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AUTHOR LaBeouf, Joanne P.  
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## ABSTRACT

The Virginia legislature has imposed a four-year freeze on tuition for all colleges in the Virginia Community College System (VCCS). This paper suggests that freezing tuition rates can only be a temporary fix in the search to find ways to fund education. The paper examines the effects of stable or lowered tuition rates in community colleges: will the value of community college education be devalued in the eyes of society because of its low cost or will low tuition cheapen the value of a community college degree? Because there has been a decline in the availability of federal funding for tuition, state and local governments have been forced to share the burden of subsidizing tuition. The State Council on Higher Education in Virginia (SCHEV) will review the results of a one-year pilot study of five public colleges. Both VCCS and SCHEV are attempting to create models for community college funding at the local level. Though there is general agreement that tuition must rise, there is no consensus regarding who must pay, or how to pay. This paper also analyzes the plausibility of Performance Based Incentives (PBI) for tuition funding. The question remains, what drives PBI's--quality, efficiency, or equity? The paper concludes that federal tuition dollars must increase, while including a need- and merit-based component to maintain access. (NB)

# The Tuition Conundrum:

## Virginia Community College System, A Case Study

Joanne P. LaBeouf  
May 15, 2001

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## **Introduction:**

It is increasingly evident that society values education at all levels. Recent local, state and national political campaign platforms reflect this value. Education reform dominated the debates and speeches of the top two presidential candidates in the recent elections. For example, presidential candidate Al Gore said he planned to make college tuition partly tax-deductible, or give a 28% tax credit to those in lower tax brackets. He hopes to make the first years of college an expectation. (Allen, 1-2) The mandate for both political camps appears to be educational reform, especially when it comes to the cost of education; however, reform does not come easily when the issue is politicized. Higher education must address important policy issues, one of which is the “increasing public concern about college costs (Ten Public Policy Issues, 1).”

## **Defining the Problem:**

“When 14 million undergraduates surge onto college campuses this fall, 44% will be at the country’s 1,132 community colleges[;]... Community college enrollment will increase 12% to 14% over the next five to ten years as a result of the baby boom ‘echo[;]’ ... The average [tuition] at two-year public institutions [is] \$1,627 (Levinson,10).” (Based on Department of Education Statistics) (Refer Cohen & Brawer, Chart, p. 422, Addendum)

Many people think that community college tuition is too high, or at least rising too rapidly. Some value education at any cost, some say equity and quality are the controlling criteria, while others value education but want the tuition cost to be as low as possible to encourage access and efficiency. In response to public complaints about the rapidly rising tuition rates, the Virginia legislature has imposed a four-year tuition freeze for all twenty-three of the community colleges of the Virginia Community College System (VCCS). (Pavlidis, Interview) If the legislature determines that tuition needs to be kept where it is or lower, then the imposed freeze can only temporarily address the problem. Alternatives for long-term solutions must be found.

Rising tuition is directly related to the question of who should pay for education – federal, state or local government -- and in what proportion. The question of priority, and of whether access or equity should drive the argument is enmeshed within this issue. Finally, if the legislature orders that the tuition is to be lowered further or kept low in light of attendant rising costs just to appease the public, then that raises more questions. Will a low tuition rate diminish the value of education in the eyes of society, or will a low rate cheapen the community college degree to those in higher education at a time when the community college is struggling to maintain its credibility with higher education? This paper examines rising tuition costs in the VCCS and explores some politically acceptable alternatives for society and government as a compromise, alternative, or solution to the problem stated above.

**Program Indicators:**

Problem indicators point to the intensity of the issue of rising tuition. The U.S. Department of Statistics reports that the cost of education at public two-year institutions from 1979 to 1996 increased from approximately \$350/student/year to \$1,200/student/year. (U.S. DOE, Chart A-1, A-2) On the federal level, the availability of funds is on the decline. State and local governments, in turn, have taken up the burden of subsidizing community college tuition. At present in five selected public colleges in Virginia a one-year pilot study is being carried on. The study's criteria includes accountability as it relates to funding. The State Council on Higher Education in Virginia (SCHEV) will review the results, and likely this program will be model for community colleges. At the same time, VCCS is trying to create its own model based on the idiosyncrasy of the community college's part-time population as it relates to accountability and funding. VCCS is conducting its own research to find an appropriate model for community colleges as well as other ways of financing education at the local level. VCCS intends to be

prepared to respond to a demand that the community colleges implement the SCHEV model used by the pilot program. (Dr. Pavlidis, Interview).

**Evidence:**

To aid in the exploration of this problem, select primary source material has been reviewed. Documents from the recent Chancellor's Advisory Council of Presidents letter, a draft of the next Strategic Plan for the Virginia Community College System, an October agenda for the State Board for Community College meetings, and the VCCS tuition policy provide the foundation for the understanding of the present reality regarding VCCS tuition. Secondary literature focuses on education policy, state aid, funding models, accountability, accessibility and trends. This literature reflects how some of the academic community is responding to requests for a change. Chronicle of Higher Education articles provide a current snapshot of the issue from an academic perspective, while recent Washington Post articles give voice to locals and their perception of the problem. The scholarly work of Cohen and Brawer on the community college provides some historical insight into the way tuition has been dealt with in the past. To add credibility to the VCCS state of affairs, an interview with one of the interim chancellors sheds light on what the system is doing to respond to legislative and public demands for affordable education. All provide evidence to support this presentation.

**Trends:**

The number of high school graduates in the U.S. expects to peak in 2007-08. One way that the federal and state governments continue to encourage college attendance is through low tuition. Western U.S. reports show an increase in undergraduate tuition of more than 100 per cent. One trend to offset the increase in tuition is the HOPE scholarship tax credit, a federal tuition tax credit. Current funding trends in the community college at the state level favor state funding trends with accompanying accountability measures called performance-based incentives

(PBI). (Policy Insights, 1) The federal government is providing aid in the form of scholarships, but the public call has been not only for funding based on financial need, but also for merit-based scholarships based on performance to advance the concept of equity. (Merisotis, 14) (Reisburg, Chart B)

Recent statistics comparing the rising levels of tuition and the increases in the college-age population indicate that there will be an increased number of college-aged students ready to enter the system at the same time that the public is demanding low tuition rates. Society must come to terms with more students who want to enter the system. This will mean an increase in the cost of education just at a time of declining federal aid.

Trends in worldwide government of Britain, Thailand, China and South Africa show that these governments are turning to parents to pay for the tuition. Most world nations confronting the economic realities of higher education seek to balance increased tuition with some form of financial aid in order to provide access for the people. For example, there is an enrollment surge in China that is forcing educational institutions to raise tuition and engage in commercial ventures to increase revenue. China's tuition, \$890 in 1998-99, was imposed in a country where the per capita income is less than \$680 (Woodard, A56). The cause of the pressure, it appears, is an increase in the demand for higher education worldwide in light of declining budgets and competing national goals. According to a policy analyst at the State University of New York (SUNY), Buffalo, this sentiment also applies in the United States. A Boston College policy analyst says that policymakers want parents and families to pay more for the product, and that raising tuition is the most logical way to do this. Australia's government increased tuition to reduce the people's dependence on the government and give them more autonomy. (Woodard, A54-55) There is agreement that tuition must rise, but there is still the problem of who must pay, or how to pay.

