoming, at $4,125, and highest in Arizona, at $9,601 (Figure 1). The gap between high-price states like Arizona and Washington and low-price states like Wyoming and New Mexico has widened considerably over recent years. The largest one-year increase in percentage terms occurred in California, where average statewide tuition and fees climbed 21.8 percent[4]; the smallest rate of growth was in North Dakota at 3.5 percent (Figure 2). North Dakota also had the lowest average increase in dollar terms, $213, while students in Arizona paid the highest average increase, $1,544.

Figure 1. Resident Undergraduate Tuition and Fees at Public Four-Year Institutions, State Averages and WICHE Average, 2011-12



The rate of growth in nonresident undergraduate tuition and fees at public four-year institutions in the region did not climb as quickly this year as the resident rates did. The average nonresident undergraduate rate was $18,736, up 7.5 percent from 2010-11, compared to a 13.7 percent jump for residents. But when measured in dollars, the $1,300 average increase for nonresident tuition across the region far exceeded the $856 average increase for residents. New Mexico Highlands University charged nonresidents the lowest tuition, at $5,328, while the most expensive institution for nonresidents was the University of California, Davis, at $38,001.

Figure 2. Percent Change in Resident Undergraduate Tuition and Fees at Public Four-Year Institutions, State Averages and WICHE Average, 2010-11 and 2011-12

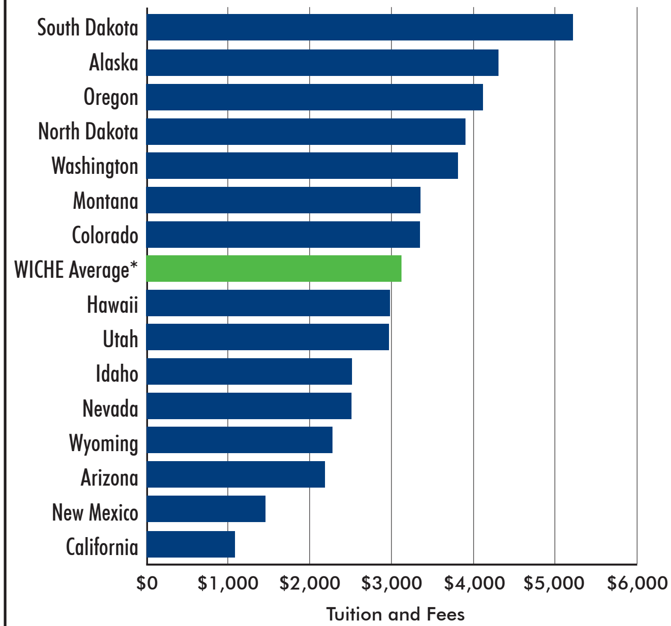


Two-Year Institutions

The West's average two-year tuition rate, excluding California, exceeded the national figure for the sixth consecutive year: tuition and fees for resident, in-district students at public two-year colleges in the WICHE states averaged $3,123 in 2011-12, an increase of $276 (9.7 percent) over the previous year and $817 (35.4 percent) over 2006-07.[5] By comparison, the national average was lower, at $2,963, and the increase over the previous year was also lower, at $236 or 8.7 percent.[6] The West's inflation-adjusted growth was $216 (7.4 percent) in the past year.

Within the WICHE states, the community colleges in California continue to charge the lowest rates for in-district students, at $1,080. The next lowest rate was

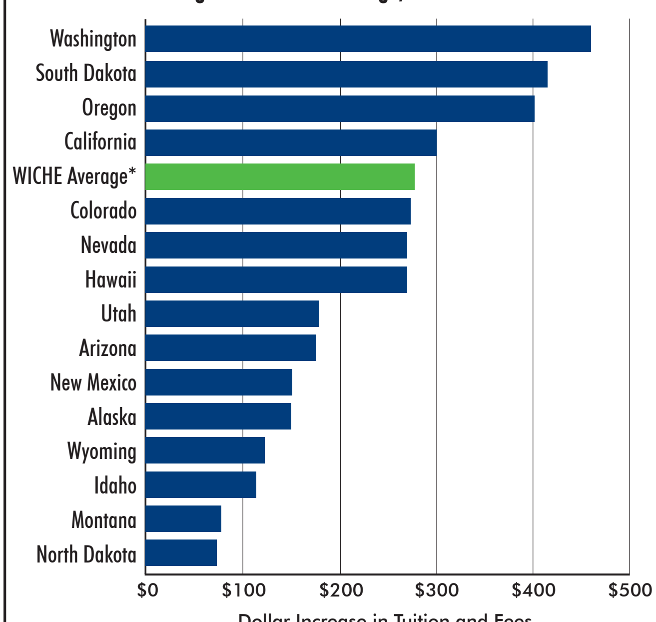
Figure 3. Resident Undergraduate Tuition and Fees at Public Two-Year Institutions, State Averages and WICHE Average, 2011-12



