

## Tuition and Fees in the West 2009-10

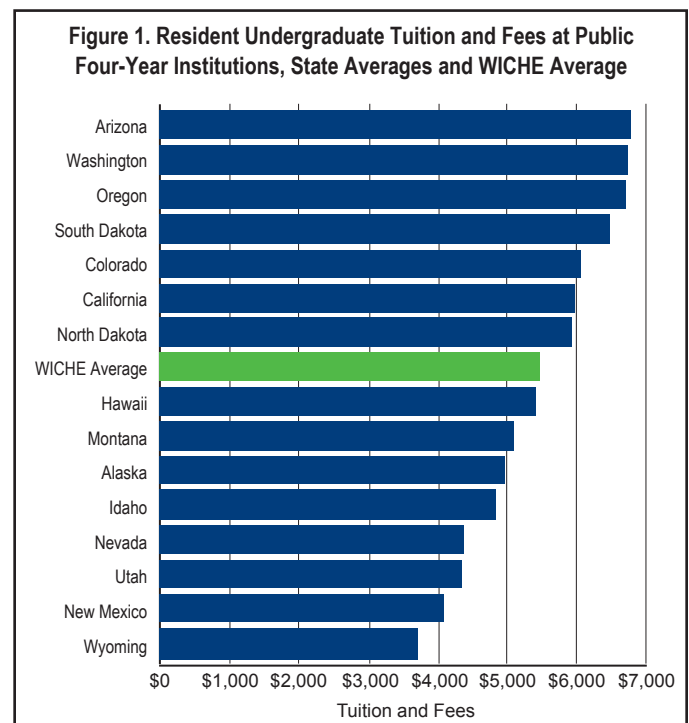
Average resident undergraduate tuition and fees for the academic year 2009-10 at public two-year institutions in the WICHE states increased by 6.4 percent (\$160) from the previous year, while published prices at public four-year institutions grew by 12.5 percent (\$639). By comparison, nationally, the one-year increase was 7.3 percent for two-year and 6.5 percent for four-year institutions. During the same period, the Consumer Price Index fell 2.1 percent. The increase in the regional average price for two-year institutions in the West was slightly below the national average increase. The increase in the regional average price for the West was substantially above the national average for four-year institutions (by 22.3 percent), though the actual average tuition within the region for these institutions remains substantially below the national average.

This issue of *Policy Insights* reviews the results from WICHE's annual survey of tuition and fees at public colleges and universities in the region. Complete data are available in *Tuition and Fees in Public Higher Education in the West, 2009-10: Detailed Tuition and Fees Tables* ([www.wiche.edu/pub/13232](http://www.wiche.edu/pub/13232)), published by WICHE in November 2009. The survey on which the report and this policy brief are based was administered to state higher education executive offices or system offices in the Western states.<sup>1</sup> The survey response rate was 100 percent. Respondents were invited to correct previous years' data, and the averages calculated were not weighted by enrollment.

### Four-Year Institutions

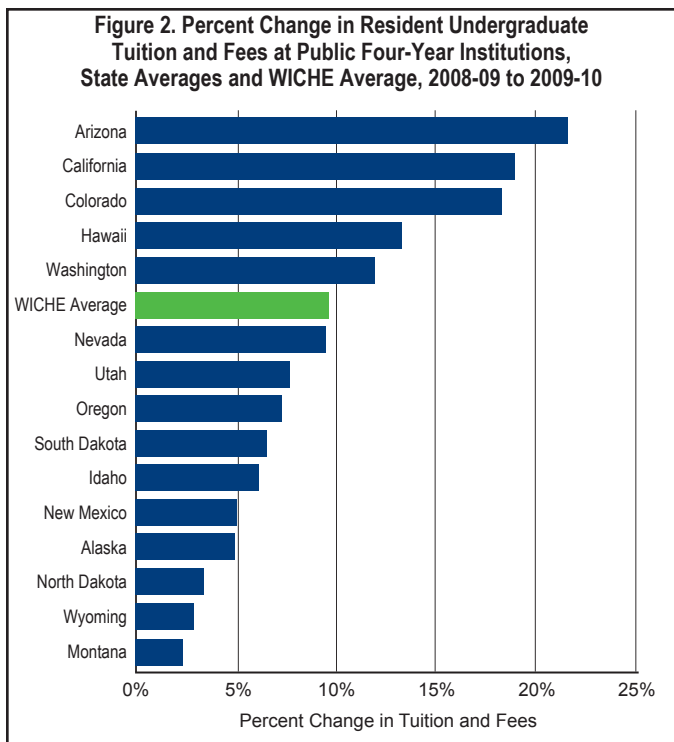
Average tuition and fees for resident undergraduates in 2009-10 at public four-year institutions in the region were \$5,741, an increase over the previous year of \$639 (12.5 percent).<sup>2</sup> By comparison, the national average was \$7,020, which was up \$429 (6.5 percent).<sup>3</sup> After adjusting for inflation, the change in average resident undergraduate tuition in the region was 10.9 percent over 2008-09; the five-year increase, from 2004-05, was 30.7 percent.<sup>4</sup>