Finally the United States College Board (CB) reports that tuition increases are the lowest in twelve years. A recent CB study of 2,800 colleges nationwide shows tuition for two-year public institutions at \$1,627, an increase of \$73, or 4.7 per cent, an increase of only five-tenths per cent from the previous year (Reisberg, A53). These figures reflect a slowing in the rate of increase. Why is this slowing rate still perceived as a rising rate? Families continue to overestimate college costs as well as the amount of available aid. This tendency to miscalculate costs and aid by families affects their perception of the rising cost of education being out of the reach of many. (Reisberg, Chart C) During the 1990s, "...growth in student aid has outpaced increases in both tuition and the income of families with college-aged children... (Cooper, A07)." There appears to be no public appeasement in knowing that, according to the College Board, there is a growth in federal student aid that has reached a record \$68 billion, or an increase of 6.3%. The American Council on Education president states that the tuition increase has been largely caused by rising health insurance costs and energy costs increases. These rising costs must be absorbed by academic institutional budgets. (Cooper, A08) In addition, community college constituents are demanding better student-faculty ratios and state of the art technology. Increasing cost of employee benefits, demand for state of the art and smaller teacher-student ratios promise to drive the cost of education even higher. Possible solutions could be to raise tuition to reflect the reality of the cost of education, keep tuition low through an increase in federal grant money, have states contribute a larger amount, or find alternative sources of private funding

**Tuition Policy:**

There is a tuition policy in place for higher education in the State of Virginia. Title IV, the Student Assistance of Public Law 105.244, Part C., Sec. 131 is part of the Higher Education Act of 1965, and was updated in 1998. Under this provision, the state conducts an evaluative



study regarding “the extent to which financial aid and tuition discounting practices effect tuition increases...” (Virginia State Legislature)

SCHEV puts together policy but the Governor and General Assembly determine state tuition policy. The tuition freeze for in-state undergraduates was enacted by the General Assembly in 1996. A 20% tuition reduction for academic year 1999-2000 was enacted by this assembly and will be in place for two years with no increases over the 1999-2000 rates. Final determination of proper tuition, fee structures and rates within established guidelines are determined by the Boards of Visitors at each public institution. VCCS is considered one system under one governing board and can further determine appropriate tuition based on overall guidelines. (Hix, Email)

In August 2000, VCCS distributed approved changes to its policy manual within the system. According to this VCCS Memorandum, the change memo approved a 20% rollback of tuition as well as mandatory educational and general fees for undergraduate students in Virginia’s public educational institutions. In response to public comment that tuition is too high, VCCS reduced the rate from \$46.65 a credit hour (in-state) to \$37.12 per credit hour. (VCCS Change Memorandum).

State tuition assistance in any form comes with a price. In October, 2000 the Chancellor’s advisory council of presidents met. The Budget and Finance Committee chair notes that in May, 2000 SCHEV offered statewide recommendations that call for an initial assessment of ‘base budget adequacy.’ The memo states that VCCS is pointing toward a performance contract system and intends to negotiate a statewide contract. The chair assures that the Blue Ribbon Commission on Higher Education has a high regard for community colleges. (Perkins, et al, 3) SCHEV, the advocate for higher education in the state, is trying to raise its credibility with

the legislature and, consequently, its tendency is to tread lightly. (Pavlidis, Interview) As a result, SCHEV likely will be very sensitive to the legislature and its thinking.

Tuition policy in Virginia is in the process of responding to public demand for low tuition. Five of the 16 public higher education institutions in Virginia are engaged in a Performance Based Funding pilot program: George Mason, the University of Virginia, Virginia Commonwealth University, Norfolk State, and Virginia State. After one year, and based on the outcome of these pilot programs, SCHEV will develop criteria for future programs. (SCHEV, 1999, 27) The implication here is that SCHEV policy affects VCCS policy. The VCCS strategic plan does not include the idea of performance based funding at this time. There is no mandate to do so as yet. (VCCS, Draft) The legislature may or may not accept the performance based funding model, so VCCS is trying to develop a new model that considers the peculiarity of enrollment for community colleges. (Pavlidis, Interview) If PBIs officially become a mandate, tuition can be kept low.

#### **Model – State Funding for Tuition:**

The basis of state support for community college tuition is based on an enrollment driven model. This model calls for only a count of full-time enrollments (FTEs). Rather than counting just FTEs, it may be more useful for society to look at the problem in a different way. In fact, some academicians propose a paradigm shift “...to a model that includes a major component that is based on the accomplishment of predefined priorities and the contribution of community colleges to the economic and social health of the state (Hockday, 8).” If, however, the old model stays in place, one recommendation is that part-time students and non-credit students who are not counted under the full-time enrollment model are considered in an aggregate in some other way so that their participation is taken into consideration in the funding process. (Pavlidis, Interview) (Cohen & Brawer, Chart, p. 43, Addendum)

If the public is convinced that tuition costs are rising too rapidly as the federal government's capacity to fund education is declining, then what can be done? The first strategy might be to look at the issue differently and re-ask the question. Is tuition rising too rapidly or is the public failing to see the rate of tuition in light of the realities of the market economy? One possible answer is that the public is failing to acknowledge that the rate of increase is slowing which means a decline or stabilization of tuition costs rather than rising costs.

Early this year, the National Center for Postsecondary Improvement (NCPI) looked at the University of Pennsylvania's rising tuition costs over a forty-year period. The NCPI study shows that as access expanded through the 1960s, tuition had remained reasonable. In the 1970s there had been a sharp upturn reflecting a 'delayed catch-up with inflation;' and in the 1980s there had been a continued increase in the prices charged during a period of increased opportunity and growth. Tuition levels out, though, with consolidation in the 1990s. Rather than accusing colleges of price gouging, the public might do better to take a more practical look at the tuition increases in light of the economy within which the increases are taking place, and to analyze the interaction of price and enrollment. This suggests that the rapid rise of tuition is likely a reflection of a market correction. (Anonymous, 1) If discussed in this light, the public may be able to make a more informed and reasoned determination about the state of tuition costs. The public may after careful consideration realize that while it is best to keep tuition at a minimum, it is in the state's interest to respond reasonably to the reality of the economy. If all other economic indices are on the rise, then it seems reasonable for the public to expect that the cost of education will rise commensurately.

