

DOCUMENT RESUME

ED 281 454

HE 020 358

AUTHOR Zumeta, William; Green, Kenneth C.
TITLE State Policies and Independent Higher Education: A Conceptual Framework and Some Empirical Findings, or Can the States Help the Private Sector Survive? ASHE 1987 Annual Meeting Paper.
INSTITUTION Higher Education Research Inst., Inc., Los Angeles, Calif.
SPONS AGENCY Office of Educational Research and Improvement (ED), Washington, DC.
PUB DATE Feb 87
CONTRACT 400-83-0054
NOTE 89p.; Paper presented at the Annual Meeting of the Association for the Study of Higher Education (San Diego, CA, February 13-17, 1987).
PUB TYPE Reports - Research/Technical (143) -- Speeches/Conference Papers (150) -- Tests/Evaluation Instruments (160)

EDRS PRICE MF01/PC04 Plus Postage.
DESCRIPTORS Access to Education; College Planning; Data Collection; Enrollment Trends; *Financial Policy; *Government School Relationship; Higher Education; Institutional Autonomy; Models; *Private Colleges; Program Evaluation; Public Colleges; *Public Policy; Questionnaires; State Aid; State Government; Tuition

IDENTIFIERS *ASHE Annual Meeting; California; Illinois; Indiana; New York; Texas

ABSTRACT

Results of a study concerning the relationships between state policies and private college enrollments, enrollment demographics, and finance are presented. After considering national enrollment trends in the independent sector, attention is directed to the impacts on private colleges of state fiscal policies, including aid to private colleges and their students as well as tuition levels at the public sector. Also considered are results of research in five states on the nature and impacts on the private sector of states' higher education planning and program review policies, as well as policies toward information collection and dissemination in higher education. The research also examines the impact of state policies concerning access/choice. Three model state policy postures toward private higher education are addressed: the laissez-faire approach (California and Texas), the market-competitive posture (Indiana), and the regulatory posture (New York and Illinois). Data were also obtained from a survey of state independent college association executive officers from 19 states. Appended is the questionnaire for this survey, which was conducted by the Association of Independent California Colleges and Universities. (SW)

 * Reproductions supplied by EDRS are the best that can be made *
 * from the original document. *

ED281454

State Policies and Independent Higher Education:

A Conceptual Framework
and
Some Empirical Findings,

or

Can the States Help the Private Sector Survive?

William Zumeta
University of Washington

Kenneth C. Green
University of California, Los Angeles

"PERMISSION TO REPRODUCE THIS
MATERIAL HAS BEEN GRANTED BY

ASHE

TO THE EDUCATIONAL RESOURCES
INFORMATION CENTER (ERIC)."

Preface

The contractor was the Higher Education Research Institute at the University of California, Los Angeles. The authors would like to thank Alexander W. Astin, for his work on the empirical analysis of the effects of state fiscal policies, part of which is discussed herein. Willford W. Wilms and Carol Mock of UCLA also participated as key colleagues but little of their work is touched upon in the present paper. Errors of fact, inference or opinion contained herein are the responsibility of the present authors alone.

The research on which this paper was based was supported in part by the National Institute of Education (now Office of Educational Research and Improvement) contract #400-83-0054.

AE 020 358

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION
CENTER (ERIC)

This document has been reproduced as received from the person or organization originating it.

Minor changes have been made to improve reproduction quality.

• Points of view or opinions stated in this document do not necessarily represent official OERI position or policy.



**ASSOCIATION
FOR THE
STUDY OF
HIGHER EDUCATION**

**The George Washington
University**
One Dupont Circle, Suite 630
Washington, D.C. 20036-1183
(202) 296-2597

This paper was presented at the Annual Meeting of the Association for the Study of Higher Education held at the San Diego Hilton in San Diego, California, February 14-17, 1987. This paper was reviewed by ASHE and was judged to be of high quality and of interest to others concerned with the research of higher education. It has therefore been selected to be included in the ERIC collection of ASHE conference papers.

**Annual Meeting • February 14-17, 1987
San Diego Hilton • San Diego, California**



**ASSOCIATION
FOR THE
STUDY OF
HIGHER EDUCATION**

The George Washington
University
One Dupont Circle, Suite 630
Washington, D.C. 20036-1183
(202) 296-2597

This paper was presented at the Annual Meeting of the Association for the Study of Higher Education held at the San Diego Hilton in San Diego, California, February 14-17, 1987. This paper was reviewed by ASHE and was judged to be of high quality and of interest to others concerned with the research of higher education. It has therefore been selected to be included in the ERIC collection of ASHE conference papers.

Annual Meeting • February 14-17, 1987
San Diego Hilton • San Diego, California

Introduction

For some years now observers of the American higher education scene have been concerned about the fate of higher education's private sector (See Carnegie Council, 1978, 1980). Though this sector had been losing market share for decades, there was generally little concern as long as enrollments and related revenues grew at a healthy pace. But private sector enrollment growth came to an abrupt halt in the late 1960's and early 1970's even as a newly sluggish economy plagued by rapid inflation suddenly intensified the independent institutions' financial problems. Nationwide, independent sector enrollments recovered a bit in the mid-1970's but fiscal pressures continued and by this time it seemed clear that the sector faced serious long-term threats to its size, health and societal impact.

Particularly noteworthy in this connection were three reports published in 1977, 1978, and 1980 by prestigious organizations calling attention to the present and likely future plight of private higher education (Education Commission of the States 1977; Breneman and Finn 1978; Carnegie Council on Policy Studies in Higher Education 1978, 1980). Like analysts before and since, these reports emphasized the importance of independent higher education as a source of increased diversity of approach and range for student choice, as a source of healthy competition for public institution in regard to quality and associated educational values, and as a provider of models of institutional autonomy and its virtues for public sector leadership to look to. Of course, the reports also pointed to the sheer magnitude

of the task performed by private higher education in enrolling more than two million students each year at relatively small public expense, a burden the taxpayer would presumably otherwise have to bear in much larger measure. In this paper we will not dispute these widely-endorsed claims about the value to society of a healthy independent higher education sector, but will assume that they are basically sound.

In looking to the future, analysts such as those just cited emphasized economic uncertainties--at that time inflation was a particularly fearful spectre--and the implications of the impending long decline in the number of individuals annually reaching the traditional age of college attendance. On this last point, the concern was that a reduced pool of students would create a "buyer's market" condition forcing tuition-dependent private institutions to compete financially (in terms of tuition and student aid), with public schools and each other for fewer students. With their much lower tuition levels, public institutions would have a big advantage in such a competition, forcing perhaps hundreds of independent colleges out of business (Breneman and Finn, 1978, Chapter 1).

While not ignoring the federal role (largely via federal student aid policy and funding), most analyses of the plight of private higher education emphasize the crucial importance of the states. We support this view. The states have always had the major governmental responsibility for higher education in this country, and there is in quite a few states a tradition (in some cases going back

to colonial times) of state aid to private colleges. Moreover, the trend in the 1980's toward shifting increased responsibilities from the federal government to the states and the Reagan Administration's concerted efforts to reduce federal student aid spending imply a still more important state role. Most central perhaps is the fact that the states essentially operate the public sector of higher education and it is this directly state-supported sector that competes with the private one. As we shall show in this paper, policies in regard to public college tuition and fee levels, as well as state policies in other areas, do make a difference to the private sector.

Since state governments and state taxpayers are responsible for public higher education, they must also be concerned about its future cost. We can now see in most states much more clearly than was possible a few years ago the end of the era of stable or declining higher education enrollments as the children now beginning to swell elementary school student numbers reach college age. Just about the time when a bulge of faculty retirements will make staffing public college faculties an increasing problem (i.e., in the middle to late 1990's), postsecondary enrollment demand will increase sharply. States would be wise to consider the value of a healthy private higher education sector in this not-so-distant future as they make policy that affects this sector during the current difficult era. We shall see here that, while the independent sector may appear at first glance to be remarkably robust, these superficial appearances are deceiving for an important segment of it. State policies will be an important

factor in how successfully many independent institutions weather the difficult years immediately ahead.

Purpose and Structure of the Paper

The purpose of this paper is to outline the thinking behind and the results of a several-year, national study of the relationships between state policies and private higher education. After reviewing the reasons why the topic is important (above), we next explain the theoretical perspective we brought to the study. Then, we provide an overview of our data sources and research methods. The section on findings begins with a discussion of national enrollment trends in the independent sector in relation to earlier forecasts. There we present the results of our new empirical analyses of the impacts of state fiscal policies (state aid to private colleges and their students and public sector tuition levels) on private institutions on such dimensions as enrollment, enrollment demographics, per-student spending for educational purposes, and rates of tuition increase. Then we present data on how independent institutions have managed to do as well as they have thus far in sustaining enrollments in an era of demographic decline, a growing "tuition gap" relative to public institutions, and generally stable or declining (in real terms) government-funded student aid. (An important part of the answer seems to be that many of them have shifted funds from their capital budgets and within their operating budgets from education-related and physical plant expenditures to student aid in order to maintain enrollments.)

Next, we present the results from our more qualitative research in five states on the nature and impacts on the private sector of states' higher education planning and program review policies and of their policies toward information collection and dissemination in higher education. While, as expected, these policy areas are of less fundamental importance to the health of the independent sector than state fiscal policies, the findings are interesting and do suggest some notable effects. Finally, the paper concludes with a brief summary of the key findings and an assessment of needs for further research.

Theoretical Perspective

We seek in this research to make some conceptual sense of the complex array of state policies that have a significant impact on private higher education, as well as to assess the impacts of specific state policies. We believe such conceptualization to be of value not only for understanding for its own sake, but also as a means for helping to forecast future state policy directions and to assess their likely effects.

The core theoretical idea is that the several ways in which a state's policies affect its private higher education sector can be usefully thought of in terms of a continuum with three clearly identifiable nodes. These might be considered ideal-type "state policy postures" for no actual state will match all characteristics of any of the types, although some could be reasonably close. To the extent that the characterizations represented by the nodes are

comprehensive in terms of policies and characteristics encompassed and are internally consistent, they provide possible benchmarks against which to compare the characteristics of actual states. Also, to the extent that the characteristics and policies at the nodes can be connected with behavior that leads to predictable effects, and to the extent that real states can be aligned along the aforementioned continuum, the construct provides some basis for predictions about policy inputs. Specific applications of these ideas to our findings from the research reported in this paper will be suggested later.

The Conceptual Framework Briefly Sketched

Most of the research reported on in this paper, and the conceptual framework categories (nodes on the continuum discussed above), focus on state policies in four issue areas we found to be the key ones in regard to state policy impacts on the private higher education sector. These we term:

- (1) access/choice policies--state student aid policy and fundings, and state policies and actions affecting public college and university tuition and fee levels;
- (2) institutional assistance policies--policies and programs (excluding student aid) by which state funds go directly or indirectly to independent campuses;
- (3) state higher education planning and program review policies--these affect independent institutions' opportunities to play a planned role in the state-wide "system" of postsecondary education, the amount of geographic and programmatic competition

from public campuses they are subject to, and their involvement in new state initiatives that arise from time to time (e.g., state-wide academic library and computing networks, economic-development-oriented research and technology initiatives, etc.);

(4) information policies--these encompass state collection of data about private institutions and their students, and also its analysis and dissemination to "consumers" and potential consumers (students, prospective students and their parents).

The three "model" state policy postures toward the private higher education sector (defined largely in terms of the above four key issue areas) are outlined below. (In these characterizations, the pure ideal-types have been modified somewhat so as to make them more clearly recognizable in relation to present-day realities.)

The Laissez-Faire Posture.

Until the late 1950s and 1960s, most states most of the time took a "hands-off" or laissez-faire approach toward postsecondary education, beyond providing tax subsidies that benefited all nonprofit institutions and budget arrangements that in essence "left the money on the stump" for public institutions to pick up.

Over the past two or three decades, state governments have come under increasing pressure to develop mechanisms for planning and coordinating (some would say for regulating and controlling) postsecondary education. Given the substantial share of the state budget that goes for higher education in even the smallest states, a

pure laissez-faire approach is no longer possible, in particular in dealing with public institutions. Virtually all states now have some kind of planning and coordinating structures, and many have some sort of statewide master plan for higher education. Thus, the pragmatic meaning of "laissez-faire" has changed somewhat; today the term best describes a strategy for--or, perhaps more precisely, a pattern of--dealing with the independent sector. Empirically, we find that such a posture may coexist with an approach toward the public sector that near the regulatory end of the continuum (as in Texas).