Within the WICHE West there was substantial variation in tuition prices at four-year institutions, ranging from \$2,741 at New Mexico Highlands University to \$12,244 at the Colorado School of Mines. The statewide average price in this sector was lowest in Wyoming, at \$3,726, and highest in Arizona, at \$6,798 (Figure 1). The gap between high-price states like Arizona and Washington and low-price states like Wyoming and New Mexico has widened considerably over recent years. The largest



one-year increase in percentage terms also occurred in Arizona, where average statewide tuition and fees climbed 21.6 percent; the smallest rate of growth was in Montana at 2.4 percent (Figure 2). Wyoming had the lowest average increase in dollar terms, \$105; while students in Arizona paid the highest average increase, \$1,207.

The rate of growth in nonresident undergraduate tuition and fees at public four-year institutions in the region did not climb as quickly this year as the resident rates did. The average nonresident undergraduate rate was \$16,486, up 6.7 percent



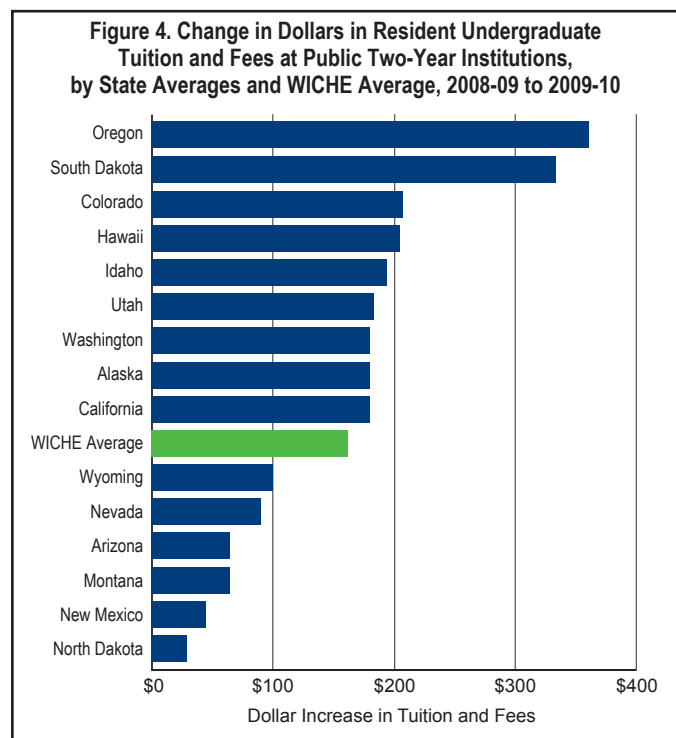
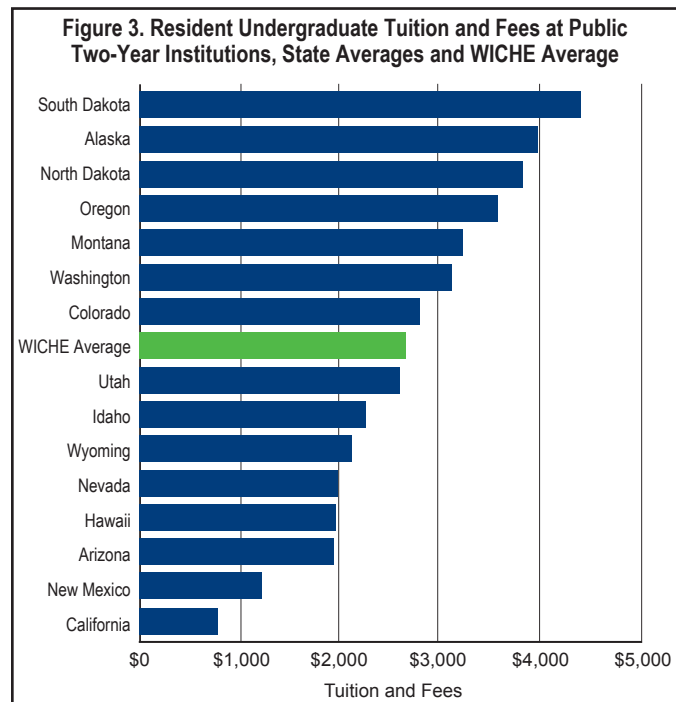
from 2008-09, compared to a 12.5 percent jump for residents. But when measured in dollars, the increase, at \$1,030 on average across the region, exceeded the change in resident undergraduate tuition and fees, at \$639. New Mexico Highlands University charged nonresidents the lowest tuition, at \$4,308, while the most expensive institution for nonresidents was the University of California, Davis, at \$32,027.