### **Alternative Strategies:**

Virginia legislature's strategy is to keep tuition freeze in place and do nothing for the moment. While doing so, the state pursues other ways of funding higher public education. The

public's perception varies. Some believe that the state must provide reasonable, and by that they mean low, tuition for its citizens; however, a portion of the public believes those participants in postsecondary education deserve quality education based on equity. Others are concerned that low tuition might diminish the value of education as it relates to other institutions of higher education. At present the legislature seeks a way to join funding with accountability as a solution. If PBI passes the legislature, the result may be low tuition with a greater portion of the cost of tuition carried by the state or local government. It should also be said that low or lower tuition comes at a price.

Constitutionally, education comes under the state's purview. The particular interests of the state, individuals and society, however, are not the same. The system will adjust to reflect the varied interests. Virginia's temporary tuition freeze policy is the legislature's response to public attempts to seek its own interests -- reasonable or low tuition. The state's strives to seek that which can be minimally accepted by society.

Funding with accountability is one strategy to remedy the tuition increase problem. Virginia lawmakers are conjoining state funding to the realization of academic goals. Implementing Performance Based Initiatives (PBI) is the state's way of compromise. The state will fund tuition, the cost of education, but in doing so will require that those receiving funds account for their use. PBI is the state's way of addressing the public demand for lower tuition while getting something in return. (Pavlidis, Interview) The state will do what it deems fair based on performance and will do so in the name of equity and efficiency. (SCHEV, 3)

Federal aid funding helps keep tuition costs reasonable. Federal needs-based Pell Grants should continue because they promote access to all groups such as veterans, the disabled and the unemployed. Program development grant funding for job training under JTPA or under the Perkins Vocational Education Act should continue or even be increased. These grants provide a

large portion of community college revenue. Access will continue to be the focus. To maximize effectiveness of any funding program, there should be no tying of funds to the success of an institution's efforts. The federal government revisits the Pell Grant appropriation annually, but it must be said that it views Pell Grants in light of competition with other just as deserving merit programs. Community college leaders should actively support the expansion of Pell Grants actively to gain an increased portion of available funds. (Merisotis, 15-16) Pell grants preserve access and the funds represent a large portion of community college revenue.

Another way of keeping tuition costs down can be through a state lottery with targeted proceeds for education that could generate a lot of money. However, this would mean that the state is funding education through gambling. This may not be an acceptable answer for some people, especially those who consider gambling an immoral activity. Another consideration is that some believe that many who purchase lottery tickets may be among those who are not well off financially and who are looking to seek their opportunity by winning the lottery. There appears to be a perception that the poorer segments of society could be contributing to financing public education when they buy lottery tickets, those very same people who believe they cannot afford education to begin with. Another option could be to use funds from tobacco settlements. (Schmidt, 6/25/00, A39-A40) Ultimately it may be more reasonable for the state to consider other funding options that more appropriately reflect the social value of education. In doing so, the state would be saying that education is valuable and be more likely to gain public support.

**Criteria:**

To make a decision about rising tuition rates, Virginia State policymakers have defined the criteria. Their criteria acknowledges the need to keep tuition at a minimum. (VCCS Policy Manual, 2) For the most part, state policymakers attempt to balance the public demand for increased state funding with their desire to have measurable results. Policymakers insist that if

they must provide and/or increase funds to offset tuition, then it is reasonable to require proof that the funds are used properly and are measurable. Many states have implemented Performance Based Incentives (PBI) with mixed results. Most concur that it is too early to tell whether this is the solution in the long run. (Seligno, 9/22/00, A30)

At issue are access, efficiency, equity, and fairness. In a 1996 survey of those higher education institutions that implemented PBIs, most campus representatives agree that access, while it had its place in the 1960s and 1970, has been surpassed by efficiency, equity and fairness as the driving values for today. Of the 53 states that do have performance based funding, only one, Ohio, emphasizes undergraduate access. All others did not express an interest in access as a primary criterion. Responding states agree that one primary advantage of implementing PBI's is improved quality and efficiency of higher education. (Burke, 74-79)

According to many campus representatives surveyed, the state's perception is that is that efficiency is an unexpected but valued outcome of performance funding. State and campus representatives are in disagreement over the value of efficiency. Colorado and Kentucky believe that performance based funding should emphasize choice, but not many other states concur. Imbedded in PBI criteria are indicators like faculty workload, administrative size/cost, or student preparation. (Burke, 74-79) Which value should drive the discussion of PBI's – quality, efficiency or equity? If it is generally agreed that quality and efficiency are a natural byproduct of PBI criteria, then equity and fairness will be the dominant values that affect policy.

The state values efficiency and seeks minimal costs. Although campus representatives welcome additional funding, they struggle with PBI accountability especially as it relates to efficiency. It seems then that the public would be better served if the value of equity motivates decision making when it comes to rising costs of tuition. Virginia's legislature is considering making PBIs a mandate for its public institutions following a one-year trial that is presently

being conducted by five of its public institutions. If the Virginia legislature mandates PBIs, they would do so in response to public's claims that tuition is rising too rapidly and that needy families need assistance in paying for education. The VCCS, in turn, is preparing to address this mandate by researching alternative funding models and by reviewing the principles of PBIs. (Pavlidis, Interview) The Virginia State legislature, SCHEV and VCCS must necessarily strive to make education equitable and fair.

### **Projected Outcomes:**

If Virginia's five pilot programs in public higher education are not successful, or if the anticipated results are not achieved, then likely the legislature will have to keep the tuition freeze in place until another viable alternative presents itself, or until more statistical information on other state PBIs result come into play. Again, the tentative option would be to ask for more federal grant aid to keep tuition low. Another option could be to place the responsibility directly on the institution and have them pursue private funding alternatives.

Performance funding has its pros and cons. There are five arguments that impact two-year institutions of higher education: diversity argument, quality argument, political argument, incompatibility argument, and punishing the poor argument.

- The diversity argument says that higher education institutions are simply too diverse to be included in a performance funding program.
- The quality argument claims that measuring the quality of programs and services is too subjective.
- The political argument suggests that political changes, such as issues and frequent elections, work against a continuity that is required to measure success in performance.
- The incompatibility argument points out that the state's accountability and the institution's idea of improvement are inherently incompatible.

- And, finally, the argument of punishing the poor focuses on the premise that performance will reward the wealthier institutions and punish the poorer ones. (Burke, 85-87)

Performance funding advocates insist that the program requires collaboration between the state and the education institution. Leaders in both arenas should be involved in determining the indicators or measures of success. These advocates urge state leaders to consider that changes in education take time; simultaneously, they remind campus representatives that must be aware that change timeline cannot be open-ended. Performance funding sees quality and efficiency as complementary. (Burke, 88-89) Evident in the recommendations to both is the omission of the reference to equity. Perhaps if there was a way to tie equity to PBIs, this alternative could gain headway.