* Regional average excludes California community colleges; see endnote #5.

New Mexico's, at $1,459; and the highest was South Dakota's, where the average was $5,206 (Figure 3). The state with the largest increase when measured in dollars was Washington, where published prices went up by $460. The biggest one-year increase in percentage terms occurred in California, where the average price went up 38.5 percent. Due to the state's historically low prices in that sector, that unusually high rate – even in the context of tuition pricing – corresponds to a relatively modest $300

Figure 4. Change in Dollars in Resident Undergraduate Tuition and Fees at Public Two-Year Institutions, State Averages and WICHE Average, 2010-11 to 2011-12



* Regional average excludes California community colleges; see endnote #5.

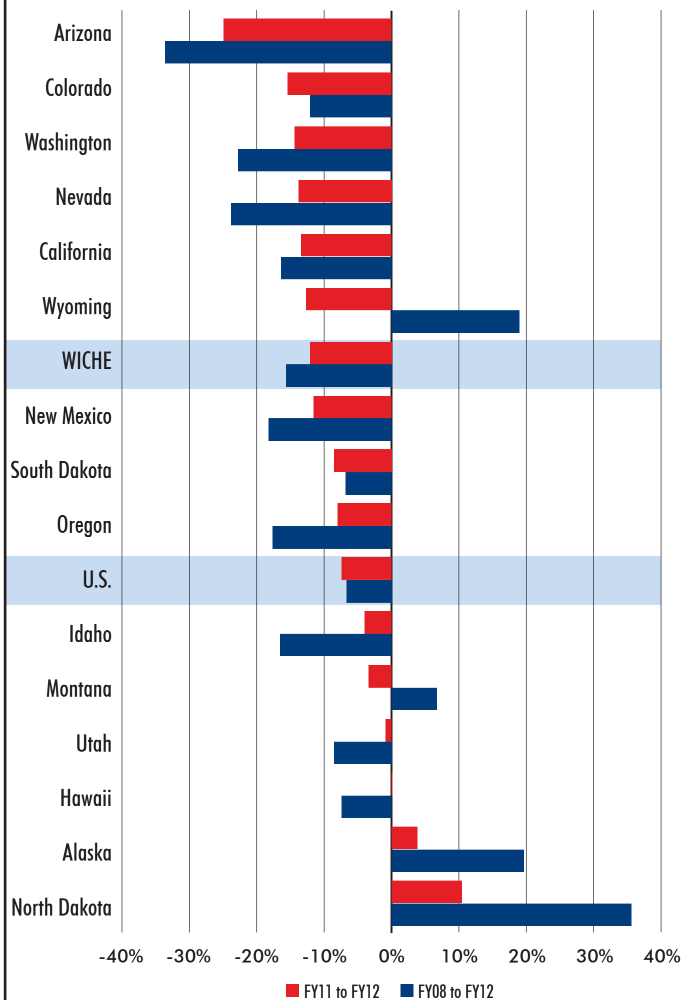
change. But the increase in California measured in dollars still ranked as the fourth largest among the WICHE states (Figure 4).