In the modern laissez-faire policy approach, the state is direct role in relation to independent higher education is limited, even perfunctory. The activities of the private sector are not planned or coordinated with those of the other sectors, much less regulated and controlled (despite the existence of structures which are nominally supposed to plan and coordinate across sectors). Any state subsidies to the private sector or its students would be small and not distributed according to a carefully thought-out state plan, but largely according to the policies of budgetary incrementalism (Davis, Dempster, & Wildavsky, 1966; Wildavsky, 1984). Independent institutions are virtually ignored in such areas as direct state support and contracts, student aid, the setting of public-sector tuition and fees, the collection and dissemination of state-level information, and academic planning and program review.

States whose policies toward the independent sector resemble this characterization do exist today. Though all the states with private colleges have some mechanism to allow private college students

to take advantage of federal State Student Incentive Grant (SSIG) moneys, a few laissez-faire-oriented states do not provide the required matching funds from the state treasury but require the college to provide the match. In a number of states, the state-supported student aid programs are meagerly funded and/or have design features, such as low maximum awards or low family income ceilings, that ensure that little of the money goes to students enrolled in private institutions. Only about 20 states have programs of direct institutional aid programs or have substantial and broadly-based contracts with private institutions. (The number is considerably smaller--nine or ten, depending on precise definitions--if states with programs of direct appropriations to private institutions only are included.) Wilson and Miller (1980) reported that more than a dozen states had never involved independent institutions in statewide planning or program review activities (p. 23). A survey by Odell and Thelin (1981) indicated that in a number of states little significant information is collected from the independent institutions by the state. Our own research gives little indication that these patterns have fundamentally changed. We also found that a low level of state involvement with the private sector in one of these issue areas tends to be associated with a low level of involvement in the others. Thus, something approaching a laissez-faire approach to the independent sector is still quite possible.

In general it appears that a near laissez-faire posture is most likely in states with relatively small (in terms of enrollment share)

private sectors, and this appears to be related to the sector's lack of political influence in the state capital. Additional variables at work may include the religious emphasis of the private colleges in the state (e.g., denominational schools in the South often eschew involvement with government) and the general spending propensities of the state (since aid to private institutions is likely to look a lot like any other new area of state spending), as well as the independent sector's apparent fiscal health and future enrollment prospects. Where these last two are reasonably strong, the independent sector may choose to use whatever political influence it possesses to ward off rather than to seek state involvement.

More commonly, however, facing the prospect of a long period of intense and costly competition for a stable or even declining pool of students, we might expect to see many private institutions casting about for new sources of revenue and, in spite of the dangers to their independence, for relief from competitive pressures. State governments, where the independent sector can muster the political resources to influence them, can provide both. The state can provide funds through direct grants or contracts with private institutions and it can help them more indirectly by increasing financial aid to students on terms that serve to reduce (or even eliminate) that net price advantage enjoyed by public institutions. It can also influence the level of tuitions in the public sector (through budget leverage if not by fiat), and can restrict through its planning and program review activities programmatic efforts by public schools that strengthen their competitive position. Even state information policies can have

competitive effects if they impact the public and private sectors differentially. Thus, except where laissez-faire attitudes and traditions are firmly entrenched, the independent sector is quite small or for other reasons is politically weak, or where the demographic and fiscal prospects of the independents are unusually bright, we would expect to see the laissez-faire posture to come under increasing political pressure as the era of intense competition in higher education wears on.

The Market-Competitive Posture. Rather than letting the chips fall where they may, as in the laissez-faire model, a state may take a more active posture toward private higher education and private-public-sector relations. Although they avoid the detailed central planning characteristic of the regulatory approach (discussed next), state authorities under this type of regime nonetheless take a comprehensive view of the state's postsecondary education resources, including its independent institutions, seeking to facilitate the workings of the marketplace and to promote evenhanded competition across sectors. This posture is best termed "market-competitive,"

Under the pure market-competitive approach, state intervention would be limited to addressing the various "market imperfections" (e.g., widely differing tuition subsidies, the existence of near-monopolies in some markets, inadequate consumer information) that characterize the postsecondary education marketplace. Such interventions would likely include student aid policies designed to more nearly equalize "net prices" between private and public institutions (e.g., relatively large maximum awards and family income ceilings); encouragement, or at least no discouragement, of competition not judged to denigrate quality or involve fraudulent claims; and efforts to disseminate widely and facilitate the use by students and their parents of comparative information about institutions' characteristics and performance.

Beyond these specific and carefully targeted interventions to "perfect" the market, the pure market-competitive state would allow

both public and private institutions (a) to plan and modify their own offerings without close state regulatory overview, and (b) to compete directly for students and the resources tied to them. An empirically plausible version of this market-competitive model would almost certainly entail some restrictions on the program configurations of public institutions (i.e., mission limitations and some state review of new program proposals), and some basic funding guarantees to public institutions independent of enrollments.

A propensity toward such an approach to higher education policy likely flows from particular factors in a state's history and political culture (in which case it might be observable in other policy areas as well). Although we do not see signs that many states' higher education policies resemble this model, one of the five states we selected for close study in the field did take substantial steps down the market-competitive path over a period of several years.

The Regulatory Posture. At the opposite end of the continuum from the laissez-faire model is the regulatory posture, which—like the market-competitive approach—embraces conceptually the totality of a state's postsecondary education resources, including the independent sector. A state adopting this stance would be unwilling, however, to let the operation of the market determine the allocation of students, programs, and resources or the health and survival of individual institutions. Nor would it view state efforts to ameliorate market imperfections as sufficient. Instead, state authorities would seek to limit what they saw as the deleterious effects of unregulated

competition including competition across sectors (e.g., costly duplication of programs, pressures to degrade quality), and to take upon themselves decisions on such matters which, in their judgment, the institutions alone would not handle in the broad public interest.

Prominent among the tools used by states taking this regulatory approach would be precise definition of institutional roles and missions, formal planning and program review procedures, and concerted use of such additional control devices as fiscal leverage and elaborate information systems. In the pure regulatory state, these would be applied to public and private institutions alike. In its "real-world" variant, the regulatory-oriented state regime would at minimum incorporate private institutions fully into statewide planning and program review (thereby gaining over time considerable influence over their roles and missions), would collect extensive information about them, and would no doubt provide them substantial subsidies, an important source of potential leverage.

Further, we would expect the regulatory state to go beyond student aid for private college students to direct financial assistance to independent institutions, since this should provide a more direct means to achieve the state's purposes in higher education. The regulatory state's planning blueprint could well be found in a traditional Master Plan, carefully delineating public institutions' and campuses' roles and missions and moving in this direction with respect to the private sector as well. Independent institutions' participation would be insured (or at least powerfully encouraged) not

only by state financial largesse, but also by the hope that active participation in state academic planning and program review processes would provide the opportunity to get "a piece" of new state policy initiatives (e.g., in economic development and technology) and to limit geographic and programmatic competition from public campuses. Of course, one would also have to ask whether such full participation by the independent sector in the regulatory state would over time seriously compromise this sector's independence.

Research Methods and Data Sources

Part of the research to be reported on below involved fifty-state statistical analyses of relationships among well-documented variables, and use of a national survey of state independent sector association executives. But on topics as subtle as the nature and impact of state planning, program review and information policies, and in order to satisfactorily characterize in terms of our conceptual framework, the complex array of state policies that affect independent colleges and universities, it was necessary to turn to field-based case studies in carefully selected states.

Five states were chosen for such case studies, largely on the basis of their apparent dispersion across our theoretical continuum¹. These states were: laissez-faire-oriented states--California and Texas; regulatory-oriented states--New York and Illinois; a market competitively-oriented state--Indiana. In each of these states a senior project staff member spent several days interviewing state

policymaking officials from the executive and legislative branches, and the state higher education agency, the state independent sector association executive officer or his/her designee, and where possible, presidents and other officials of the state's private colleges. In addition, before and after these visits we studied and analyzed documents and data about the state, and conducted additional and follow-up interviews by telephone.

Also, we obtained valuable data on all aspects of our inquiry from nineteen states from a survey of state independent college association executive officers conducted by the Association of Independent California Colleges and Universities (AICCU)². (We provided technical assistance to AICCU in the design and conduct of this survey).

The fifty-state statistical analyses were designed to examine the impact of state policy variables such as state-funded student aid, direct state financial assistance to independent colleges and universities, and public college tuition levels on private sector enrollments, enrollment demographics and finances. These analyses used various national data bases, including the Higher Education General Information Survey (HEGIS) and Cooperative Institutional Research Program (CIRP) data sets. A complete description of the design of these analyses and the data sources used is provided in Appendix B.

The next section covers our findings from these analyses.

The Independent Sector and State Fiscal Policies

National Trends

Contrary to the gloomy forecasts offered by most observers in the 1970s when the prospects for private higher education looked especially bleak³ (Education Commission of the States 1977; Breneman and Finn 1978; Carnegie Council 1978); we found that the independent sector has in general fared remarkably well since that time, at least on the surface. In spite of the fiscal constraints throughout the economy over this period and the fact that it included at least the first few years of the long decline to come in the pool of high school graduates, FTE enrollment in private four-year colleges and universities have increased by % between fall 197 and fall 198 . (This follows upon a decade-long earlier trend of decreasing private sector market share).

However, this overall gain in FTE enrollment among independent institutions is deceiving. It marks important shifts in enrollment by level and it also fails to acknowledge the enrollment decline experience by a large number of institutions. We cite several examples:

- . HEGIS enrollment data for 1980 and 1985 reveal that percent of private four-year colleges experienced a decline greater than 5% in the number of first-time, full-time students and in total undergraduate FTE enrollment.

. HEGIS data also reveal that graduate enrollments in the private sector have grown dramatically since the mid-1920's. However, even this finding may be misleading and the real enrollment growth has been in part-time, professional or credential programs rather than in traditional, full-time, discipline oriented fields.

Analysis of enrollment trends since the mid-1970's in the fifty states (through fall 1985) indicates that only a handful show evidence of consistent sectorwide declines as yet. As for our five case-study states: in two of them, Texas and California, total private sector enrollments have grown gradually but fairly consistently for many years.⁴ In Illinois, Indiana and New York the private sector experienced some absolute enrollment declines in the early 1970's, but has since enjoyed significant growth. Even market share has stabilized for the private sector in these states.

Significantly, private institutions as a group seem to have behaved as economic and organizational theory would predict threatened organizations, without access to large public subsidies, would behave: they have sought "market niches" where they could find them. To help make their offerings more attractive they have offered more courses and programs at hours that accommodate working adults, as is reflected in the growth in the share of their enrollments made up of part-time students, especially at the graduate level. They also have worked hard to reduce losses of enrollment due to attention. Overall, such steps have permitted the private colleges and

universities to increase undergraduate enrollments modestly during a difficult period and even to increase slightly their share of FTE undergraduates and first-time, full-time freshmen at four-year institutions since the mid-1970's.

But the private four-year sector's most impressive performance has occurred at the graduate level. Full-time-equivalent graduate enrollments at these campuses grew at a compound annual rate close to three per cent between fall 1971 and fall 1983. Remarkably, the independent sector's share of FTE graduate enrollments has jumped from a low of 29.5% in 1974 to just over 37% in fall 1983, almost back to the peak levels recorded during the late 1960's. After noting the existence of similar trends in one of our case-study states -- California -- that state's higher education agency suggests some of the reasons for this development that almost certainly occurs in other states as well:

- * They [independent institutions] make it possible to pursue the doctorate part-time, and many of them tailor the scheduling of all their graduate offerings to the convenience of the students. Enrollments at these institutions have thus become increasingly part time.
- * Some independent institutions make far more aggressive use of the media for recruitment than any public university.
- * Some -- by no means all -- have less demanding standards for admission and retention than public institutions.
- * And many restrict their offerings to a highly limited range of programs, often in such popular fields of study as business, education, and psychology. (California Postsecondary Education Commission [CPEC] 1985, 17-19).