A Rockefeller Institute survey of the fifty states, Puerto Rico and the District of Columbia conducted in spring 1997 revealed that 24 states have performance funding and performance budgeting in place. Fifty-two percent of these states note they are likely to continue or will adopt such measures over the next five years. (Burke, 7) Virginia, as mentioned, is in the process of making the decision to officially implement the PBIs in all state higher education institutions. (Pavlidis, Interview)

As it relates to this study, the problem is that state mandated PBIs reward institutions that measure up to its standards. The fear is that this could produce inequities in receipt of funds for the institutions. Resources received and students served differ dramatically across campuses. One concern is that the efficiency and productivity indices are urged by business but shunned by academics. There should be a balance of business with academia, both with differing philosophical underpinnings. One suggestion is to develop a viable performance program that includes state/campus collaboration, open and continuous communication, cooperation in program development, and compromise to encourage mutual consent. The state recognizes the



value of higher education to its citizens and to the nation. Politics will reflect a continued interest in performance funding to support higher education. However taxpayers, although equally interested in quality performance, may not see their needs served as it relates to budgeting and funding for academic institutions. (Burke, 11-12)

Another outcome could be an increase in federal grant aid. Until the early 1980s, public institutions had provided access for the masses through low tuition. In a stable market, higher education is a seller's market. Today's reality is that the market is fluctuating. Recent trends point out that family income is stagnating, family savings are minimal, federal government support is declining, and tuition is rising. The driving force behind most state policy making is that families have the obligation first to pay for college tuition. A recent federal needs' analysis shows that more families are needy. Many studies including one done by the National Association of College and University Business Officers point to shifting federal trends in funding education. "By defining more families as having need and as having greater need, the net result of federal policy has been to create a burgeoning unfounded mandate to meet student need (Layzel, 54)." In using federal methodology, it shows a smaller family contribution to the educational needs of its members. This represents an interesting shift in the burden of funding initially from federal to state government to student, and then to federal government to academic institutions. As a result, academic institutions must find ways to curtail tuition and can do so by increasing endowments, capital investment, or by finding alternative ways of increasing revenue. Higher education, like other economic goods and services, must prove its value to 'those who pay the tab.' (Layzel, 55)

The media, although not listed as a policymaking player, has a role that it plays. As college costs soar, the media generates many critical articles that bemoan tuition increases. In response, the U.S. Congress has appointed a national commission to investigate. Regardless of

whether or not what the media has reported is accurate, parents now believe that the tuition rates are rising and rising too rapidly. President Clinton, in turn, has responded politically with his tuition tax credit proposal. (Breneman, A66) The media's role directly relates to public perception. Its role, although not the subject at hand, calls for further investigation.

**Examples, Tuition Models: Possible Options:**

As public cries to decrease tuition have escalated, some institutions have responded. Williams College in Massachusetts is the pacesetter for implementing a tuition freeze policy. The college put a freeze in place for one year. During that time, the college increased charitable gifts and showed a measurable growth in endowments. Williams College hoped that peer institutions would follow suit; however, if they did not, the college would be forced to maintain its market share and restore tuition policy. Williams College is given credit for opening up the dialog on the rising college tuition problem, as well as for implementing alternative resource-generating strategies. (Breneman, A66)

The University of North Carolina (UNC) at Chapel Hill is another example. Its Board of Trustees has approved a very controversial plan to double tuition over a five-year period at a time of complaints about rising tuitions. Their justification is to make faculty salaries more competitive. Faculty are leaving because of low pay. The university is confident that the state will go along because it has a plan to supplement the increased tuition with a 'new, need-based, financial-aid program.' The student body president argues for preservation of access and looks to increases in financial aid as the solution. State lawmakers hesitate to raise tuition and struggle to keep tuition low. (Seligno, 11/5/99, A44) The results of UNC's effort is mixed. Public opinion, however, says that "...the state and the university must change their approach to planning and financing, and students must prepare for tuition increases (Seligno, 4/7/00, A35)."

The University of North Carolina (UNC) has proposed a backup plan to pay for critical university needs. UNC instituted a \$100 student fee to pay for academic facilities. In turn, UNC will ask the state to match the funds. Predictably students have rallied against this unusual fee, especially in light of a 40% increase in tuition over a two-year period. The money generated by the increase will be used to boost faculty salaries and make them more competitive nationwide. The tuition issue has angered students, divided faculty, and frustrated policymakers. One argument is that the Constitution must make tuition as low as is practical. Some are concerned about those who make \$200,000 to \$300,000 a year and question if they should be paying more to send their children to school. (Seligno, 4-7-00, A35) Unfortunately this could be construed as discriminating against the wealthy and, if so, is it no worse than discrimination against the needy. (Woodard, A56) The answer could be a modification of federal education aid from strictly a need-based aid that ensures access, to include a merit-based component that encourages equity. Missing from most discussions is the fact that a college education may be a desired commodity, but it is not compulsory. States will have to do their best to see where the value of education lies within society and make a determination from there.

Recently many institutions recently have raised tuitions following years of tuition freezes. Kansas has raised tuition twice this year; Louisiana legislature has approved a tuition increase, the first since 1993; and Tennessee has raised tuition 10 % this year following a 15% increase last year. (Seligno, 9-22-00, A30) The steep tuition increases of the 1980s are over and the rate of increase is on the decline with last year's average rise at 3.3%, "... the smallest in a decade, according to data from the College board (Seligno, 9-22-00, A31)" Tennessee and North Carolina set the example and the trend is on the rise. "After years of tuition freezes and even a few tuition cuts, legislators look to shifting more of the cost of financing public higher education to students... (Seligno, 9-22-00, A31)."

The State University of New York education institution (SUNY), one of the nation's largest public systems, has recently faced the question of how you gain more revenue, serve more students, and do it efficiently and effectively. SUNY, like Oregon, has implemented Performance Based Incentives. Under the older model of financing, tuition revenues had been pooled according to a complex formula. Under this formula, "...it could take up to two years for a change in enrollment to affect an institution's budget... [however] the rewards and incentive are immediate (Schmidt, 6-25-00, A40)" Performance based incentives are their answer for now.

West Virginia has a different experience. The state has signed a statewide program with the U.S. Navy, the first partnership of its kind. The purpose is to produce better-prepared recruits for the Navy. This partnership could produce a more educated West Virginian population. The Navy is proposing similar programs to certain institutions in Virginia and Oklahoma. (Lords, A48) A partnership such as this brings in revenue for the education institution from a previously untapped source, serves the community, and enhances the military.

Oregon provides for a new budget model that allows each of its eight institutions to retain their own tuition revenue, rather than having to hand it over to a centralized agency. The hope is that efficiency and effectiveness will increase enrollments. One outcome is that public colleges like Oregon's will be held more accountable for recruiting and retaining students. (Schmidt, 6-25-99, A40)

### **Trade-Offs:**

Virginia State policymakers will face a decision about tuition and, in conjunction, address the issue of performance-based incentives, as soon as the tuition freeze expires. If Virginia follows national trends, it will raise tuition, implement Performance Based Incentives, require that its public institutions find alternative methods of revenue-raising, or some combination of all of these. If economics teaches us that trade-offs occur at the margin, then tuition could be

increased at very small increments. In this way, tuition could be kept relatively low. If institutions implement some source of revenue increase to offset state and federal funding, this action could appease the legislature.