Price Pressures Still Rising

Over the last few decades, Americans have come increasingly to view a higher education as necessary to individual success and widespread prosperity. Yet they also are growing more likely to conclude that college – especially its costs – is out of reach for them.[7] The data in this report reflect the national trend of accelerating tuition price increases. These hikes have been exacerbated by the 2008 economic collapse, the effects of which are ongoing in states struggling to provide services and maintain balanced budgets in the face of climbing demand. While there is finally some good news on state revenue collections, the outlook for institutional finances, and college sticker prices in particular, is not much brighter than it has been for the past several years. Data from the annual Grapevine survey indicate that in FY 2012 most states are still seeing declines – in some cases dramatic ones – in the dollars directed to higher education. In fact, since states were unable to shore up their own cuts in funding to higher education with stimulus dollars in FY12 as they had in the past, cuts to higher education funding this year were among the worst experienced since the start of the Great Recession.

As shown in Figure 5, in the WICHE region, only North Dakota and Alaska experienced growth in funding levels from the prior year. Hawaii was basically unchanged, and declines ranged from a modest 0.8 percent in Utah to 25.1 percent in Arizona. Figure 5 also shows how state funding levels have shifted in the WICHE states since FY08, the last full fiscal year prior to the recession. Taken together, it not only shows the dramatic drops in most of the Western states' higher education funding levels, it also indicates how substantially and suddenly state investments in higher education have fallen off in the absence of the federal stimulus money. Arizona leads the West in the erosion of state support, with funding falling by more than a quarter in one year and more than a third since its high-water mark of 2008. Other states are scrambling to deal with one-year cuts greater than 10 percent, including Colorado, Washington, Nevada, California, and New Mexico. Even Wyoming, where mineral wealth has helped insulate the state budget, contributing to funding growth for higher education since 2008,

Figure 5. Percent Change in State Support for Higher Education, FY08 to FY12 and FY11 to FY12



Source: State Higher Education Executive Officers and Illinois State University, Grapevine, 2012. http://grapevine.illinoisstate.edu/tables/index.htm. Author's calculations.

saw support plummet by 12.7 percent between 2011 and 2012. The picture in other states was not much brighter: single-year declines in Oregon and Idaho were somewhat less severe, yet support to higher education since 2008 fell by 17.8 and 16.5 percent, respectively. Only Alaska and North Dakota were able to provide an increase in funding over both the one-year and four-year periods.

The situation is worse than these data (which show only total support levels) indicate. Because enrollment tends to climb as opportunity costs of a college education drop along with contractions in the labor market, states saw rapid growth in the number of students seeking access to public institutions at the same time the economy went into a tailspin. More students meant that dwindling resources were spread even thinner.

Looking ahead, pressures on tuition are unlikely to abate. Even as the budget-balancing task in many states is made slightly easier by rising tax revenues, there remains plenty of uncertainty about the delicate balance of payments between governmental levels (federal, state, and local) and pent-up demand for public services that were cut over the last several years. The ongoing budget battle at the federal level over the deficit and ideological perspectives about the role of government have undercut predictability about how much federal spending for programs like Medicaid states can count on going forward. In particular, the failure of the U.S. Congress Joint Select Committee on Deficit Reduction (which became commonly known as the "super committee") to come to an agreement leaves federal discretionary spending in limbo, while a debate rages over how to change the Pell Grant program to put it on a more sustainable footing. What's more, even as state tax revenues ramp up, states will find that there is no shortage of worthy programs in need of funding: higher education was hardly the only public service to see large caseload increases during the recession. Such conditions dampen the prospects of a substantial recovery in higher education funding over the next year or two that is sufficient to relieve pressure for further tuition hikes.

State and Institutional Responses

As reflected in these data, and as is the typical pattern in a slumping economy, states and institutions responded to the budget crisis in part by hiking college sticker prices. In some states increases in tuition and fees were the result of legislative action providing institutions with the flexibility to set their own rates. Washington legislators authorized the public universities to raise tuition rates, and the University of Washington responded with a 21.5 percent hike in the price it charges resident undergraduates. Similar action in Colorado led to double-digit growth rates in most public institutions over the past year. Even as the economy is showing signs of life, some state legislatures – Wisconsin's, for example – are debating whether to cede all tuition-setting authority to institutions. This kind of expanded authority routinely comes with a requirement that institutions devote a certain share of any additional revenue to preserving access through institutional need-based aid.[8] In a sign that this fairly typical policy compromise may not be as viable in the future, this year Virginia's governor proposed a budget that would do the opposite, limiting how much money institutions can redirect from tuition payments toward financial aid (though the budget also calls for increases in state appropriations to institutions). And Arizona's legislature debated a bill that would have required all students to come up with at least $2,000 of their own towards their educational expenses, money that could not be covered through any form of publicly-funded grant aid, before the bill was withdrawn by its sponsor.