### Two-Year Institutions

The West's average two-year tuition rate, excluding California, exceeded the national figure for the fourth consecutive year. Tuition and fees for resident, in-district students at public two-year colleges in the WICHE states averaged \$2,648 in 2009-10, an increase of \$160 (6.4 percent) over the previous year and \$643 (32.1 percent) over 2004-05.<sup>5</sup> By comparison, the national average was slightly lower, at \$2,544, and the increase over the previous year was comparable to the West's, at \$172 or 7.3 percent.<sup>6</sup> The West's inflation-adjusted growth was \$123 (4.9 percent) in the past year.<sup>7</sup>

Within the WICHE states, the community colleges in California continue to charge the lowest rates for in-district students, at \$780. The next lowest rate was New Mexico's, at \$1,209; and the highest was South Dakota's, where the average was \$4,394 (Figure 3). The biggest one-year increase occurred in Oregon, where the average price went up \$361, or 11.3 percent. The largest percentage increase was in California, where the average price climbed by 30 percent, though that represented only an increase

of \$180 (Figure 4). North Dakota had the smallest increase in terms of dollar amount and percentage increase, at only \$29 (0.8 percent).



### Policy Implications

The last half of 2008 marked a time of severe economic decline in the U.S., with collapsing housing and financial markets leading to sharp increases in the nation's unemployment rate. Since December 2007, when the economic recession officially began, the U.S. economy has experienced a net loss of approximately 8 million private-sector jobs, and the

unemployment rate has grown from 5 percent during the spring of 2008 to 10 percent as of December 2009. While the West has a lower unemployment rate than the nation, the extent to which the economic collapse has impacted Western states varies widely (Figure 5). Nevada, California, and Oregon surpassed the national average in September 2009 while North and South Dakota are experiencing the lowest unemployment rates in the region. State revenue shortages made worse by high unemployment have left most states with sizeable budget gaps, which in turn have forced state leaders to make difficult funding decisions. Cuts to higher education funding

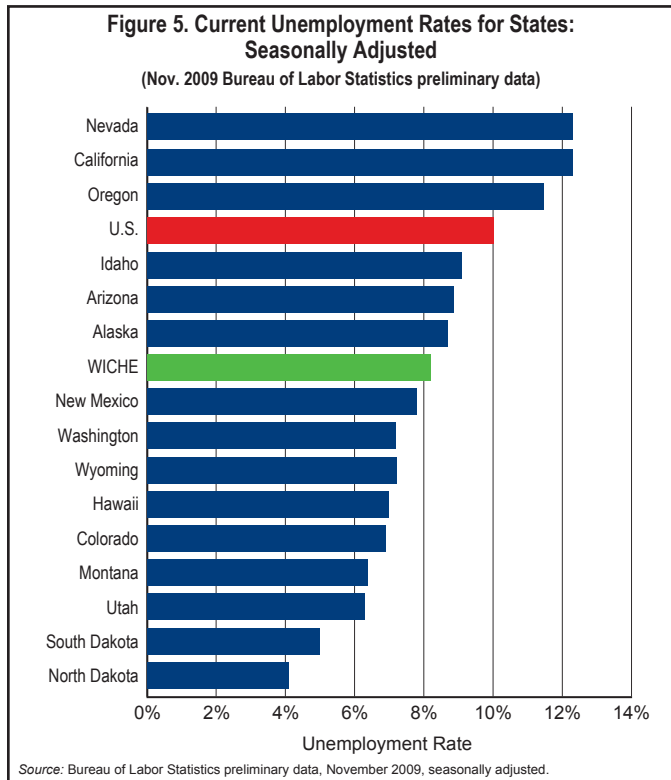
education per FTE increased from FY 2005 to FY 2008, both nationally and within the region. However, the current economic recession has had a severe impact on state tax collections, which were down in the second quarter of 2009 by 16.6 percent from the previous year, the largest drop since at least 1963.<sup>8</sup>