The tuition freeze is an institutional response to funding pressures. If tuition is increased and aid is not, access is impacted. If tuition is not increased faculty salary and teacher-student classroom ratio could remain the same or worsen. The public wants these issues addressed. Failure to increase tuition could ultimately impact the quality of education. Increases in tuition could provide for increases in faculty salaries, but it could also affect student access. Failure to have competitive faculty salaries could lead to faculty leaving institutions, and that could affect the quality of education as well as exacerbate the teacher-student ratio further. If aid is increased at the federal level to include a needy and merit component, equity becomes the dominating value. This arrangement for financial aid may be the most appealing to society— access is preserved and equity drives the issue. State funding and implementation of PBIs could be the answer to holding tuition level. All agree it would increase efficiency over time.

**Conclusion:**

The most balanced federal financial aid model is one that would increase dollars available for aid. It would also include a need- and merit-based component to preserve access while providing equity in public educational institutions. The most reasonable approach for the state is to provide more funding for higher education because it is in the interest of the state to encourage education, something society values. Society needs to be aware that an increase in state aid necessarily will come with a price, and that price is Performance Based Incentives. Education historians Cohen and Brawer agree that the answer lies with an inclusive tuition plus aid policy. They warned that financial aid should be earmarked for tuition only. If not, the system could be thought of as ‘an adjunct to welfare (Cohen & Brawer, p. 147)’

There has been no overall restructuring of the tuition price structure. State and federal policymakers and institutional leaders are co-conspirators in a “game of tuition ‘chicken’ that is ritualistically played across the country (Wellman, 7).” Any remedy of the problem of rising tuition should be addressed with both the internal academic culture and the external political culture. Any strategy that is successful must center on a restructuring of budget practices that surround tuition policy formulation. The state must keep tuition costs in line with per capita personal income to be perceived as acting reasonably. The institution should look at value-based pricing where they set tuition and then plan for revenue offsets from other sources. (Wellman, 7)

If Virginia follows nationwide trends, tuition will rise again. Public education institutions in the State of Virginia must stand ready if the state mandates implementation of Performance Based Incentives. When this happens academic institutions must also be prepared to be subject to accountability. One positive result could be the benefit of efficiency that PBIs seem to encourage. Furthermore, it is the responsibility of the state to provide information to the public that clearly justifies its reason for any increase. The state must explain how any increase might be offset, now or in the future, by efforts of the federal government.

The solution to the problem of rising tuition can be met by having the students shoulder the additional cost. One argument is that with student-based incentives, the student controls his/her own ‘monetary investment’ in education. When the student believes that he/she has a vested interest in his education, the likelihood for student success increases. The counter-argument centers on equity demands – the poor or needy should not pay the same as those from wealthier families. An adjustment must be made from that of equity for the needy to equity to all. This tactic would avoid discrimination. (Cohen & Brawer, 145) Either way, the individual must be prepared to pay more for his/her education. It is not unreasonable for the state to make that request.

To achieve fairness, access, quality, efficiency and equity in today's postsecondary education, the state and academic institutions would do well to consider the following:

- State tuition policy should be formulated on a reasonable and fair tuition policy;
- Virginia's Performance Based Incentive plans that promote efficiency and quality should be implemented;
- Academic institutions must stand ready to account to the state if they want the state to shoulder more of the cost of education, or, at least be prepared to propose alternative models of accountability to the state;
- Pell Grants should be increased to promote and assure access, and, finally
- Perkins Grants should be expanded to included merit based scholarships that encourage equity.
- Students must realize that it is not unreasonable for them to absorb a reasonable increase in the tuition rate.

These represent reasonable recommendations to the new fiscal challenges that face academic and political leaders today.

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## Estimated Student Aid by Source, 1998-1999

Source: The College Board

<http://proquest.umi.com/pqdweb?TS=07059>

<b>Type of Funding:</b>	<b>Amount in Billions</b>	<b>Share of Total</b>
<b>Federal Loans</b>	<b>\$33.7</b>	<b>2.5%</b>
<b>Federal Pell Grants</b>	<b>7.2</b>	<b>11.3%</b>
<b>Federal Campus-Based Programs</b>	<b>2.7</b>	<b>4.2%</b>
<b>Other Federal Programs</b>	<b>2.4</b>	<b>3.7%</b>
<b>State Grant Programs</b>	<b>3.5</b>	<b>5.5%</b>
<b>Institutional &amp; Other Grants</b>	<b>12.2</b>	<b>19.0%</b>
<b>Non-Federal Loans</b>	<b>2.4</b>	<b>3.8%</b>
<b>Total</b>	<b>\$64.1</b>	<b>100 %</b>

E

Table 15.1. Eighteen-Year-Olds in the U.S. Population, 1979–2005.

Year (July 1)	18-Year-Olds	Year (July 1)	18-Year-Olds
1979	4,316	1993	3,349
1980	4,245	1994	3,422
1981	4,186	1995	3,385
1982	4,136	1996	3,540
1983	3,978	1997	3,574
1984	3,774	1998	3,703
1985	3,686	1999	3,883
1986	3,623	2000	3,873
1987	3,703	2001	3,971
1988	3,803	2002	3,964
1989	3,889	2003	3,918
1990	3,601	2004	4,044
1991	3,384	2005	4,060
1992	3,312		

Source: National Center for Education Statistics, 1995a.

Students 43  
 .....

Table 2.2. Part-Time Enrollments as a Percentage of Total Enrollments, 1970–1992.

Year	Total Fall Enrollments	Part-Time Enrollments	Percentage
1970	2,195,412	1,066,247	49
1975	3,836,366	2,173,745	57
1980	4,328,782	2,733,289	63
1985	4,269,733	2,772,828	65
1988	4,615,487	3,047,514	66
1990	4,996,475	3,279,632	66
1992	5,485,512	3,567,796	65

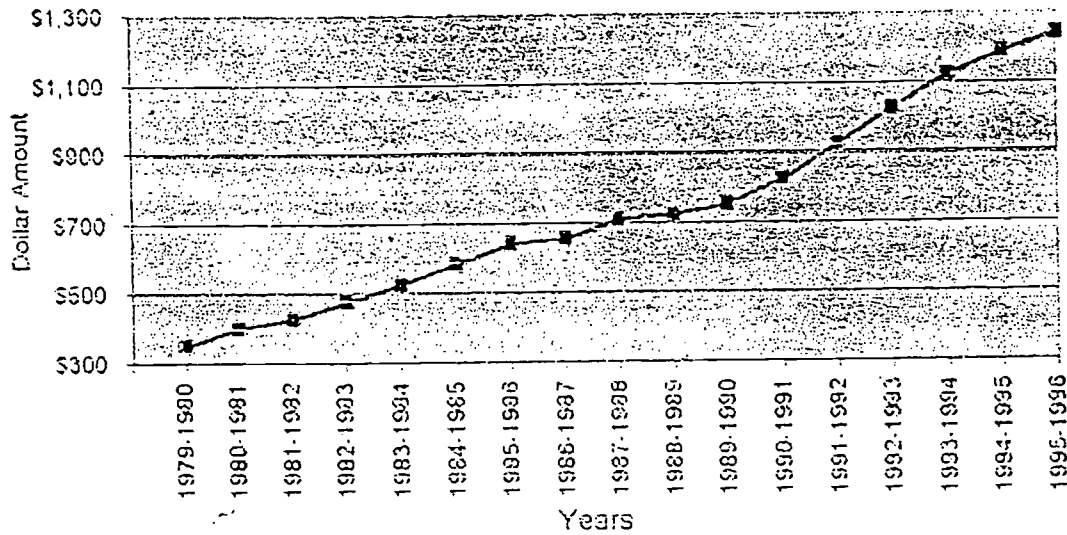
Source: National Center for Education Statistics, 1994j, p. 182.