On the last point made by CPEC, it should be noted that the fields mentioned are all professionally-oriented and thus there is a ready demand for carefully tailored graduate education from working and would-be professionals. They are also relatively low-cost for the offering institution. Thus, although demand for education in fields such as engineering and computer science is also very strong, private institutions seeking to enhance enrollments are much less prone to enter or expand their offerings in these fields because of the costly equipment and faculty required. We found that careful attention to such cost and market considerations has also characterized the curricular planning of many private colleges with respect to undergraduate programs, and this helps account for the sector's overall success in maintaining its share of undergraduate enrollments.

Does this apparent success of the independent sector in sustaining and even increasing its enrollments during a difficult period imply that there is no serious public policy problem here? Although this seems to be the predominant response among elected officials in the state capitals, our research and analysis indicates that it is not, in most cases, the appropriate state response. The apparent success of the independent sector in the aggregate just outlined has, of course, not been mirrored among all subgroups of these institutions, and it has had a substantial, if not always obvious, price. In the next sections we summarize the evidence we found as to what the price has been and as to the effects of state policies.

Effect of State Fiscal Policies³

We found evidence that certain state fiscal policies in higher education do matter to the private sector, particularly to its more vulnerable subsectors comprising the less selective independent colleges. Unfortunately, the national time series data currently available at the time of our empirical analyses (the federal HEGIS data) do not include much of the period of serious constraint (especially relative to rates of inflation) in state aid to the private sector that began in most states around or shortly before 1980. Still, the results of our empirical analyses are suggestive as to the likely effects on the independent sector of state tuition policies for public institutions and restraints on state aid to private campuses and their students. The suggestions are all the more credible for their consistency with our more recent data from field work in the five case-study states (which cover a more recent period) and with the results of the AICCU survey of state independent sector association officials. A summary of our key findings follows after an explanation of our approach to the empirical analyses. (A detailed discussion of data sources and the construction of variables is presented in an appendix.)

Our basic approach to studying the impact of state policies and programs was to examine changes in the dependent variables (private sector enrollments and financial variables) over time. Since institutional enrollments and finances are continually changing, our design sought to determine whether the introduction of new state

policies and programs (or of substantial changes in existing programs) was associated with differential change. In other words, when states adopt new policies or programs or make changes in existing programs, do the subsequent changes in the enrollments or finances of their private institutions differ from changes occurring at the same time in the private institutions of other states?

Of course, many factors besides state policies and programs can affect the enrollments and finances of private institutions. For this study, we were most concerned about controlling those extraneous factors that might also affect a particular state's decision to change its policies or programs. Thus, we employed the following "control" variables: the size of the state's higher education system, the private sector's "market share" (defined as the proportion of all FTE enrollments in the state accounted for by private institutions), the selectivity of the private institution (defined as the average score of its entering freshmen on standardized college admissions tests), and the size of each institution (defined as its total FTE enrollment), and institutional type (university, four-year college, two-year college).

Stepwise multiple regression analyses were used to assess the effect of various state policy variables on the enrollments and financial characteristics of private institutions. Although these analyses varied in their specifics because of variations in the quality and quantity of available data, each followed a basic pattern: Specific time periods (e.g., from 1978 to 1982) were selected for analysis, depending on the nature of the policy variable being studied

and the availability of data on the dependent variable (enrollments or finances) at both Time-1 and Time-2.

Let us call the Time-1 data "pretest" and the Time-2 data "posttest". The posttest data in each analysis served as the dependent variable. The effects of the pretest measure on the posttest (dependent) variable, as well as the effects of the control variables such as institutional type and selectivity, were first controlled by means of stepwise multiple regression analyses. For example, in analyzing the impact of state financial aid programs on the proportion of low-income students enrolling at private institutions between 1970 and 1975, the dependent variable was the percentage of low-income students at private institutions in 1975. The control variables included the 1970 percentage of low-income students at private institutions (pretest); size, selectivity, and type of institution; and various 1970 (pretest) measures of other student characteristics (e.g., ethnicity and achievement levels). The intention here was to control for those 1970 factors that might affect the institution's 1975 enrollment of low-income students. In most cases, as would be expected, the pretest and posttest measures were highly correlated. For instance, the correlation between the percentage of low-income students enrolled at private institutions in 1970 and the percentage enrolled in 1975 was .90. Almost without exception, the corresponding pretest measure was by far the most important determinant of an institution's position on any given posttest measure (dependent variable). The implication is that

differences among institutions, in terms of enrollment and finances, tend to remain quite stable over time.

After controlling for the pretests and related variables, we introduced the primary independent variables (the state policy measures) into the regression. The intention here was to assess the actual effects of state policies and programs on the dependent variables.

Finally, in the third and final stage of the regression analyses, dummy state variables (one for each state) were added to the regression with the intention of identifying any possibly unique effects of particular states beyond those measured by the other variables.

Impact of State Aid on Enrollments in the Independent Sector

Over the 1970-75⁵ period the amount of change in state student aid spending per full-time-equivalent (FTE) undergraduate was positively associated (in the multivariate analyses) with the amount of change over this period in states' overall private sector FTE undergraduate enrollments. Although the effects were modest, state student aid spending did evidently have the expected positive impact on private sector enrollments.⁶ However, direct institutional aid spending per student⁷ had no significant relationship to private sector enrollments and the absolute number of student aid awards had an inverse relationship to private enrollment. (The latter finding suggests that more awards may mean smaller average awards, which tend to favor public campuses with their lower tuition). Also, no

significant relationship between student aid and statewide private sector enrollment was found for either of the other two periods studied (1975-80 and 1970-80).

Analyses conducted on four subgroups of private institutions (grouped by undergraduate selectivity) showed, not surprisingly, no effects for any of the time periods for the state aid variables on enrollments at highly selective private institutions. The effects of student aid dollars on enrollments were consistently positive for medium selectivity independent institutions however, but were weak and inconsistent for low selectivity and nonselective institutions (where we had expected them to be strongest).

The findings with respect to the lack of impact of institutional aid spending were not unexpected since in all but a very few states, direct state assistance to independent institutions is small by any standard (most importantly, relative to the institutions' budgets). This fact is reflected in the much lower level of interest we found among private sector interests in institutional aid as compared to student aid, as a source of state support for them.⁸ New York, with its large "Bundy" program of state aid to independent institutions was an exception and, significantly, the dummy variable for New York was statistically associated with private sector enrollment in the multiple regression analyses of institutional aid effects.

Student aid, however, is by all indications the number one state policy concern of independent college association interests and many of the campus presidents we interviewed. How does this square

with our finding that state student aid did not apparently have very strong effects on private sector enrollments during the period studied (essentially the 1970's)? The issue is of some importance since the recessionary period of the late seventies and early eighties saw sharp cutbacks in state spending for student aid (especially when inflation is taken into account), and the question arises: How much of this "lost ground" ought to be made up?

Indeed, it is not at all unlikely that analyses covering more of the recession era would show somewhat stronger effects. In general, of course, empirical statistical analysis can only illuminate the impacts of the range of variation represented in the data on the explanatory variables: substantially larger student aid programs might have much larger effects. Once again it is worth noting that New York has by far the largest state student aid program per student and that the dummy variable for New York was consistently positive and significant in its relationship to enrollments in these analyses.

In light of the full range of research and analysis conducted in this study (including the interviews and other field work), however, we conclude that the basic reason for the generally weak relationship between state student aid spending and private enrollments is somewhat different. Most private colleges and universities are highly tuition-dependent⁹ and have simply (thus far) found ways to sustain the enrollments on which they depend in spite of stagnation in state aid. (Hence, there is little enrollment variation to be "explained" statistically by variation in state aid). The problem is that they seem to have done this in part by shifting

substantial amounts of their operating funds into student aid in order to compete for enrollment.

Data from our case study states illustrate the point. Table 1 presents data on twelve of the 33 private colleges in Indiana collected by the Indiana Commission on Higher Education in cooperation with the Independent Colleges and Universities of Indiana (ICUI). "Unfunded aid" to students is shown as a percentage of student fees collected in 1973-74 and 1982-83 for each of the twelve institutions and for all twelve combined. ("Unfunded" aid is ICUI's term for student aid, provided out of the institution's resources, not out of state or federal funds.) The increase in the proportion of fee revenues (the major source of revenue almost certainly for all of these colleges) going back to students as aid rather than into instructional programs or the physical plant is dramatic. Eleven of the twelve institutions show increases in this proportion over the nine-year period, and for the group the proportion nearly doubled (to 15.9% of fee revenue).

Data collected over a shorter and more recent period on independent institutions in California by the California Postsecondary Education Commission (CPEC)¹⁰ at least suggest similar trends. For its 1985 study of the status of the independent sector in the state (California Postsecondary Education Commission 1985b), CPEC sought data for 1982-83, 1983-84 and 1984-85 on sources of financial aid for private college and university students. Numbers of responding institutions varied somewhat by source of aid, but the differential patterns of growth for the four major sources of aid seem clear from

Table 1

Nine-Year Changes in Levels of "Unfunded"* Student Assistance as a
% Gross Fee Revenues Selected Independent Institutions in Indiana

| Inst. | 1973-74 | | | 1982-83 | | | 9-YEAR CHANGE | |
|-------|--------------|--------------|--------------|---------------|--------------|--------------|---------------|--------------|
| | Gross Fees | Unfunded Aid | Pct. Of Fees | Gross Fees | Unfunded Aid | Pct. Of Fees | Unfunded Aid | Pct. Of Fees |
| A | \$ 3,777,595 | \$ 214,870 | 5.7% | \$ 9,314,207 | \$ 740,182 | 7.9% | \$ 525,312 | 2.3% |
| B | \$ 3,175,542 | \$ 475,093 | 15.0% | \$ 6,566,962 | \$1,289,679 | 19.6% | \$ 814,586 | 4.7% |
| C | \$21,818,000 | \$1,253,000 | 5.7% | \$53,172,000 | \$9,571,000 | 18.0% | \$8,318,000 | 12.3% |
| D | \$ 1,190,180 | \$ 30,332 | 2.5% | \$ 1,621,767 | \$ 95,364 | 5.9% | \$ 65,032 | 3.3% |
| E | \$ 611,149 | \$ 38,187 | 6.2% | \$ 2,038,242 | \$ 239,481 | 11.7% | \$ 201,294 | 5.5% |
| F | \$ 2,010,000 | \$ 177,000 | 8.8% | \$ 6,389,000 | \$ 577,000 | 9.0% | \$ 400,000 | 0.2% |
| G | \$ 1,228,765 | \$ 77,284 | 6.3% | \$ 3,670,585 | \$ 478,152 | 13.0% | \$ 400,868 | 6.7% |
| H | \$ 1,983,397 | \$ 128,855 | 6.5% | \$ 3,444,584 | \$ 257,813 | 7.5% | \$ 128,958 | 1.0% |
| I | \$ 2,324,446 | \$ 192,496 | 8.3% | \$ 3,976,535 | \$ 509,943 | 12.8% | \$ 317,447 | 4.5% |
| J | \$ 1,395,000 | \$ 460,000 | 33.0% | \$ 2,431,196 | \$ 724,550 | 29.8% | \$ 264,550 | -3.2% |
| K | \$ 8,093,674 | \$ 982,424 | 12.1% | \$18,051,451 | \$2,937,417 | 16.3% | \$1,954,993 | 4.1% |
| L | \$ 2,255,475 | \$ 291,178 | 12.9% | \$ 4,853,717 | \$ 916,043 | 18.9% | \$ 624,865 | 6.0% |
| GROUP | \$49,863,223 | \$4,320,719 | 8.7 | \$115,530,246 | \$18,336,624 | 15.9% | \$14,015,905 | 7.2% |

*Institutional expenditures for student financial aid not offset by federal or state revenues earmarked for such aid.

Source: Independent Colleges and Universities of Indiana.

Table 2. The table shows that, though federal grants and work-study aid to private college students in California grew at a healthy pace over this two-year period, federal and federally-guaranteed loans and state scholarship aid clearly did not. (According to AICCU figures, weighted average tuition and mandatory fee charges at independent colleges and universities in California increased by 22.3% over this period.) In order to continue to compete for students, private institutions dug deeply into "their own pockets," increasing spending on student aid from current operating budgets, endowments, and private fund-raising by more than 31% over these two years.

Similarly in Illinois, data from that state's State Scholarship Commission show a long-term declining trend (dating back to the early 1970s) in the proportion of weighted average independent campus tuition covered by the maximum award under the state's Monetary Awards Program, the major program of state aid to students. The proportion fell from 61% in 1975-76 -- the statutory "target level" is 65% -- to 43% in 1983-84 (evidently with some modest recovery since). While we do not at the moment have up-to-date data on private institutions' expenditures on student aid from their own funds, this situation must surely put pressure on their operating budgets at a time of intense competition for students in Illinois.