With constitutionally mandated balanced budgets, lawmakers in most states have been consumed with addressing gaps in state budgets. The National Conference of State Legislatures (NCSL) reported that in FY 2009 lawmakers closed a cumulative budget shortfall of \$113.2 billion and faced a further \$142.6 billion shortfall as they constructed the FY 2010 budget. Based on these figures, it's no surprise that most state services suffered budget cuts, and higher education was certainly no exception.

Tracking state budget cuts can be likened to chasing a moving target. At the state level, the budgetary picture during this recession has been constantly changing, with revenue projections frequently updated within a given fiscal year. Yet we do know that budget cuts to higher education have varied significantly across state lines, and that states and institutions of higher education have implemented several strategies (i.e., budget cuts, furlough days, hiring freezes, decreasing state financial aid funding, increasing tuition and fees, and enrolment caps) to ameliorate budget shortfalls. While the federal stimulus package has softened the blow of many state budget cuts, it has not eliminated the need for public institutions to reduce their own expenditures.

Higher education's response in many places has been to increase prices and/or reduce services. For example, in California the budget signed by the governor significantly reduced funding to the University of California (UC), the California State University (CSU) and California's community college system. In response, UC raised fees by approximately 9 percent, reduced freshman enrollment by 6 percent, and cut at least \$300 million from the budget of its 10 campuses for the 2009-10 academic year. CSU has announced that it will cut enrollment by 40,000 over the next two years and raise fees for in-state students by about 32 percent. Many of its campuses have also begun introducing additional competitive admissions procedures as a way to ration their more limited enrollment slots. While California is at the extreme end of the budget cut spectrum, few state systems of higher education have been unaffected (those that can count more heavily on their mineral wealth have been spared).

In the midst of these funding challenges, it is clear that these state higher education fiscal strains would have been far worse had it not been for the intervention of



are among the solutions policymakers turn to. The West's principal strategy for promoting access to higher education access historically has relied on low tuition and Western states have worked hard to maintain access even in the most difficult fiscal times in this past. Nevertheless, in one of the worst economic climates recorded in history, states will face severe challenges in preserving access as a priority, especially if that effort is tied to holding tuition prices down.

### State Budgets: Impact on Tuition and Fees

In the years leading up to the current recession, higher education actually fared relatively well. Data from the State Higher Education Executive Officer's (SHEEO) State Higher Education Finance FY 2008 report indicates that state appropriations to higher

the federal government, in the form of the State Fiscal Stabilization Fund (SFSF), a one-time appropriation of \$48.6 billion under the American Recovery and Reinvestment Act of 2009 (ARRA). SFSF dollars were intended to fill in for state cuts; states were required to use them to reach a “maintenance of effort” level of funding for K-12 and postsecondary education, based on FY 2006 spending levels. Federal stimulus funding has served as a saving grace for states in this fiscal crisis: analysts at the Center on Budget and Policy Priorities have asserted that ARRA funds have enabled states to close 30 to 40 percent of their budget gaps this year.

While SFSF funding has clearly helped states backfill their direct appropriations for public institutions, its maintenance of effort provision gives no consideration to state spending on state-funded financial aid programs. Apart from a few states with large programs, the West does not invest heavily in need-based state grant programs, even though most states have a modest program in place. Grant aid programs that include an assessment of financial need are a vital tool in ensuring access to college for less wealthy students, and they become especially important during a period of rising tuition prices. States struggling to meet their maintenance of effort requirements may be tempted to divert money away from those aid programs toward direct institutional support, but such a choice will tend to contribute to an erosion of access to higher education.