Increase  
250%

Increase  
335%

Chart A

### Tuition and Fees at Public 2-Year Institutions From 1979-1996



Source: U.S. Department of Education, Digest of Education Statistics, 1997.

Chart A-1

# Community College Revenues 1979-80 to 1995-96

Category	1979-80 Total Dollars by Category	1995-96 Total Dollars by Category	1979-80 to 1995-96 Percent Change in Current Dollars	1979-80 to 1995-96 Percent Change in Constant Dollars
Tuition & Fees	\$1,025,890,749	\$4,331,003,988	322%	117%
Federal Appropriations	\$97,810,005	\$59,457,560	-39%	-69%
State Appropriations	\$3,481,819,274	\$7,247,137,210	108%	7%
Local Appropriations	\$1,139,862,678	\$3,262,613,114	186%	47%
Federal Grants & Contracts	\$51,805,882	\$2,606,066,721	4,930%	2,486%
State Grants & Contracts	\$34,926,320	\$1,155,806,958	3,209%	1,601%
Local Grants & Contracts	\$24,301,653	\$162,990,085	571%	245%
Private Gifts	\$30,052,071	\$200,874,059	568%	244%
Endowment	\$5,486,105	\$15,831,053	189%	48%
Sales & Services	\$32,763,141	\$138,387,467	322%	117%
Auxiliary Services	\$432,094,296	\$1,117,859,526	159%	33%
Hospitals	\$0	\$0	0%	0%
Other Sources	\$218,682,920	\$612,527,644	180%	44%
<b>Total</b>	<b>\$6,575,495,094</b>	<b>\$20,910,555,385</b>	<b>218%</b>	<b>63%</b>

Category	1979-80 Dollars Per Student	1995-96 Dollars Per Student	1979-80 to 1995-96 Percent Change in Current Dollars	1979-80 to 1995-96 Percent Change in Constant Dollars
Tuition & Fees	\$413	\$1,401	239%	↑ 74%
Federal Appropriations	\$39	\$19	-52%	↓ -75%
State Appropriations	\$1,402	\$2,344	67%	↓ -14%
Local Appropriations	\$459	\$1,055	130%	↑ 18%
Federal Grants & Contracts	\$21	\$843	3,942%	↑ 1,978%
State Grants & Contracts	\$14	\$374	2,560%	↑ 1,268%
Local Grants & Contracts	\$10	\$53	442%	179%
Private Gifts	\$12	\$65	437%	176%
Endowment	\$2	\$5	126%	16%
Sales & Services	\$13	\$45	241%	75%
Auxiliary Services	\$174	\$362	108%	7%
Hospitals	\$0	\$0	0%	0%
Other Sources	\$88	\$198	125%	16%
<b>Total</b>	<b>\$2,647</b>	<b>\$6,764</b>	<b>156%</b>	<b>31%</b>

Source: U.S. Department of Education, National Center for Education Statistics (NCES) Integrated Postsecondary Education Data Systems (IPEDS), Finances Survey, 1980 and 1996 (preliminary).

Estimated Student Aid by Source, 1998-1999

Source: The College Board

<http://proquest.umi.com/pqdweb?TS=07059>

<b>Type of Funding:</b>	<b>Amount in Billions</b>	<b>Share of Total</b>
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<b>Institutional &amp; Other Grants</b>	<b>12.2</b>	<b>19.0%</b>
<b>Non-Federal Loans</b>	<b>2.4</b>	<b>3.8%</b>
<b>Total</b>	<b>\$64.1</b>	<b>100 %</b>

**Reisberg  
Chart B**

**Students: Tuition and Fees - Excerpt from State Charts**Source: The College Board, <http://proquest.umi.com/pqdweb?TS=07059>**Virginia Community College System**

<b>Community College</b>	<b>1998-99 In-State Tuition And Fees \$\$\$\$\$</b>	<b>1999-2000 In-State Tuition And Fees \$\$\$\$</b>	<b>1999-2000 Out-of-State Tuition/Fees \$\$\$\$</b>
<b>Blue Ridge</b>	<b>1,437</b>	<b>1,210</b>	<b>5,041</b>
<b>Central Virginia</b>	<b>1,437</b>	<b>1,179</b>	<b>5,010</b>
<b>Dabney S. Lancaster</b>	<b>1,437</b>	<b>1,182</b>	<b>5,080</b>
<b>Danville</b>	<b>1,437</b>	<b>1,215</b>	<b>5,000</b>
<b>Eastern Shore</b>	<b>1,550</b>	<b>1,204</b>	<b>5,035</b>
<b>Germanna</b>	<b>1,437</b>	<b>1,189</b>	<b>5,020</b>
<b>J. Sargeant Reynolds</b>	<b>1,437</b>	<b>1,173</b>	<b>5,004</b>
<b>John Tyler</b>	<b>1,437</b>	<b>1,169</b>	<b>5,000</b>
<b>Lord Fairfax</b>	<b>1,437</b>	<b>1,173</b>	<b>5,004</b>
<b>Mountain Empire</b>	<b>1,437</b>	<b>1,249</b>	<b>5,080</b>
<b>New River</b>	<b>1,437</b>	<b>1,191</b>	<b>5,022</b>
<b>Northern Virginia</b>	<b>1,437</b>	<b>1,170</b>	<b>5,001</b>
<b>Patrick Henry</b>	<b>1,437</b>	<b>1,169</b>	<b>5,000</b>
<b>Paul D. Camp</b>	<b>1,437</b>	<b>1,159</b>	<b>4,990</b>
<b>Piedmont</b>	<b>1,437</b>	<b>1,169</b>	<b>5,000</b>
<b>Rappahannock</b>	<b>1,437</b>	<b>1,190</b>	<b>5,021</b>
<b>Southside</b>	<b>1,437</b>	<b>1,174</b>	<b>5,005</b>
<b>Thomas Nelson</b>	<b>1,437</b>	<b>1,180</b>	<b>5,011</b>
<b>Tidewater</b>	<b>1,437</b>	<b>1,320</b>	<b>5,151</b>
<b>Virginia Highlands</b>	<b>1,437</b>	<b>1,174</b>	<b>5,005</b>
<b>Virginia Western</b>	<b>1,437</b>	<b>1,178</b>	<b>5,009</b>
<b>Wytheville</b>	<b>1,437</b>	<b>1,174</b>	<b>5,005</b>