If continued, as might well happen in a long period of sharp competition for students, this pattern of increasing institutional expenditures on student aid must have an impact on the independent schools' ability to make adequate expenditures in such areas as faculty, instructional equipment (e.g., computers), physical plant and

Table 2

Growth in Student Aid by Source for Students
in Sampled Independent Institutions in
California, 1982-83 to 1984-85

| Source of Aid | Number of Institutions Responding | % Growth in Dollars of Aid (without adjustment for inflation) 1982-83 to 1984-85 |
|--|---|--|
| Federal Grants and College Work-Study | 34 | +19.8% |
| Federal Direct Loans and Guaranteed Loans | 34 | + 4.3% |
| California State (Cal) Grants and Graduate Fellowships | 50 | + 2.6% |
| Institutional Grants | 36 | +31.1% |

Source: California Postsecondary Education Commission 1985.

libraries that are directly related to educational quality. The issue is a significant one for state policy if states are seriously committed to educational quality, as most states now seem to be.

Impacts of State Aid on Tuition Policies

And E & G Expenditures

We found that the effects of state aid programs on private colleges and universities were not limited to impacts on enrollment. Since tuition is the major revenue source for private institutions and since state aid programs are thought to influence it,¹¹ we thought it important to assess empirically the relationship between state fiscal policies and independent sector tuition levels.

For the private sector as a whole, our multivariate analyses showed no relationship between a state's rate of change in student aid funding (either total dollars per student or number of awards) and the rate of change in its average private college and university tuition, over the periods studied (1973-77, 1977-82 and 1973-82). The analyses by institutional selectivity groups (high, medium, low and nonselective private institutions) actually showed a negative relationship between state student aid dollars and private tuition for each of the lowest three selectivity groups in at least one of the periods studied. These findings clearly do not support the hypothesis that more student aid leads to higher private college tuition. If anything, the availability of aid dollars seems to moderate tuition increases, perhaps because institutions feel they can meet their revenue requirements (via larger enrollments) without large increases

in tuition when more generous financial aid is available to prospective students.

Likewise, state institutional aid dollars (per student) provided to independent institutions tended to moderate their tuition increases in two of the three periods studied, suggesting that independent institutions tend to pass a portion of state subsidies along to the consumer.¹² This effect was found to be statistically significant only for the private sector as a whole and its nonselective subsector, however.

Another desirable effect of state institutional aid to the independent sector was found in the area of private institutions' educational and general expenditures per student (a crude indicator of spending for academic purposes). Here, the analyses showed some positive impacts for all private institutions (for 1974-77) and especially for low-selectivity and nonselective institutions (for 1974-81). But as is the case with respect to other variables, the spending behavior of high-selectivity private schools is not visibly affected by state aid programs. Also, state student aid spending had no discernible impact on private institutions' aggregate educational and general spending.

Effects of State Aid on Enrollment Demographics

Finally, but not least in significance, we found that the rate of change in state student aid dollars per student was positively associated with changes in the proportions of both low-income and middle-income students enrolled in private institutions, an important

goal of student aid policy. For the longest time period studied (1970-80), the statistical results imply that for each \$100 (1980 dollars) of additional state student aid per student, the proportion of low-income students in independent institutions increased by 0.9 percentage points and the proportion of middle-income students increased by 1.1 percentage points. Thus, student aid is a tool by which states can "democratize" the student body (at least in the private sector), albeit a relatively costly one.

Conclusions Regarding State Aid Effects

From these results we conclude that state aid programs did make some difference in outcome variables of policy importance in the 1970s in the directions expected. While the national data are not yet available to show it conclusively, the relationships we found do suggest that the sharp cutbacks (in real terms) in state aid in many states in the early 1980's did very likely hurt independent institutions financially, academically, and probably in terms of the socioeconomic mix of their student bodies. This is certainly what we heard from private college and association officials and in the responses to the AICCU survey of state private college association executives.¹³ Similarly, the limited data we were able to gather on internal shifts in institutional budget priorities (toward student aid) and on the demographic profiles of independent colleges' students support the view that in recent years, private colleges have paid a real price to sustain enrollments. To the extent that educational quality and the socioeconomic mix in these institutions matters to

the rest of the society, there will eventually be a social price to pay as well.

Effects of Public Sector Tuition Levels on the Private Sector

Another key lever of state policy toward the private sector, if often a less conscious one than state aid, is public sector tuition policy. Even where they do not control public institutions' tuition and fee levels directly, state governments influence them strongly via budget leverage, appointments to governing boards and the like. Again, our empirical results showed substantial effects on private institutions, especially the less selective ones. For two of the three periods studied, including the longest period (1974-81), public college tuition growth was positively related to private sector enrollment gains. In other words, as would be anticipated, more rapid public college tuition increases seem to help private colleges competitively. Also as expected, this effect was found to be strongest for the nonselective independent institutions and essentially nil for high selectivity schools. The rather consistent and substantial empirical effects we found here would seem to justify private sector officials' expressed strong concern with this issue.¹⁴ But, significantly, in the case-study states (except New York), we found private sector officials reluctant to tackle this issue publicly for fear of straining relations with their public sector colleagues. As we shall emphasize shortly, these relations are important to preserve for a variety of reasons.

Thus, once again we conclude that state policy--in this case in the form of state influence on public sector tuition growth--does matter to private institutions, at least to the more competitively vulnerable of them. While there are other good arguments for regularizing public sector tuition increases (so that they are gradual but steady rather than occasional, unpredictable and large),¹⁵ the more controllable effects of such regulation on the health of the private sector are not the least of these.

State Planning and Program Review Policies

The AICCU survey results, our interview data from the five case-study states, and the recent field work of others (i.e., Gardner, Atwell and Berdahl 1985) gives evidence of considerable private sector concern, and even some intersector conflict, over state-level planning and program review matters. Among the nineteen state independent sector association executives who responded to the 1985 AICCU survey, four mentioned some aspect of statewide planning as the most important state policy issue now facing the independent sector, and two mentioned public sector expansion or program duplication (while thirteen identified some aspect of student aid or the "tuition gap" as most important). When asked about the three most important issues, student aid or the tuition gap was mentioned by fifteen respondents, program duplication/public sector expansion was offered by nine, and state higher education planning issues by seven. So, planning and program review are an important concern, though not the highest priority one in most states.

Most of the private sector concern about academic program matters represents fears on the part of some independent institutions of new competition from public campuses, often from programs or courses offered off the public institution's main campus.¹⁶ Sometimes these concerns are expressed quite forcefully by independent sector spokespersons, including institution presidents. The demographic-based "squeeze" on higher education enrollments emerging (or continuing) in most states implies that such concerns will not

dissipate any time soon and may intensify as independent institutions become even more sensitive to potential low-priced competition. (Our conceptual framework suggests that these concerns will be especially strong in laissez-faire-oriented states where private institutions get little succor from state policies). Additionally, educational reform movements and state efforts to link education with economic development also spill over into program review activities in many states.

Though it is virtually impossible to prove definitively, we believe that the direct effects of public sector program competition have been considerably less than the screams of pain from private campus interests might indicate.^{16A} Statewide independent sector association officials, who spend a good deal of their time mediating intersector disagreements over program competition issues and advocating state policies to forestall them, acknowledge this, but feel they must also be responsive to the concerns of their constituents. An important part of the reason for the limited impacts on the private sector thus far has been that fiscal constraints facing the public institutions for a number of years limited their capacity to mount new program initiatives and led to relatively tough state agency positions in reviewing those that survived institutions' own stricter review procedures. This is a reasonable characterization of the situation in at least four of the five case-study states--New York is a partial exception¹⁷--including three (California, Indiana and Texas) where there is no great state concern about public college programs' impacts on the private sector.

But these fiscal constraints on the public institutions are now loosening considerably in states (e.g., California) where economic recovery continues strongly, and where education reforms seems active. If such circumstances continue, program review issues could become a major concern for the independent sector, particularly in laissez-faire-oriented states like California and Texas that have historically worried little about the health of this sector. Still, we emphasize that, at present, even state independent sector association officials tend to see the tuition gap and student aid as much more fundamental to the health of the sector. This should not be surprising since program competition issues typically do not concern all of a state's independent institutions (or even in many cases more than one part of a single institution), as student aid and tuition matters do. Also, it should be added that more federal or state student aid and/or more rapid increases in public college tuition levels would help to dull the sharp edge of program competition since affected private institutions would then be better positioned to compete for students themselves without seeking state restrictions on public campus program expansion.

Indeed, serious intersector conflict over program review issues may well be more damaging to private sector interests than the direct effects of public sector competition. As evidenced in part by the pains we found that they take to control it, such intersector conflict can seriously weaken a state higher education agency. The literature indicates and we heard over and over again in our field work that an important perceived function of these agencies is to keep such

disputes out of the overtly political forums (i.e., the legislature and governor's office). When they are unable to do this, academic program decisions are inevitably more politicized and the longer-term credibility and influence of the higher education agency compromised. For society's stake in higher education as a whole, the consequences of such a development are probably negative if one accepts the mainstream view that the public interest is better served when the influence of specialized, or professional inputs, relative to political inputs to state higher education policymaking, is relatively strong (Berdahl 1971; Millett 1982). For the private sector in particular, in most states a serious weakening of the influence of the state higher education agency would tend to make the position of this sector more difficult. With some notable exceptions, legislators as a group, who would be called upon to take a greater role in higher education policymaking in the event of a weakened state higher education agency, tend to see independent institutions (logically enough) much less fully than public ones as their own charges to be nurtured, protected and improved. Also, the arguments for the state's substantial interest in the health of the private sector are sufficiently abstract and long-term in their nature and perspective that they probably get a fuller hearing from the professionals staffing higher education agencies than from elected officials.

Serious intersector conflict over program review matters has other negative consequences for the private sector. First, it tends to make more difficult intersector cooperation in other areas in which independent institutions may have much to gain, such as in providing

contract services directly to public institutions, facilitating crossregistration of students in courses, library cooperation, cooperation in computing and telecommunications networks and the like. It also tends to undermine the spirit and the interpersonal networks that underlie truly comprehensive statewide planning for the future of higher education. This could have the most serious long-term consequences for the private sector for it is in the planning process that institutions' roles and missions are established and amended and where independent institutions can hope to lay claim to a piece of any new "action" that emerges in terms of new state initiatives or interests (e.g., in regard to economic development). If private colleges and universities are frozen out of the critical planning their fundamental concerns will get no more than ad hoc and usually limited and belated, attention from the state.

To summarize complex matters briefly, in our field work we found (as expected) that in the two laissez-faire-oriented states (California and Texas), though intersector relations were not particularly strained, private sector resources were utilized by the state in only a limited way and the sector's interests and health did not seem to be of much concern to the critical state policymakers. In Indiana relations between the sectors were relatively cooperative, but behavior by the state authorities resembling that suggested by the market-competitive model was evident, particularly during the late seventies and early eighties. But efforts to permit some direct competition among public and private colleges (e.g., in areas not served by public institutions or their programs in particular fields)

proved difficult to sustain in an era of stagnant student aid program funding and a growing private-public "tuition gap." Still, we found in Indiana a good deal of open-mindedness about the private sector's role in meeting certain state needs cost-effectively, and several notable examples where the state had made arrangements with individual independent institutions to perform particular tasks on a contract-type basis, as envisioned in the market-competitive model. The two states chosen for their apparent resemblance to the regulatory mode on our continuum of state policy postures, Illinois and New York, proved to be quite different from each other. Illinois looks much like a model of an effectively functioning regulatory policy regime. Here, we found strong cooperative intersector relations and, although there were occasional disputes over specific public-private program duplication/competition issues, a vigorous and apparently generally effective effort by the State Board of Higher Education to use carefully thought-out plans and broadly participative processes to limit contentious program duplication/competition. The Illinois Board leadership has been skillful in building cooperative relationships but it has also had (partly due to its own initiatives over the years) the leverage created by large financial aid programs (including programs of direct institutional assistance to private schools), extensive information on the private institutions, considerable formal program review authority over key parts of the private sector, and a clear systemwide planning mandate from the legislature. It has used these resources effectively.