Funding for education under the SFSF program will be allocated through FY 2011. However, states have reported to the U.S. Department of Education that they plan to utilize more than 86 percent of their SFSF funds by the end of FY 2010. Table 1 represents data drawn on state fiscal support for higher education and includes SFSF funding allocations in FY 2009 and FY 2010. These data reveal that most states in the West will struggle to maintain the level of support for higher education they were able to do as a result of the federal stimulus package. These projected funding shortfalls show that stimulus funding has only delayed more difficult decisions in many states. States are currently applying for Phase II of the SFSF program, which will help them address these projected budget gaps. However, Phase II funding available for each state is smaller than the Phase I allocation and the federal dollars are not intended to extend beyond FY 2011. As stimulus funding runs out, some of the most affected states, like Arizona, Nevada, Colorado, and Washington, will still be facing budget gaps on a historic scale. Meanwhile, any states with remaining SFSF Phase I funding available (Alaska, Colorado, New Mexico, Montana, and Wyoming indicated in

**Table 1. Projected Higher Education Budget Gaps for FY 2011**

| State        | Projected FY 2011 Gaps in Higher Education Appropriations Relative to FY 2009 Total Appropriations (including SFSF) |
|--------------|---|
| Arizona      | 22.0%   |
| Nevada       | 19.6%   |
| Colorado     | 18.4%   |
| Washington   | 12.9%   |
| New Mexico   | 11.7%   |
| Utah         | 11.5%   |
| Hawaii       | 10.8%   |
| California   | 9.5%  |
| Oregon       | 7.8%  |
| Wyoming      | 6.8%  |
| South Dakota | 6.7%  |
| Idaho        | 6.6%  |
| Alaska       | No Gap  |
| Montana      | No Gap  |
| North Dakota | No Gap  |

Source: Illinois State University, Center for the Study of Education Policy, Table 1.

Note: Calculations based on states having spent their entire Phase I SFSF allocation in FY09 and FY10.

their Phase I applications a year ago that they expected to retain a portion of their allocation for use in FY 2011) and those fortunate enough not to be currently facing FY 2011 budget gaps should consider strategies for investment of their stimulus dollars that will be sustainable in the years after federal funding disappears. In other words, prudent use of stimulus funding will not create avoidable funding cliffs in the future where there are none today. Instead, those states may consider how to use federal dollars strategically, to promote access and success or influence more efficient institutional operations.

While SFSF funding was expressly designed to mitigate the impact of deep cuts in funding at the state level, rather than as an incentive to spur changes in higher education, it is clear that state systems and public institutions will need to improve efficiencies in their operations, especially the rate at which their students successfully complete degree programs. This is essential if our country is to meet the stated goal of President Barack Obama: to make the U.S. the best educated nation in the world once again. States might consider how to incentivize institutions to give more weight to student success, as measured by course or degree completion.

### **State Higher Education Funding: The Outlook**

While there are signs that the worst of the current recession may be over, there will likely be upward pressure on tuition and fees in the years to come. History demonstrates that improvement in state fiscal



conditions typically lags behind an economic recovery. After the recessions in the early 1990s and in 2001 had officially ended, states continued to experience large deficits and were forced to make budget cuts or raise taxes. In fact, current economic forecasts indicate that state-level budget shortfalls will likely continue through at least FY 2012. Since state FY 2010 budgets were enacted, revenue collections have been much weaker than the moderate projections originally anticipated. For example, according to the Center on Budget and Policy Priorities, FY 2010 mid-year budget shortfalls, totaling about \$22 billion overall, have opened up in 31 states. Economic forecasts show state deficits of about \$301 billion, continuing over the course of FY 2011 and FY2012. The likely impact on tuition pricing is obvious, and we are already seeing proposals for additional tuition hikes for the fall of 2010. The UC System in California just approved a proposal that will increase undergraduate tuition by 32 percent by then.