Reisberg  
Chart C

# **The Tuition Conundrum:**

## **Virginia Community College System, A Case Study**

**Joanne P. LaBeouf**

EDUC 870 – Final Project

December 5, 2000

Presentation based on Bardach's Eightfold Path



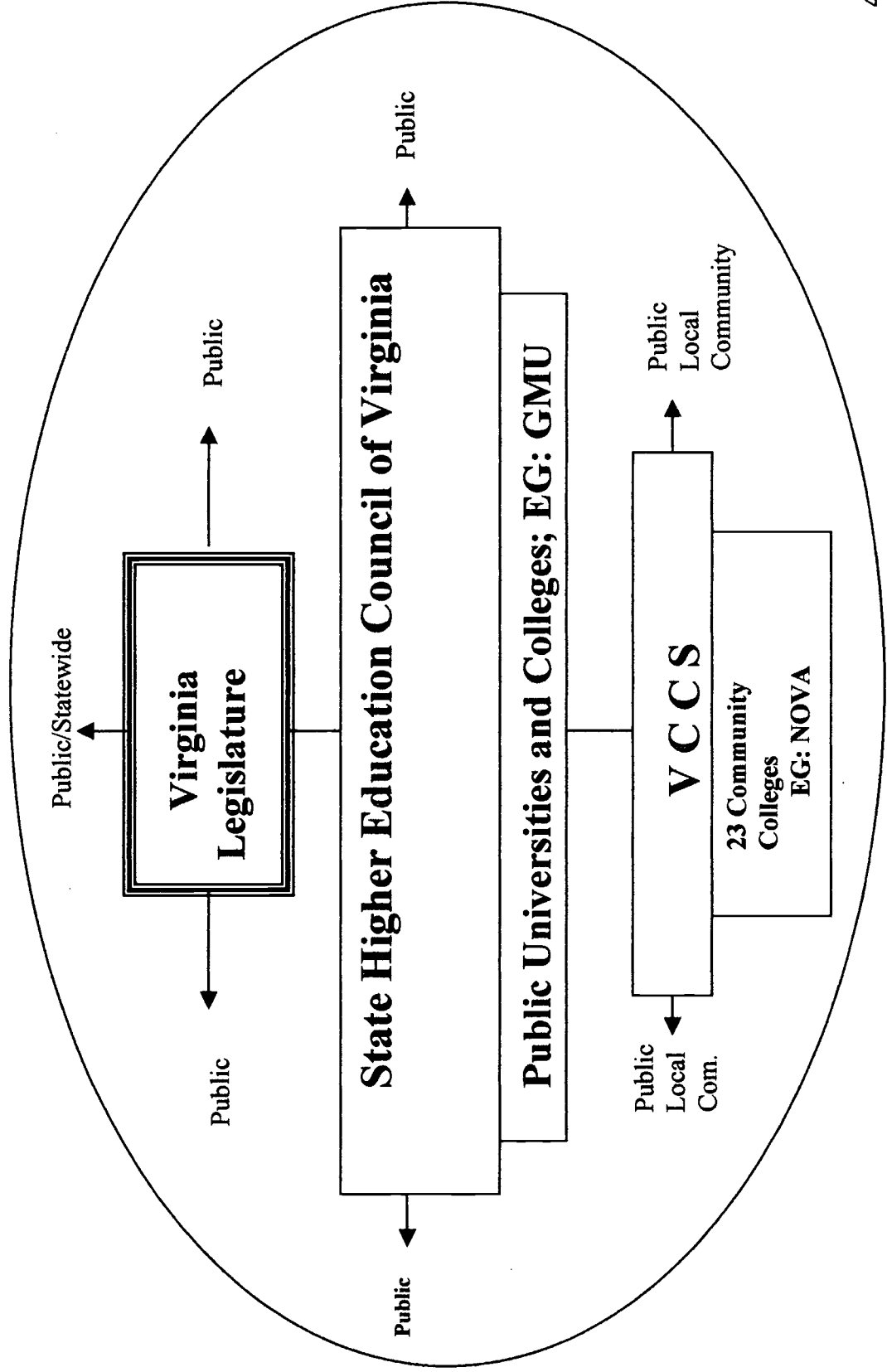
## I. The Problem

- **Problem:** The cost of Virginia Community College System (VCCCS) education is rising too fast.
- **Value:** Society values access for on-going education for its citizens
- **Audience:** VCCCS and its campus representatives.
- **Problem Indicators:**  
Decreasing public funds to finance tuition  
VCCCS seeks other alternative financing for education
- **Current trends in Community College:**  
State: Performance Based Incentives (PBIs)  
Federal: Merit & Need-Based Scholarships (Perkins)  
Local: Private Sources (Endowments)

## II. Evidence

- **VCCS:** Current Strategic Plan, Tuition Policy, and interview with interim vice chancellor for special projects.
- **SCHEV articles:** Virginia State Board Agenda 9/21/00; Virginia Higher Education Performance Funding Model, 1999 (Eric Document); Advancing the System of Higher Education in Virginia, 1999 (Eric Document)
- **AGB Public Policy Papers** targeting the ten public policy issues in the nation today.
- **Eric Documents:** The Tuition Puzzle (Trends and recommendations for realistic policies.); Financing Higher Education: An Annual Report from the States, 1999 (Tuition fees and performance budgeting/funding).
- **News articles** from the Chronicle of Higher Education and Washington Post (public opinion).
- **Scholarly works:** New Directions in Institutional Research: Forecasting and Managing Enrollment and Revenue, a NDIR: Performance Funding for Public Higher Education: Fad or Trend, and The American Community College

# Overview: State Educational Hierarchy



## **↑ Trends: Offset Tuition Increases**

- Hope Scholarship tax credit (federal tax credit)
- Performance-Based Incentives (State)
- Perkins scholarships (need and merit) (Federal)
- Examples of Trends in play:
  - China – tuition \$890 – '98-'99 – (per capita income <\$680
  - SUNY NY & Boston – Parents and families should pay more for product
  - Australia – increased tuition to reduce peoples dependency on the government
  - US College Board – tuition lowest in 12 years
    - A recent survey 2,800 of 2 yr. Public colleges:
      - \$1,627 (increase of 73 or 4.7% - only .5% from last year.
      - Growth in federal aid - \$68B, increase of 6.3%
  - American Council on Education – reason for increases
    - Cost of health insurance costs and energy cost increases has to be absorbed by academic institutional budgets.

### **III. Tuition Policy Process**

#### **Process is based on State of Virginia Law:**

Title IV, Student Assistance of Public Law 105.2454, Section 131. Part of Higher education Act of 1965, updated 1998.