In New York the state board's (Board of Regents) formal authority over all higher education is even greater, but our research found a considerably less successful regulatory regime there. Perhaps in part because its members are selected by the legislature and directly answerable to it, the Board has been unable to consistently enforce its impressive plans in program review and other decisions. The Board also lacks even much informal influence in budget matters and its influence undoubtedly suffers from the powerful fair share norms and raw power politics that seem to pervade policy decisionmaking in New York, in higher education as in other fields. Basically, every interest feels it has a fair shot at any state resources that might be available and the independent sector has proven very effective at getting a generous share of most state initiatives related to higher education. With the notable exception of the doctoral programs reviews begun in the 1970's the Board's elaborate program review processes seem to have had little effect in halting or reversing contentious program proliferation in either sector. Not surprisingly, public-private relations are often seriously strained (though there are signs that things may now be improving somewhat. To date, New York's elaborate regulatory regime seems to us to resemble the proverbial paper tiger.

Information Policy and Autonomy Concerns

Somewhat to our surprise, we found little evidence that independent institutions or their statewide association representatives were much concerned with state information demands or

with state intrusions on their autonomy. Only five of nineteen state independent sector association representatives indicated that state data requests presented any kind of problem for their institutions. Two of these five simply complained that the quantity of data requested by the state was onerous (though only one said it was increasing). The other three complaints concerned specific aspects of the amount or types of detail asked for by the state in its data requests. While these last complaints could be interpreted as having implications for autonomy, none of these respondents placed them among their highest priority concerns.

We found little evidence of private sector concern about excessive state data collection or related threats to institutional autonomy in the case-study states. This was basically true even in Illinois and New York, in both of which the state routinely audits private sector recipients of its substantial institutional aid programs and collects extensive institution-level financial and other data on independent institutions. We did find evidence in Illinois of a minority view among private institutions that indicated concern about emerging threats to autonomy from excessive entanglement with the state in general, and some concern in New York about specific cases where the state Board of Regents had taken over failing private colleges in the name of protecting students' interests. Still, the overall consensus view was clearly one of surprisingly little concern over such issues.

This apparent calm on the part of the participants does not necessarily mean there is nothing to be concerned about, as we will consider presently. In Illinois and New York private colleges and universities have been receiving state funds directly for more than a decade and a half (and substantial help through state-funded student aid for considerably longer), and they have long since come to accept extensive state information requirements (both routine and "special purpose") as a natural corollary. Far from seeing state information collection as a threat, independent sector interests in these states¹⁸ are quite astute about using information and policy analysis derived from it as a political weapon¹⁹. Information and analysis is more credible and thus more potent in the public policymaking process if it has the imprimatur of the state, rather than that of an interest group alone. Thus, we found that the first information-policy-related concerns of private sector officials in many states were with how to get the state to gather more, not less, information, and to conduct those studies that the private sector felt would produce results favorable to its interests.²⁰ State association executives, with their close awareness of the political process often make considerable efforts to push the state agencies to collect the data and do the studies they favor, and failing this, seek to build the capacity in their associations to partially substitute for the state in the policy analytic role. (New York's Commission on Independent Colleges and Universities is the outstanding example of a state association that has fully developed this capacity.) Interestingly, these state association executives sometimes report only limited support from

their own constituents, who are less well-situated to see the potential benefits of such efforts but are very sensitive to their costs.

Though we reported that there was surprisingly little concern about state intrusions on autonomy in the states we studied where private institutions receive institutional aid from the state (i.e., Illinois and New York), interestingly, in states without such aid programs there was little interest in them, in substantial measure, we were told, because of their potential effects on autonomy.²¹ Perhaps the effects of the long and close connections between the independent sector and the state, in states such as Illinois and New York, are evaluated differently by outsiders than by those whose experience has been largely in such an environment.

In any case there seems to be a connection between institutional aid and the state's interest in increasing oversight of and data collection about the private sector in both Illinois and New York. While extensive information-collection seems to be largely the product rather than the driver of close state oversight, data bases as comprehensive as those possessed by the state authorities in these two states do have potential for eventual use in ways that could independently impact private sector autonomy. For example, the very detailed long-term enrollment projections (down to the institution and field level even on private institutions) prepared by the New York State Education Department (staff arm of the State Board of Regents) could conceivably become the basis for state-enforced "enrollment plans" from which institutions could vary only at the risk of their

state aid. Illinois's financial profiles of independent colleges and universities could conceivably be used as the basis for a policy of denying eligibility for state aid to independent institutions not judged fiscally viable in the long run. This is not to say that there is any sign of intent to use information in such ways in these states, only that the existence of the information in a readily-accessible form makes such uses easier to contemplate.

Our inquiry into the nature and effects of state information policies also sought to determine to what extent states sought to better inform students and their parents (i.e., the "consumers" of higher education) about their college options. We were especially interested in the degree to which state agencies provided or encouraged institutions to provide specific information about net costs of attendance (including financial aid) and "performance-oriented" information about public and private institutions, such as data pertinent to judgments about educational quality and data about student persistence, completion and postgraduation outcomes. Also, we were interested in the extent to which the state monitors or regulates institutions' advertising (as it commonly does for private proprietary schools), and if it does so, whether it began doing this as a result of complaints about excesses on the part of institutions heavily pressed by competition.

Our hypothesis was that only in a state approaching our market-competitive state policy posture construct would we be likely to find much state interest in promoting more dissemination of consumer-oriented information, and, in such a state, perceived

competitive excesses would be most likely to spur complaints leading to some state response. Thus, we were not terribly surprised to find essentially no state regulation of private colleges advertising and little interest in consumer-oriented information in the large majority of states touched upon in our field work and the AICCU survey. (We will mention the exceptions shortly.) Most state higher education agencies do little more than respond to specific inquiries from the public or publish (almost always with no significant promotion) a data book containing basic information about public and private institutions in the state (location, tuition and fees, sometimes degree programs and fields of study offered, occasionally information about admission selectivity). We found virtually no evidence of progress toward the logical goal of providing prospective students with comparable data about likely costs of attendance (taking into account financial aid as well as fees), chances of completion, and postgraduation career and life prospects on the part of the agencies best positioned to facilitate movement in this direction (the state higher education agencies).

This is perhaps less surprising than the finding that few state independent sector associations saw better consumer information as an important issue. In light of the widely held view among private sector representatives that their institutions perform better on many dimensions than public institutions and that they are seen by much of the public as more expensive than they really are (after into account student financial aid), it is somewhat surprising that few

associations have made this issue a priority. Because the association executives had thought so little about the matter, we were unable to glean from the interviews or survey responses a clear set of reasons as to why this was the case. Our best guess is that the collection and dissemination of comparable institution-level data by the state is seen as costly to the providing institutions and potentially divisive both within and across sectors. (After the data is produced, some institutions will inevitably not look as good as others.)

In two of our case-study states we found significant exceptions to these more general findings. Most noteworthy was Indiana's Training and Educational Data Service (TEDS), an independent nonprofit corporation now independent but spun off from the the state's Commission on Higher Education a few years ago. Briefly, this agency purchases, develops, combines and provides access to on-line data bases about educational and training opportunities available to Indiana students. Students can get access to the system (sometimes at a fee) through libraries, school counseling offices, and other such locations, which must pay for membership. The idea is to permit the student (with help if needed) to frame and receive reliable responses to inquiries about his/her options for, say, an associate degree program in engineering technology in the northwestern part of the state with annual fees less than \$x. The system also provides the inquirer with access to recent projections of job opportunities likely to be available to graduates in the specified field, and its coverage of education and training programs includes a wide range not limited to those at traditional collegiate institutions. System managers

would like to incorporate institution-and program-level data specific to an individual inquirer's needs about financial aid prospects, completion rates, and postgraduation outcomes, but cannot do this until the necessary data bases have been developed.

Interestingly, TEDS did get its start at the state higher education agency during the period when Indiana's policies most resembled our market-competitive model of a state policy regime. However, the state has since not shown interest in making the investments necessary to take the next steps. Indeed, it has pushed TEDS to reduce the amount of state funds it requires toward a goal of zero annual state subsidy. Thus, the state's movement toward a fully market-competitive posture in the information policy area, as in others, has slowed.

In New York, the statewide association of independent colleges and universities (CICU) has worked harder than most to market its message that state and other student aid funds can drastically narrow the gap between public and private sector costs of attendance for students in many circumstances. It has done this through professionally-produced and up-to-date brochures and publications containing easy-to-understand illustrative comparisons for students in various financial circumstances, and through its own Academic Resources Information Clearinghouse (ARIC) system. ARIC provides not only institution-specific data but locations staffed by professional counselors who assist students with their college choices (focusing on the independent sector of course). In the typical push and pull of New York politics, the politically potent CICU has in some years been

able to secure state funds to help operate ARIC, but the support has not been stable. ARIC is more a substitute for than an instrument of state policy.

Conclusions and Policy Implications

We said at the outset that we had found the state policy posture construct useful for making sense of state policies that affect independent higher education, and that it should be helpful in drawing conclusions and policy implications from our results. We shall employ it in that way now.

The laissez-faire posture with respect to independent higher education is increasingly a dubious one for states that value their private college sectors at all. Although a few such states with very small private sectors or unusual demographics may be exceptions, most states probably should value this sector, if for no other reason than its capacity to absorb demand that would otherwise fall upon the public sector, and will increasingly wish they had done so as the enrollment bulge of the 1990s approaches. To summarize the evidence for this position, our research showed significant negative effects on important parts of the independent sector of slow growth in public sector tuition levels and state student aid funds. Yet increases in state-funded student aid were not linked to more rapid growth in private sector tuition, as many state policymakers feared they would be. Private institutions as a group have so far proven themselves remarkably resourceful in finding ways to sustain enrollment through the early years of a difficult demographic period. Surprisingly few of them have closed their doors or are about to do so. But we found

clear signs just below the surface (but deeper than many state policymakers now look) of strong and continuing pressures to shift resources away from expenditures on instruction and physical plant toward student aid, simply to maintain enrollments. Still, student debt burdens are rising rapidly and equality of opportunity (at least in terms of range of college choices) for low and moderate income students is threatened. States will eventually pay a serious price to correct (or try to live with) these problems if they do not act soon. Although it is true that some struggling independent colleges are academically weak, few states could afford to reproduce a large portion of their capacity at a higher quality standard. The more cost-effective approach is likely to be to find acceptable ways to sustain and improve capacity already in place.

What actions can states and institutions take to get maximum value from the resource represented by this sector of higher education? Certainly independent institutions and their statewide organizations should continue to make a public-interest-based case for state help (not necessarily direct appropriations to them from the state treasury), even in traditionally laissez-faire states where they are not accustomed to doing so or have been unsuccessful in the past. Better data about the long-term financial plight of the private schools may help. More generally, research shows that increased efforts by state independent sector associations to affect state policies have paid off tangibly (McMahon 1981).

There are a variety of actions states can take. In many cases the precise form of feasible state action will be related to the state's current policy approach (posture), as will be reflected in the discussion that follows. First, states can (though not without difficulty politically) follow the path several have taken in recent years by regularizing in statute public college and university tuition increases, i.e., tying them to some measure of general growth in the institutions' costs. This approach has many points to recommend it, but not the least of these is that it would prevent the long periods of rapid growth in the private-public tuition differential that hurt the private schools financially. To avoid financial hardship on students, the state could put part or all of the funds thus raised into aid available to low income students in either sector. This approach clearly fits best in the policy repertoire of a market-competitively-oriented state regime, but it is not unthinkable in a regulatory state posture either.

Second, in an era of enrollment stagnation to be followed in a few years by a "boomlet," states should recognize explicitly that state student aid, in addition to its other objectives, serves the purpose of helping to keep valuable higher education capacity alive (and ideally well). To do this effectively, of course, state student aid program award sizes and eligibility criteria (especially income ceilings) have to move with the economy. Most important, the rate of growth of funding of these programs must take the condition of the state's private sector into account. This could mean substantial new

state funding for student aid if federal programs of such aid are cut back sharply.

Student aid is a particularly attractive device for aiding private institutions where their problems are not yet too severe. Also, being indirect aid which students can carry to the institution (public or private) of their choice, it is the policy instrument most compatible with a market-competitive state policy posture, and is probably the most feasible type of aid to the private sector for a traditionally laissez-faire state to build up upon deciding to help this sector. A regulatory state concerned about the condition of its private sector could also emphasize this type of aid but, for reasons discussed next, would be less likely to do so.