In general, as shrinking state investment helps to force tuition levels upward, the additional tuition revenue does not fully replace lost resources from the state. As a result, under strain from the ongoing fiscal challenges, states and institutions have enacted other measures, such as reducing course offerings and restricting student enrollments, which tend to further ration opportunity and are counterproductive to the current emphasis on student success. These are all troubling decisions at a time when the national imperative for college completion has risen. But there was one small sliver of good news: the Delta Cost Project has found that institutional responses to this fiscal crisis also included some resource reallocation away from administrative functions and toward core instructional and support services.[9] This shift was hardly earthshaking in its scale, but it did run counter to recent historical patterns.

State financial aid resources available to help cushion the impact of rising tuition struggled to keep pace with the demand, which itself grew rapidly due to declining income caused by rising unemployment. The most comprehensive data on state financial aid programs lag a couple of years behind the period covered by this report, with the most recent findings reflecting a national increase of 6 percent (in constant dollars) between 2008-09 and 2009-10, to $10.8 billion. While this increase occurred even at the heart of the recession, it was only possible due to funding from the American Recovery and Reinvestment Act. Without federal stimulus dollars, states are now finding their financial aid programs squeezed between swelling numbers of eligible applicants and competition over finite resources.

States are straining to hold the line on expenditures to aid programs in a number of ways, including by suspending programs, imposing stricter eligibility criteria, moving application deadlines up, and considering whether and how to decouple award amounts from tuition levels. In California, for example, the governor's proposed budget would raise the GPA requirements for its principal state aid programs, and the Legislative Analyst's Office has recommended a review of the formula establishing award levels. In making necessary but difficult budget-balancing decisions, policymakers should consider the solutions that are least likely to disproportionately impact students from underrepresented and low-income backgrounds – often the very students they are most interested in targeting with financial assistance.

But not all the news on student financial aid is so grim, and there are a couple of creative new approaches deserving of notice. Washington, typically among the most generous states in awarding state-funded grant aid, suspended funding to several aid programs during the recession (partly to concentrate resources on its primary program). However, working with private partners in the state, the Washington Legislature passed a new program, the Opportunity Scholarship Fund, which will mix public and private funds to target middle-income students who seek a baccalaureate degree in a STEM (science, technology, engineering, and math) field. It remains to be seen how the new program will interact with the state's existing menu of finance policies, particularly given that roughly a quarter of students eligible for Washington's primary need-based grant are not receiving awards this year. Nonetheless, forging a public/private partnership in state-supported financial aid policy is an innovation worth watching.

A second innovative approach builds off of promising findings from a demonstration project being run by MDRC, a national research organization.[9] Early evidence indicates that grants which are contingent upon the successful progress and completion of courses – known as performance-based scholarships – have a positive effect on the rate at which eligible low-income students earn credits and persist. Massachusetts is designing a pilot program to test the concept more broadly among students attending its public institutions. Should it prove successful, Massachusetts will have strong evidence to consider how it might want to reform its array of student financial aid policies and programs in order to best preserve access while also incentivizing student success.

Policy Implications

The depth and length of the recent recession has once again exposed historic fault lines in how society should provide educational opportunity, and to whom. Student payments are increasingly accounting for the lion's share of funding to higher education. Although states and the federal government continue to invest more heavily in financial aid, the shift of costs to students leads to increasing de facto privatization. Whether it is a deliberate policy debate or not as they are being forced to respond to the collision of rising demand and state budget gaps and structural deficits, market dynamics increasingly determine who gets served, where, and how. Even as they are scrambling to balance a state budget with too few dollars to meet growing caseloads, policymakers should be conscious of these shifts.