- **State evaluates financial aid & tuition** discounting practicing that effect tuition increases implemented by the state legislature.
- **SCHEV** puts policy together – represents VCCS – sends forward.
- **Tuition freeze** for instate- implemented 1999-2000 (2 yrs.)  
1999-2000- reflects a 20% decrease.
- **Board of Visitors** determine proper tuition and fee structures and rates at each public institution.
- **VCCS** - one community college system, one governing board  
23 colleges  
Rate reduced from \$46.65/cr. hr. to \$37.12/credit hour.

## **Model: State Funding - Tuition**

- **Present Model: Enrollment driven  
Count full-time enrollments (FTEs)  
Problem: no inclusion of part-time students in this  
model**
- **Paradigm Shift: Proposed by Some Academicians  
Based on pre-defined priorities & contribution of  
community colleges to economic & social health of  
state.**
- **New Model – VCCS: Wants to use a complex computation  
- considers FT and PT students plus non-credit students.**

### III. Alternative Strategies Considered

- Do nothing for the time being.
- Implement PBIs: State seeking alternative ways to tie funding to outcomes; VCCS to counter with funding new model
- Increase Federal Funding – merit and need based grants
- State lottery – some proceeds to education
- Use proceeds from tobacco suits
- Leave it to local communities – increase endowments



## **IV. Criteria**

- **Access: will be set aside in the future based on funding problems – EG: PBI/Ohio/Access**
- **Efficiency, equity, fairness: controlling criteria**
- **Efficiency & quality: PBIs – natural outcomes**
- **Efficiency: valued by state – seeks minimal costs**
- **Equity: Federal need and merit based aid**



## V. Projected Outcomes: PBIs

- **Likely:** Trial PBIs - 5 pilot public colleges in Virginia will be used as the model for other state institutions
- **If so, VCCCS will counter with it's own complex model/formula of funding**
  - Reason:** community colleges have different populations than 4 year colleges
- **State and education institutions must collaborate**
  - Leaders of both must determine indicators/measures for success
  - State leaders – change in academia takes time
  - Academic leaders – timeline cannot be open ended
- **Efficiency and quality tied to PBIs – automatically considered.**
- **Equity will be controlling criteria:** Still need to consider the role of equity if the role of access as criteria is diminishing. Federal grant aid

## Outcomes continued... Realities

- Market is fluctuating
- Family income stagnating
- Family savings minimal
- Federal government support declining
- Tuition rising

Outcomes continued ...  
Realities Associated with Federal Methodology

- **Recent federal needs analysis** shows more families are needy.
- Defines families as having need **AND** as having greater need than before
- **Net result of federal policy** – creates a growing unfunded mandate to meet student need
- **Shifting of burden of funding:**
  - Federal to state to student
  - Back to Federal
  - Then to academic institutions
  - **\*\*Academic institutions must seek alternative funding/endorowment**

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## **Outcomes continued.... Realities of roles**

- Roles of the Governor, State legislature and SCHEV (VCCS) have been defined as relates to policymaking. State makes education policy.
- Role of Public - voices its opinions (through voting) over problems like rising tuition rates.
- Role of the media - not considered in policymaking – yet is plays a role  
Media generates many critical articles bemoaning tuition increases
- Role of Public Perception – affects policymaking/  
public perception is partially developed by media.

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# Outcomes, Examples

- **Williams College (MA)** – first to freeze tuition-expected peer follow through – opened the dialog on rising college tuition problem
- **Univ. N.C., Chapel Hill:** increased tuition (doubled over a five year period) – reason: make faculty salaries more competitive
  - Student body responded: want more financial aid available
  - Sate lawmakers – struggling to keep tuition low
  - Reality: state & university must change approach to planning and financing; students must prepare for tuition increases.
  - Backup: instituted a \$100/student fee/academic facilities – univ. to ask state to match funds.
  - Equity argument: some say those making \$2K to \$3K/year should pay more for education – can be construed as discriminating against the wealthy. Obviously those for equity look to alternative federal merit based aid offset this argument.

## **Outcomes, Examples - continued**

- Kansas: raised tuition twice this year
- Louisiana: state legislature approved tuition increase – first since '93
- Tennessee: raised tuition 10% 2000 (following 15% increase last year
- SUNY NY – implemented PBIs
- Oregon – implemented PBIs
- Virginia – ready to implement PBIs 2001-02

## Outcomes, Examples - continued

### Successes

- **West Virginia**
  - partnered with U.S.Navy, first of its kind
  - Purpose: produce new recruits,  
better educated W. Va. population
- **Oregon –has a new budget model**
  - shows that 8 institutions can retain its own  
tuition revenue (not centralized agency)

## **IV. Trade-Offs:**

### **Premise: Economics say that trade-offs occur at the margin**

- If that is so, then tuition can be increased, but in small increments
- If tuition is increased, then students will have to stand ready to pay for part of their tuition. The federal government will have to consider providing financial aid in larger amounts but based on need and merit, and not just access.
- If federal aid is increased, then those who promote access need to shift the criteria to equity for a wider appeal.
- If the state provides additional funding hinged on PBIs to offset or freeze tuition, then academia MUST develop and adhere to measures. Quality and efficiency will likely follow.
- If the amount of funding provided by federal and state government is not adequate, **community colleges likely will have to look to local private funding as a way to offset any increases in tuition.**

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## Trade-Offs, continued.

### If tuition is not increased but costs continue to rise...

- **If tuition is increased** but commensurate aid is not, access and equity will likely be impacted
- **Failure to increase tuition** could ultimately impact quality of education. Increases could provide for increased faculty salaries
- **Failure to have competitive faculty** could lead to faculty leaving the institution (eg.:UNC –10% of faculty lost in one year)

This could affect the quality of education

This could exacerbate teacher-student ratio further

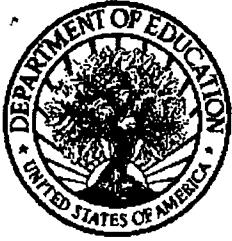
## **VII. Decision/Conclusion**

- Most balanced financial aid model would be:
  - increase dollars available for aid and
  - include need- and merit-based component to preserve access and provide equity
- It is reasonable for the state to provide more funding if it is in the interest of the state to encourage education, something the state values.
- Society needs to be aware that an increase in state aid necessarily will come with a price, PBIs.

## **Decision/Conclusion, continued...**

### **Recommend:**

- **Inclusive tuition plus aid policy with aid earmarked for tuition only so as not to be thought of as an ‘adjunct to welfare.’ (C&B)**
- **Needs to be overall restructuring of tuition price structure (federal, state, academic institutions are ‘co-conspirators in game of chicken’).**
- **Remedies must consider academic culture in place as well as the external political structure.**
- **State keeps tuition costs in line with per capita personal income that is perceived as reasonable.**
- **Students should shoulder a small portion of the cost to encourage personal investment in their own education.**



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