Direct state appropriations to independent colleges and universities have the advantages and disadvantages of their directness. As is a particular concern in the carefully-planned regulatory state, this aid can be targeted better than can student aid. For one thing, dollar flow into private institutions' treasuries when these dollars are directed specifically there than when the same state funds are funnelled into student aid.²¹ We did not find in our case-studies or survey any clear evidence that state appropriations directly to private institutions leads to significant changes in their behavior, i.e., diminution of their independence of mind and action. But this is a very subtle matter and not easy to discern from talking to people in states like New York and Illinois who have operated in the context of extensive state aid for many years. The potential for state authorities to start treating independent institutions essentially

like public ones is surely present when state aid is direct substantial and crucial to the recipient.

A variant on direct institutional aid to independent institutions theoretically more consistent with the market-competitive model is contract-type state aid tied to specific performance, such as enrolling state residents in a certain academic programs, contract research projects, or the operation of a campus-based business assistance effort. In the ideal market-competitive model, such support would be competitive initially, temporary (a term contract), and even put out to rebid if performance were unsatisfactory. In practice, governments are not prone to rescind or shift to other recipients substantial initial commitments. The long-term political dynamics in terms of the commitments and leverage on both sides may not be much different from the situation in the case of direct institutional aid if the funds are large or critical enough. Still, these arrangements are probably worth trying when a market-competitively-oriented state feels it must provide more aid to the independent sector than it can through student aid programs, but wants to avoid providing basic institutional support to private institutions.

The independent sector would do well to both encourage and cooperate fully with state efforts to build cooperative intersector relations and joint (public and private sectors and state agencies) higher education planning processes. Especially under present conditions virtually all but the most secure independent institutions have more to gain than to lose from this strategy. Of course,

especially in regulatory-oriented states, independent institutions must be careful to guard their decisionmaking autonomy against the potential circumscribing of it that could come from open-ended financial dependence and/or agreement to rigid limitations. Still, in our judgment both the independent sector's and society's interests are best served by having the independent sector dealing regularly and cooperatively with the state authorities. In this way pertinent state officials are more aware of the private sector's capabilities and resources, of the strains upon them, and of circumstances when some immediate state need can best be met by tapping them. Also, if private institutions have a stake in generally cooperative relations with the public sector and the state, this probably helps keep most disputes over academic program review and competition matters within the higher education "family." (This is desirable for reasons explained earlier.)

Regarding program duplication/competition issues across sectors, the regulatory and market-competitive state policy postures differ significantly. (In the laissez-faire state, the state authorities simply ignore intersector duplication/competition disputes.) In the regulatory regime, the state seeks to control such potentially explosive disputes by enforcing tight role and mission definitions on the institutions, including to the extent its leverage makes possible, the private institutions. Of course, there are always gray areas in the definitions and attempts "update" or reinterpret them by aggressive institutional leaders. In the market-competitive state where competitive programs are otherwise justified the preferred

emphasis is on reducing the damage competition inflicts on those most likely to complain--the private institutions--by moving toward equalizing the competition via the student aid and public sector tuition policies described above. This should reduce the need for direct state regulation of program offerings at the campus level.

In the area of information policies, two conclusions seem fairly clear. First, at a minimum states ought to know enough about their private collegiate sectors to recognize (or even foresee) serious fiscal and academic decline, which is not often revealed early enough from data on institutional closures or aggregate enrollments. This level of knowledge is clearly not attained in many states, and not just laissez-faire states.

Second, while the impetus for this is clearly strongest in market-competitively-oriented states, state higher education agencies in all states could do considerably more to work with other education and training agencies and with modern computer technology to help students better understand their post-high-school choices. This means serious efforts should be made to develop and make available to students, parents and those they turn to for advice (counselors, teachers, libraries) understandable, comparative data about postsecondary education and training opportunities and institutions, their true net costs specific program offerings, completion rates, graduates' career and further education patterns, projectives of future job prospects by occupation, and so on. State higher education agencies are well-positioned for this task and could gain considerable credit from elected officials and their constituents for providing

such a service well. Independent sector associations should encourage and aid them.

On the more difficult questions regarding state information policy, answers are less obvious. Indeed, detailed analysis of these issues is beyond the scope of this paper. Basically, state policies regarding information collection about the independent sector must be compatible with the state's broader policy posture. The regulatory state needs extensive information to manage the statewide system at the level of detail it seeks to do so and this has its dangers for private sector independence in the long run. A market-competitively-oriented state regime should require less detailed control-type information but will surely need information for the policy analysis required to get and keep this regime on the desired track. In either case there will be a continuing politics of information for the state to wrestle with. Information and analysis are always costly and sometimes threatening (or useful as positive ammunition) to institutions and other interests seeking to shape state priorities and policies.

This summary report of our research, findings and conclusions has sought to cover a good deal of territory, perhaps some of it too sketchily. It is hoped that at least we have provided a broad indication of the nature of our inquiry and of some of its more interesting results. A complete report of the study will be available

soon, and papers on specific aspects will be appearing in the literature.

Footnotes

1. One drawback of this particular "sampling" strategy was that none of the case-study states has a statewide governing board for its public institutions. Rather, all five have "coordinating" boards that lack direct governing authority over any of the institutions. For some data and insight about the significance of the statewide governing board versus coordinating board variable for matters affecting independent institutions, see Wilson and Miller 1980; and Gardner, Atwell and Berdahl 1985.
2. This survey was conducted in the summer of 1985. Responses were received from 19 state independent sector association executives or their designees (nearly half the total number of such associations and more than half of those with a functioning executive officer who had been in the state long enough to be reasonably knowledgeable). All of our case-study state executives either responded or provided us comparable information in interviews. The survey instrument is appended to this paper (Appendix A).
3. Data from the federal HEGIS survey show absolute declines in full-time-equivalent enrollment for the four-year private sector nationwide in fall 1969, 1971 and 1972. The private sector's share of all four-year college and university full-time-equivalent enrollments fell from 35.2% in fall 1968 to a low of 29.9% in fall 1975.
4. Figures from the Association of Independent California Colleges and Universities (AICCU) for fall 1985 show a nearly two percent decline, however.
5. We include under this heading state funded student aid, direct institutional aid to private institutions and public college and university tuition policies. (Public college tuition levels are assumed to be at least strongly influenced by state actions.)
6. The time intervals given apply to the enrollment measure, which was lagged one year behind the student aid measure.
7. Because of data limitations, the time intervals selected for constituting the institutional aid variable were slightly different from those used for student aid (1971-81, 1971-76 and 1976-81 for institutional aid, 1969-79, 1969-74 and 1974-79 for student aid). As with the student aid analysis, the enrollment measure (given above) was lagged one year behind the aid measure.

8. Among the nineteen state independent sector association executives who responded to the AICCU survey, none volunteered institutional aid as the most important state policy issue to them. When asked about the three most important state policy issues facing independent institutions, only four mentioned institutional aid among the top three issues, placing it behind student aid, the public-private tuition gap, program duplication/public sector expansion and state higher education planning in terms of number of mentions.
9. [Tuition-dependent analysis will go here.]
10. Concerns voiced by the institutions, which we also heard, led CPEC to collect this type of data shown in the tables.
11. In general, it is feared that generous state student aid programs may encourage private institutions to increase tuition (to "capture" the new state dollars without hurting state-aided students), while it is hoped that institutional aid from the state reduces the perceived need to increase tuition. Recently, federal officials have propounded a similar hypothesis with respect to federal student aid programs.
12. For the 1973-82 period for the private sector as a whole each dollar per student increase in institutional aid to private institutions was associated with a \$0.22 decrease in tuition.
13. Of the eighteen state private college association executives who responded to the AICCU survey question "What have been the impacts of recent budgetary stringencies affecting state-funded student aid programs on the more vulnerable independent institutions in your state?" fourteen said these budgetary stringencies had "increased spending from institutional funds on student financial aid." (Three said their states had experienced no such stringencies). More specifically, eleven said these stringencies had inhibited the institutions' ability to attract middle-income students and nine said they had made it harder to attract low-income students. In addition, when asked about areas of institutional spending affected, eleven of the eighteen said their institutions' spending for plant maintenance had been limited, ten mentioned library expenditures, nine mentioned student services, while faculty salaries, instructional equipment and capital expenditures were named by eight respondents each.
14. On the AICCU survey, the state independent sector executives saw the "tuition gap" and related issues as second only to student aid in importance among current state policy issues. (Obviously the two issues are very closely related.) When asked what the impacts of public institutions' tuition policies over the last

- five years had been on the more vulnerable independent institutions, fifteen of the nineteen respondents said these policies inhibited the independents' ability to attract students. Thirteen specifically identified middle-income students and nine low-income students. Also, thirteen said public sector tuition policies had induced the private colleges to increase spending from institutional funds on student financial aid.
15. See, for example, California Postsecondary Education Commission (1982: 15-18) on the merits of regularizing public sector fee increases.
 16. Others have reported occasional concerns on the part of the public institutions about program expansion efforts by private institutions (e.g., Wilson and Miller, 1980). We found little evidence of such concern in our field work, but this is not a fair test since we interviewed few public institution representatives. We did hear from state officials, however, much more about private sector concerns in regard to program expansion than about similar public sector concerns.
 - 16A. This is not to say that there have been no impacts. We found examples (e.g., Springfield College in Illinois, the University of Evansville in Indiana) of independent institutions that had been forced to undergo wrenching adjustments in response to competition from newly-opened public campuses some years ago. Such institutions remain very wary of initiatives from their public competitors, but they have managed to survive (although there are a few cases where this was not the case) and even prosper at a smaller size and with a somewhat different program configuration. Today, new public campuses are a rarity. The independent campuses' major concern is with competition at the program level, which is usually considerably less threatening to institutional viability than a whole new public campus would be.
 17. New York is a partial exception because, while the public institutions have been affected by fiscal constraints and the state has taken a tough program review stance with respect to doctoral programs, this has not generally carried over into other program areas.
 18. We should add that awareness of the political uses of information and policy analysis is not limited to the independent sector association officials in these two states. Our interviews and the state association executives' responses to the AICCU survey questions on information policy reveal considerable interest by many of the respondents in the types of uses of information and analysis described in the text immediately below. See also Odell and Thelin (1981).

19. Typical examples of studies independent sector association officials said they would like to see conducted done by the state higher education agency were:
- studies of magnitude and trends in the student loan debt burden, which almost certainly affects private sector students more heavily than public (see Hansen 1987);
 - studies of the effects of the tuition gap and availability of financial aid on student choice (i.e., between public and private colleges);
 - intersector comparisons of costs per student, student persistence and degree completion rates, and enrollments and completion of minority students; (private sector interests generally feel such comparisons will reflect favorably on them);
 - studies of the "need" for off-campus programs (concerns about competition from public, off-campus programs are a major issue for independent sector associations).
20. Among a dozen state association executives in states with no institutional aid to private colleges whom we asked (either in interviews or through the AICCU survey) about their reasons for disinterest in institutional aid, half mentioned concerns about autonomy or excessive state regulation. Other, almost-as-common reasons for disinterest were constitutional restrictions and lack of political support. A few mentioned a division of opinion on these issues within the independent sector.
21. This is true even if the student aid is available only to private college students to offset tuition costs. The reason is that inevitably, many of the aided students would have attended the institution anyway and would have paid tuition to it (less any institution-sponsored aid or tuition discount) from some other source. Moreover, most state student aid programs are not so narrowly structured to focus on private college tuition and fees alone.