One of the effects of this trend toward privatization is that a college's published sticker price is increasingly inadequate as any kind of meaningful indicator. Tuition discounting practices, by which colleges price-discriminate among their applicants and which have long been standard operating procedure in private nonprofit institutions, are now widely utilized in public institutions and are even, to some extent, enshrined in state statute (via the policy compromise described earlier). Another practice likely to grow along with the ascendency of market dynamics is differential tuition pricing, whereby students are charged unequal prices based on their academic program, year in college, or some other criteria. At the moment the practice seems to be more heavily concentrated at doctoral-granting universities,[11] but institutions may increasingly be persuaded to abandon long-standing resistance to such policies as they seek to recover lost state revenues. Policymakers should be aware that pricing practices such as these can easily confuse students and their families as to what they can afford and may be a barrier to entry for traditionally underrepresented and low-income populations.

Absent a coherent policy that is aligned with state goals, those same market dynamics will also increasingly determine what the state investment buys in terms of student outcomes and the labor supply. The growing focus on outcomes-based performance-funding models is one way policymakers can steer public investments in a direction that helps ensure public needs are met. This policy initiative has built significant momentum, spurred on by the efforts of the National Governors Association *Complete to Compete* initiative and the Complete College America project, and buoyed by foundation support and the rhetorical leadership of governmental officials and leaders in the nonprofit world. It represents a promising finance model that's suitable for the "new normal," in which colleges are unlikely to see their direct institutional support return to prerecession levels, even as they are expected to respond to heightened demands for accountability, driven by the increasingly central role higher education plays in individual and societal prosperity.

Finally, the question of educational quality – that amorphous and ill-defined concept – looms large. How are recent cuts and the accelerating shift from state to student support for higher education impacting it? And what to make of recent research indicating that students were not learning enough even prior to the largest cuts?[12] While institutional performance and institutional resources are not perfectly correlated, policymakers should take care to ensure that institutions have at least enough money to operate effectively. After all, inadequately funded institutions are in no position to deliver graduates with the skills and abilities that are prized in the global knowledge economy, which will leave the nation's economy in an increasingly perilous position over time.

Endnotes

1 Western Interstate Commission for Higher Education, Tuition and Fees in Public Higher Education in the West, 2010-11(full report) and Tuition and Fees in Public Higher Education in the West, 2011-12: Detailed Tuition and Fees Tables (Boulder, CO: WICHE, November 2011), accessed from www.wiche.edu/pub/15454. Note: The averages reported for the WICHE region throughout this brief are unweighted; the full report presents both unweighted averages and averages weighted by full-time equivalent (FTE) enrollment. A complete list of respondents is available in the full report.

2 College Board, "Trends in College Pricing" (Washington, D.C.: College Board, 2011), Table 1a.

3 Inflation adjustments used the Higher Education Cost Adjustment (HECA), calculated by the State Higher Education Executive Officers.

4 California figures for resident students reflect only "fees" due to its prohibition agains charging "tuition."

5 The average for the two-year institutions excludes California institutions because their large number and historically low fees distort regional patterns. Including them changes the average resident tuition and fees to $2,238 for 2011-12.

6 College Board, "Trends in College Pricing."

7 John Immerwahr, Jean Johnson, Amber Ott, and Jonathan Rochkind, *Squeeze Play 2010: Continued Public Anxiety on Cost, Harsher Judgments on How Colleges are Run* (New York, NY, and San Jose, CA: Public Agenda and the National Center for Public Policy and Higher Education, 2010).

8 For example, Washington's legislation (HB 1795, 2011) incorporates an explicit formula to determine what the institutional commitment to funding need-based aid out of the revenue generated by the price hike.

9 Delta Cost Project, "Trends in College Spending" (Washington, D.C.: Delta Cost Project, 2011).

10 Information about MDRC's Performance-Based Scholarship Demonstration, including research reports, may be found at <www.mdrc.org/project_31_91.html>.

11 Cornell Higher Education Research Institute, "2011 Survey of Differential Tuition at Public Higher Education Institutions," accessed 21 February 2012 at <www.ilr.cornell.edu/cheri/upload/2011CHERISurveyFinal0212.pdf>.

12 Richard Arum and Josipa Roksa, *Academically Adrift: Limited Learning on College Campuses* (Chicago, IL: University of Chicago Press, 2011).

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