References

- Berdahl, Robert O. 1971. Statewide Coordination of Higher Education. Washington, DC: American Council on Education.
- Breneman, David W., and Finn, Chester E., Jr., eds. 1978. Public And Private Higher Education. Washington, DC: The Brookings Institution.
- California Postsecondary Education Commission. 1985. Graduate Education In California: Trends and Issues. Commission Report 85-2. Sacramento, CA: The Commission.
- California Postsecondary Education Commission. 1985. Independent Higher Education in California, 1982-1984. Commission Report 85-33. Sacramento, CA: The Commission.
- California Postsecondary Education Commission. 1982. Student Charges, Student Financial Aid, and Access to Postsecondary Education: A Report to the Governor and Legislature in Response to ACR 81. Commission Report 82-15. Sacramento, CA: The Commission.
- Carnegie Council on Policy Studies in Higher Education. 1977. The States and Private Higher Education: Problems and Policies in A New Era. San Francisco, CA: Jossey-Bass.
- Davis, Otto A., Dempster, Michael A. H. and Wildovsky, Aaron B. 1966 "A Theory of the Budgetary Process." American Political Science Review. 60: 529-547 (September).
- Education Commission of the States. 1977. Final Report and Recommendations: Task Force on State Policy and Independent Higher Education. Report No. 100. Denver, CO: The Commission.
- Gardner, John W., Atwell, Robert H. and Berdahl, Robert O. 1985. Cooperation and Conflict: The Public and Private Sectors in Higher Education. AGB Special Report. Washington, DC: Association of Governing Boards of Universities and Colleges.
- Hansen, Janet S. 1987. "Student Loans: Are They Overburdening a Generation?" Report to the Joint Economic Committee, U. S. Congress. Washington, DC.
- McMahon, Linda R. 1981. Independent College Interest-Group Influence on State Policy. Washington, DC: National Institute of Independent Colleges and Universities.

- Millet, John D. 1984. Conflict in Higher Education: State Government Coordination Versus Institutional Independence. San Francisco: Jossey-Bass.
- Odell, Morgan, and Thelin, John. 1981. Bringing the Independent Sector into Statewide Higher Education Planning. Policy Studies Journal. 10:59-70.
- Wildawsky, Aaron B. 1984. The Politics of the Budgetary Process. Fourth Edition. Boston: Little, Brown.
- Wilson, Richard F., and Miller, James L., Jr. 1980. Private College Participation in Planning and Program Review Activities of Forty Five State-level Higher Education Agencies. Ann Arbor: Center for the Study of Higher Education, University of Michigan.

Appendix

Data Sources and Construction of Variables for Empirical Analyses of Effects of State Fiscal Policies on the Independent Sector

The basic purpose of the analyses described below was to assess the impact of state initiatives (student and institutional aid programs) and of public-sector pricing policies on private higher education institutions. In particular, we were interested in determining how these policies and practices affect the private institution's fiscal condition and policies and the quantity and quality of the students it enrolls.

The analyses utilized several comprehensive longitudinal data bases. Data on the enrollments and finances of private institutions came from two major sources:

Higher Education General Information Survey (HEGIS): The HEGIS data, collected by the National Center for the Education Statistics, provide a range of information about the enrollments, finances, faculty, and institutional resources of all accredited, degree-granting institutions of higher education in the U.S. Our analyses utilize data on enrollments, educational and general (E&G) expenditures, and tuition for selected years between 1967 and 1983.

Cooperative Institutional Research Program (CIRP): The CIRP is the nation's oldest and largest continuing program of research on higher education. Begun in 1966 by the American Council on

Education (ACE), the program is now administered by the Higher Education Research Institute (HERI) at UCLA, under the continuing sponsorship of ACE. Since 1966, more than 1,300 institutions have participated in the CIRP freshman survey, which thus constitutes a unique resource for monitoring trends in students and institutions over the past 20 years. This data source provided information on the first-time, full-time enrollments of selected types of freshmen, such as low-income students, minority students, and high-achieving students.

The major state policies and programs of interest in these analyses are student aid programs, direct institutional aid programs involving private institutions, and tuition and pricing policies in the public higher education sector. Data on tuition and pricing policies in the private sector, as well as in the public, are available from HEGIS surveys. Comprehensive data on student financial aid and direct institutional aid were derived from two additional sources:

National Association of State Scholarship and Grant Programs (NASSGP), Annual Survey Reports, 1969-1984: For the past 17 year, NASSGP has collected statistics on need-based state scholarship and grant programs. Its annual survey reports were used to determine the following: year of program initiation, amount of student financial aid dollars by state, number of awards by state, and percentages of dollars and awards going to the private sector.

These variables were available on a year-by-year basis for the period 1969-84.

Education Commission of the State (ECS) publication, "Higher Education in the State:" Between 1971 and 1981, the Education Commission of the States reported annually on programs of state support for private higher education. For our analyses, direct institutional aid was defined as including contracts as well as direct institutional aid.

State Policy: The Principal Independent Variables

The four major data sources described above were used to construct measures of three state policy variables: student financial aid, direct institutional aid, and public tuition. In some cases, a given variable was measured in several alternative ways. For instance, student financial aid programs in each state were defined by three measures: (1) the simple existence or nonexistence of aid programs (dummy variables created to reflect the presence or absence of aid programs in a state in a particular year; (2) total aid dollars per student; and (3) total number of awards. In certain analyses, these latter two measures were expressed as the amount of change in the number or average size of awards over a particular time period.

Similarly, direct institutional aid programs in each state were defined in two ways: per-student dollar amounts of direct institutional aid going to private institutions, and the absolute change in such dollar amounts over various time periods. Because these measures of both student aid and institutional aid covered a

wide period of time, the Higher Education Price Index (HEP) was used to adjust dollar amounts in order to reflect constant 1983 dollars.

Enrollments and Finances: The Dependent Variables

We examined the impact of each state policy variable on a number of outcome measures reflecting the health and well-being of private institutions. Enrollment is, of course, a major consideration for most private institutions, since the tuition paid by students constitutes their principal source of revenue. In addition to undergraduate full-time-equivalent (FTE) enrollments, we also used enrollments of first-time, full-time (FIFT) students which reflect changes in the numbers of new students attracted to the institution each year and might therefore be expected to be more sensitive to any new state policy or program.

While virtually all private institutions must be concerned with their overall enrollments, many are also interested in attracting particular kinds of students. Financial aid can facilitate access among students who otherwise might have been unable to attend college; it can also broaden the student's range of college choices. A major goal of some need-based programs is to increase the numbers of underrepresented low-income and minority students who attend college and to enable them to attend private institutions if they so desire. The CIRP freshman surveys provide year-by-year data on the enrollments of these students. In constructing outcome measures, we divided students into three income levels: low (representing roughly the bottom one-fourth of each year's national freshman class in terms of

Appendix A

**Survey of State Association Executives' Council
on State Policies and the Independent Sector**

Developed by AICCU and the Higher Education Research Institute, UCLA

Name: _____
Title: _____
State Association Address: _____
City: _____ State: _____ ZIP: _____
Phone Number: _____

INDEPENDENT SECTOR/GOVERNMENT RELATIONSHIPS

1. What are the three most important state-level policy issues facing independent institutions in your state today?

Issue 1: _____

Issue 2: _____

Issue 3: _____

2. In your view, which *best* describes your state government's posture toward independent institutions? (Check only one.)

- Laissez-faire.* The state shows little interest in independent institutions.
- Fair/Competitive.* The state attempts to encourage fair competition between independent and public institutions (via such means as tuition policies, aid to students or institutions, program review policies, etc.)
- Regulatory.* The state has a specific educational mission in mind for each type of institution and its policies reflect this.
- Ad Hoc.* State responds to each issue as it comes up without an apparent guiding philosophy.
- Other.* Please describe state approach as you see it:

3. Has your state government's posture toward independent institutions changed in the last ten years?

- No (If "no," go to question 5.)
 Yes

family income), middle (the middle half), and high (the top one-fourth). Ethnicity was measured as the percentages of freshmen from each of four groups: White, Black, Asian, and American Indian. Unfortunately, the CIRP did not start collecting statistics on Mexican-American/Chicano and Puerto Rican Students until 1971, so these students had to be excluded from our analyses.

All the student financial aid programs examined in these analyses were comprehensive state scholarship and grant programs targeted to undergraduates and based on need, although some of them also employed merit criteria such as grades or standardized test scores.

HEGIS data were used to construct two measures of institutional financial characteristics: per-student educational and general (E&G) expenditures, and tuition. HEGIS data on public-sector tuition and pricing policies were also used to gain insight into the effects of the so-called tuition gap on enrollments.

4. Has your state government's posture become:
- | | |
|---|--|
| <input type="checkbox"/> More laissez-faire | <input type="checkbox"/> More fairly competitive |
| <input type="checkbox"/> More regulatory | <input type="checkbox"/> More ad hoc |
| <input type="checkbox"/> Other. Please explain. | |

Can you give a specific example or two of the change?

To what do you attribute the change?

5. Are there state tax policies (e.g., sales tax exemption, tax credits for charitable donations, tax incentives for corporate donations of equipment) that help independent institutions?
- No. (If "no," go to question 7.)
- Yes. Please describe these in the space below:

6. Do these state tax policies distinguish between public and independent institutions?
- No
- Yes. Please explain how in the space below:

7. In regard to tax-exempt bonding authority (if it applies to you), has your state sought to pass upon or influence the ways in which independent institutions spend these funds beyond any restrictions specified in law?
- No
- Yes. Could you provide an example or two of where this has occurred?

STATE ASSOCIATION MATTERS

8. In your view, which best describes your association's relationship with the *public* sector in higher education policymaking? (Check only one.)
- Cooperative.* The public sector supports programs benefiting the private sector and vice versa. If differences between arise, we settle them privately.
- Non-cooperative.* Although we may often be on the same side, when policy differences arise they are not settled privately.
- Competitive.* Our positions and those of the public sector are often different.

- 9A. Has your association's relationship with the public sector changed in the last ten years?
 No (If "no," go to question 11.)
 Yes.
- 9B. Has your association's relationship with the public sector over this period become: (Please refer to definitions of terms given in question 8).
 More Cooperative
 Less Cooperative
 More Competitive
10. If there are areas of friction between public and private institutions in your state, what are they?
11. Do private institutions in your state cooperate with public institutions?
 No Yes.
If yes, please give examples of such cooperation that you consider significant.
12. Are there issues that generate systematic differences of view among groups of institutions within your state association?
 No Yes.
If yes, please indicate the issues involved and the types of institutions that tend to form around different points of view.

STUDENT FINANCIAL AID

13. Please comment briefly on state policies toward student aid for independent college students. In particular, is there a clearly stated state policy (if so, what is it?) or must policy be inferred from existing programs and funding? Or is "policy" entirely ad hoc?

14. What factors enter into state decisions to change the funding level of state student aid programs for which independent college students are eligible? (please check all that apply.)

- Adherence to established state policy
- Initiatives of governor/legislature to support access and choice for individual students
- Initiatives of governor/legislature to assist competitiveness of independent colleges and universities
- Funding formulas or ratios that tie state funding for independent colleges' students to funding for public universities or their students
- The rate of inflation
- Fiscal health of the state government
- Political efforts of independent colleges
- Other? Please explain:

Which of the above factors appear to be most influential?

15. What are the most important obstacles to state decisions to increase the funding levels of state student aid programs?

16. Is the focus of student aid programs changing in your state?

- No (If "no," go to question 18.)
- Yes: How?
 - From need-based to merit-based aid
 - From non-repayable grants to repayable loans
 - Toward greater emphasis on access (vis-a-vis choice)
 - Toward greater emphasis on choice (vis-a-vis access)
 - Other. How?

17. Please describe the impacts (if any) of changes in the thrust of state student aid programs that affect independent institutions in your state.

18. What have been the impacts of recent budgetary stringencies affecting state funded student aid programs on the more vulnerable independent institutions in your state?

- No such budgetary stringencies.
- Yes, there have been budgetary stringencies (Please check those that apply.)
 - Inhibited ability to attract students
 - Inhibited ability to attract low-income students
 - Inhibited ability to attract high achieving students
 - Inhibited ability to attract middle income students
 - Increased spending from institutional funds on student financial aid
 - Limited institutions' ability to raise student fees
 - Limited increases in faculty salaries
 - Limited spending on library expenditures
 - Limited spending on capital expenditures
 - Limited spending for instructional equipment
 - Limited spending for plant maintenance
 - Limited spending for student services
 - Other. Please describe:

19. Which of the above impacts have been most significant?

20. Has the period of budgetary stringency in state student aid programs ended?

- No Yes.

If yes, have state student aid budgets increased more rapidly than inflation in the last two or three years? No Yes

21. What have been the impacts of public institutions' tuition policies over the last five years on the more vulnerable independent institutions in your state?

(Please check all that apply.)

- Inhibited ability to attract students
- Inhibited ability to attract low-income students
- Inhibited ability to attract high achieving students
- Inhibited ability to attract middle income students
- Increased spending from institutional funds on student financial aid
- Limited institutions' ability to raise student fees
- Limited increases in faculty salaries
- Limited spending on library expenditures
- Limited spending on capital expenditures
- Limited spending for instructional equipment
- Limited spending for plant maintenance
- Limited spending for student services
- Other. Please describe:

22. Which of the above impacts of public institutions' tuition policies have been most significant for the more vulnerable independent institutions?

23. What are your three highest priorities for your state's student aid program?

1. _____
2. _____
3. _____

DIRECT INSTITUTIONAL AID

24a. If permitted by the state constitution, would direct Institutional aid (appropriations, grants and contracts)--or, if your state already provides such Institutional support, more of it--be preferable to more student aid in the view of your association's membership?

No. Please explain why.

Yes. Please explain why.

B. Has your association sought direct institutional aid? Why or why not?

25. If your state appropriates funds (including grants and contracts) directly to independent institutions, what have been the impacts (if any) on "institutional freedom of action"?

STATE PLANNING

26. Does state policy *really* reflect the role for independent institutions indicated by state master planning documents (or their functional equivalent)?
- No. If no, how do state policies toward the independent sector differ from those envisioned in the "master plan"?
- Yes. To what do you attribute these differences?
27. Does your state higher education agency involve the independent sector in state-wide planning efforts (e.g., regarding student aid, economic development, long-range planning for access or specific fields of study, retrenchment planning, etc.)
- No Yes. If yes, how? (Please check all that apply in your state.)
- Respond to draft documents or proposals
 - Provide data and information upon request
 - Testify at public hearings or board meetings
 - Informal contacts with staff members
 - Membership on advisory groups, task forces, or review teams responsible for developing a plan
 - Membership on general advisory committee(s) to agency
 - Membership in voluntary state association of public and private colleges
 - Membership on regional planning council
 - Higher education agency board membership
 - Other. Please describe:
28. In your view, do state authorities adequately consider the availability of independent sector resources as an alternative to those of the public sector in the state-wide (or intrastate regional) planning process?
- No Yes. Please provide an example or two of where this occurred?
29. Overall, how satisfactory are your state's efforts to take account of the interests of the independent sector in state-wide planning? (Check *only* one response).
- | | |
|---|--|
| <input type="checkbox"/> Very Satisfactory | <input type="checkbox"/> Somewhat satisfactory |
| <input type="checkbox"/> Not too satisfactory | <input type="checkbox"/> Not at all satisfactory |
30. How could procedures for including the independent sector in state-wide planning be improved?

ACADEMIC PROGRAM REVIEW

31. Does your state higher education agency involve the independent sector in program review?

- No Yes. How? (Please check the items below that apply to your state.)
- Respond to draft documents or proposals
- Provide data and information upon request
- Testify at public hearings or board meetings
- Informal contacts with staff members
- Membership on advisory groups, task forces or review teams responsible for program review
- Have input via membership on higher education agency board, on general advisory group to agency, or similar mechanism
- Have input via membership in regional planning council or similar mechanism
- Have input via membership in voluntary state association of public and private colleges
- Other. Please describe:

32. Does your *state higher education agency* engage in program review/approval with respect to independent institutions' programs, missions, or courses?

- No (If "no," go to question 36)
- Yes. In the following areas:
- | | |
|--|---|
| <input type="checkbox"/> existing missions | <input type="checkbox"/> new missions |
| <input type="checkbox"/> existing on-campus programs | <input type="checkbox"/> new on-campus programs |
| <input type="checkbox"/> existing off-campus courses | <input type="checkbox"/> new off-campus courses |

33. Is state approval of independent sector programs, missions, or campuses necessary for any of the following reasons?

- No Yes. (Please check all that apply.)
- Needed for initial state accreditation or licensing
- Needed for renewal of state accreditation or licensing
- Needed for eligibility for state institutional aid programs
- Needed for eligibility for state student aid programs
- Other. Please describe.

34. Does the independent sector participate in program review/approval of public institutions' programs?

- No Yes. (Please check all that apply)
- | | |
|--|---|
| <input type="checkbox"/> existing missions | <input type="checkbox"/> new missions |
| <input type="checkbox"/> existing on-campus programs | <input type="checkbox"/> new on-campus programs |
| <input type="checkbox"/> existing off-campus courses | <input type="checkbox"/> new off-campus courses |

35. Which of the following criteria appear to be used in state review of existing programs?

| For Public Campuses | For Independents (if applicable) | <u>Review Criteria</u> |
|---------------------------|--|---|
| _____ | _____ | academic quality |
| _____ | _____ | consistency with institutional mission |
| _____ | _____ | labor market demand |
| _____ | _____ | student interest/demand |
| _____ | _____ | duplication of programs offered by public campuses |
| _____ | _____ | duplication of programs offered at independent colleges |
| _____ | _____ | cost |
| _____ | _____ | Don't know. |
| _____ | _____ | Other. Please describe: |

36. Which of the above criteria for the review of *existing* programs appear to be the most heavily weighted?

For Public Sector Programs:

For Independent Sector Programs:

37. Have state initiatives in regard to teacher quality and teacher education had a significant impact on independent institutions?

- ___ No. If no, are such initiatives being considered? ___ No. ___ Yes.
 ___ Yes. If yes, please describe the scope of these initiatives and their impact on independent institutions.

38. Which of the following criteria appear to be used in the approval of *new* programs? (For each sector check as many as apply.)

| <u>For Public Campuses</u> | <u>For Independents (if applicable)</u> | <u>Review Criteria</u> |
|--------------------------------|---|---|
| _____ | _____ | academic quality |
| _____ | _____ | consistency with institutional mission |
| _____ | _____ | labor market demand |
| _____ | _____ | student interest/demand |
| _____ | _____ | duplication of programs offered by public campuses |
| _____ | _____ | duplication of programs offered at independent colleges |
| _____ | _____ | cost |
| _____ | _____ | Don't know. |
| _____ | _____ | Other. Please describe: |

39. Which of the above criteria for new program approval appear to be the most important to state authorities?

A. For public sector programs:

B. For private sector programs:

40. Would you like to see any changes in the procedures for reviewing independent sector programs and proposals?

___ No ___ Yes. If yes, please explain.

41. In your view, do independent sector institutions feel *public* sector programs and proposals are adequately reviewed?

___ Not at all ___ Somewhat ___ Completely
Any additional observations on this point?

42. Would you like to see any changes in the procedures for reviewing public sector programs and proposals?

___ No ___ Yes If yes, what changes you would like to see?

43. Has the number of programs to be reviewed in each of the following categories significantly increased in recent years?

| Public Sector Programs | Independent Sector Programs |
|--|--|
| <input type="checkbox"/> No | <input type="checkbox"/> No |
| <input type="checkbox"/> Yes: | <input type="checkbox"/> Yes: |
| <input type="checkbox"/> New on-campus | <input type="checkbox"/> New on-campus |
| <input type="checkbox"/> Existing on-campus | <input type="checkbox"/> Existing on-campus |
| <input type="checkbox"/> New off-campus | <input type="checkbox"/> New off-campus |
| <input type="checkbox"/> Existing off-campus | <input type="checkbox"/> Existing off campus |

44. Do the program review decisions of your state's higher education agency ever get appealed to a higher authority?

No (If "no," please go to question 47).
 Yes. How frequently?
 never
 only once every few years
 once a year
 several times a year

45. Is political influence ever brought to bear in such appeals?

No Yes. If yes, could you provide an example or two of where and how this has occurred?

46. Are the decisions of the higher education agency usually upheld? No Yes

47. In your view, what accounts for the extent of independent sector participation in state program reviews? (Check all that apply).

Do not participate extensively because there is little at stake for us
 Do not participate extensively because we do not feel we can have much impact
 Must participate by law
 Need to cooperate to avoid jeopardizing support for state aid programs
 Want to have influence over public sector program offerings
 Part of general strategy to cooperate with others interested in higher education
 Other. Please describe.

48. How does the program review process affect institutions in your state? (Please check all that apply.)

Impacts on
Independents Publics

- | | | |
|--------------------------|--------------------------|--|
| <input type="checkbox"/> | <input type="checkbox"/> | Has no significant effect |
| <input type="checkbox"/> | <input type="checkbox"/> | Lengthens the review of programs unnecessarily |
| <input type="checkbox"/> | <input type="checkbox"/> | Reduces diversity in educational opportunity |
| <input type="checkbox"/> | <input type="checkbox"/> | Improves the quality of offerings by weeding out weak programs |
| <input type="checkbox"/> | <input type="checkbox"/> | Limits the ability of institutions to respond to market shifts |
| <input type="checkbox"/> | <input type="checkbox"/> | Reduces duplication of missions and programs within the state |
| <input type="checkbox"/> | <input type="checkbox"/> | Has preserved or significantly improved the competitive position of one or more independent institutions |
| <input type="checkbox"/> | <input type="checkbox"/> | Significantly increases costs |
| <input type="checkbox"/> | <input type="checkbox"/> | Erodes institutional autonomy |
| <input type="checkbox"/> | <input type="checkbox"/> | Stifles innovativeness in program offering |
| <input type="checkbox"/> | <input type="checkbox"/> | Contributes to the improvement of public/independent sector relations |
| <input type="checkbox"/> | <input type="checkbox"/> | Contributes to the deterioration of public/independent sector relations |
| <input type="checkbox"/> | <input type="checkbox"/> | Tends to standardize programs too much |
| <input type="checkbox"/> | <input type="checkbox"/> | Other. Please explain. |

49. In your view, which of the following describes the overall competitive impact of statewide planning and program review activities on institutions in your state? (Check only one). Reduces competition among institutions too much
- Leaves competition at about the right level
- Permits too much competition

INFORMATION POLICY

- 50a. What types of data on independent institutions do state agencies collect on a routine basis?
- HEGIS data only
- Data on other student characteristics not in HEGIS (for example, family income, ability indicators)
- Data on active degree programs offered
- Data on planned degree programs
- Data on students' sources of support
- Data on student attrition rates
- Data on postbaccalaureate study and job placements of students
- Data on numbers of applicants for admission
- Cost of instruction data more detailed than in HEGIS
- Data on institutional finances more detailed than in HEGIS
- Data on use of facilities (e.g. space use indicators, buildings use, etc.)
- Accreditation reports or other evidence of academic quality
- Other. Please describe.

- b. Does *routine* state data collection vary between independent sector institutions or programs that receive direct state funds and those that do not?
 No. Yes. If yes, please explain how.
51. Are there any significant current trends in the amount of data requested by the state on a routine basis or in the nature (e.g., level of detail) of these requests?
 No Yes. If yes, please describe such trends.
52. How is the collected information used by the state? (Check all that apply.)
- Used in planning processes
 - Used in academic program review process
 - Used in state budget process
 - Used to monitor consistency with state policy
 - Used in policy analysis reports to the legislature/governor
 - Used in reports to the public
 - Disseminated to interested parties upon request
 - Other. Please describe.

Whether or not you checked one or more of the above, we would appreciate any details you could provide about what the state does with the data it collects about independent institutions.

53. Does the state ever make *special* or non-routine data requests of independent institutions beyond the regular reports (e.g., for special studies of the status of the independent sector)?
 No Yes If possible, please cite one or two cases you consider significant and explain briefly how the information was used.
54. Is the quantity or nature of the data requested by the state a problem for independent institutions?
 No Yes. If yes, please explain.

55. Are you (and your constituents) generally satisfied with the types of studies and reports the state government produces about higher education?

No Yes

Please list your three highest priority topics for additional studies or reports.

1. _____
2. _____
3. _____

56. Does the state provide information to help students select among institutions?
(Check all that apply.)

No, the state does not disseminate information to students

Publishes a data book on institutions in state (Please indicate title and publishing agency.) _____

Responds to inquiries from public

Supports computerized data base accessible to students and/or counselors

Encourages institutions to provide information. (If so, how?)

Other. Please explain.

57. Do you feel that students' and parents' needs for information about institutions are adequately served? No Yes What more (if anything) needs to be done?

58. Does the state monitor or regulate institutional advertising or information-provision practices?
 No Yes. If yes, how and with what effects?

59. Does your association play any role in collecting or interpreting data from independent institutions in response to state data requests?

No Yes. Please describe your role.

THANK YOU FOR YOUR ASSISTANCE

Please return this survey to the following address by July 28th:

UCLA/Higher Education Research Institute
320 Moore Hall
Los Angeles, CA 90024