Significant state funding challenges that will affect tuition pricing will remain even after a recovery accelerates. The National Center for Higher Education Management Systems and the Nelson A. Rockefeller Institute of Government project structural deficits for all 50 states by 2016. This bleak long-term outlook was produced prior to the current recession and is a reflection of long-term imbalances between the revenue and expenditure growth necessary to maintain services at current levels. Such conditions are likely to continue putting upward pressure on tuition even after the economy recovers.

### **Enrollment and Postsecondary Success**

Enrollment growth during times of economic decline is an expected occurrence: history has demonstrated the countercyclical relationship between economic growth and college enrollments (especially at the community college level). Therefore, it is no surprise that enrollments have surged during this recession. In fact, the share of 18- to 24-year-olds attending college in the U.S. recently hit an all-time high: about 11.5 million students, or 39.6 percent of all adults between the ages 18 to 24, were enrolled in October 2009. These figures represent the highest levels ever, both in absolute numbers and in percentage terms.<sup>9</sup>

As states respond to current fiscal challenges, they are making decisions that will have a lasting effect on the ability of students to access and succeed in higher education. At the same time, sweeping demographic changes are underway: populations that have been underrepresented in higher education are growing fastest while well-educated, older members of our workforce are nearing retirement age. In addition,

our nation is being called to prioritize postsecondary *success*, not just access. The Obama Administration has called for our nation to have the highest proportion of college graduates in the world by 2020. To accomplish this goal, the president has committed to restructuring and dramatically expanding college financial aid, addressing college completion, and investing in community colleges to equip a greater share of the population with the high-demand skills and education they'll need for emerging industries.

### **Strategies for Policymakers to Consider**

The educational needs of the states in the wake of the current economic crisis demand that leaders become even more strategic and intentional about persevering educational opportunity for all students, as opposed to going back to business as usual. A new approach that prioritizes increased productivity as a solution to economic problems is paramount. At the same time, farsighted policymakers will anticipate both the potential short-term and long-term implications of their decisions for higher education within their states.

Policymakers are not without promising options, and the current fiscal climate may be a good time for them to realign priorities. To do so, states might ensure that funding cuts do not disproportionately impact institutions with broad-access missions. Rather than an across-the-board cut to higher education institutions, policymakers, recognizing that these institutions tend to enroll more underrepresented and first-generation students, could spare them the largest percentage cuts. Doing so may mean they are forced to seek larger cuts from more selective institutions, especially flagship research universities, but they tend to enroll students who are more financially secure and they typically have greater resources, both of which would lessen the impact of tuition hikes on their students.

State leaders might also assist with cost control by considering solutions that help to reduce student demands on their higher education systems. Streamlining general education course offerings, expanding dual enrollment and other accelerated learning options, reducing low-demand/high-cost programs, and seeking out a statewide solution to improve developmental education (including stronger collaborations between K-12 and postsecondary education) are promising options. From a state funding perspective, linking tuition and fee-setting to family income levels in the state or to the availability of need-based aid, in lieu of, or to supplement, more traditional comparisons of peer institutions, could contribute to preserving access for low-income families and affordability for all. It is also advisable

during times of severe fiscal constraints to undertake a policy audit as a way to identify statutory and regulatory requirements that are inconsistent or contribute to unnecessary bureaucracy and wasteful spending.

As tuitions rise, states may take a close look at how they are distributing dollars to students through grant aid programs. In general, administering need-based aid as a state program instead of an institutional one has some advantages because it has the potential to reach more students, regardless of their institutional choice, and can be more transparent earlier in students' lives, especially if the value of such aid is communicated effectively. While institutionally based aid programs can be effective at reducing out-of-pocket expenses, they reach only those students with expressed interest in a particular institution, and students seldom learn about the amount of grant aid they will receive prior to their decision to enroll. Students can usually know earlier what the eligibility rules are for a state-administered grant program, and in many cases they have some sense of what the size of the grant will likely be.

States may also want to ensure that their own programs and federal aid programs are well aligned. Oregon's recently restructured Opportunity Grant Program is one that combines a transparent program with a strong philosophy for awarding aid that also takes full advantage of federal aid dollars, including tax credits.

## Summary

Preserving access to and the affordability of higher education must remain a core priority, given the current economic crisis and the rising global demand for educated laborers. This notion is particularly salient in the West, where educational costs are rising more rapidly than in the nation as a whole (though resident tuition and fees are still below the national average), and most states' investments in need-based

financial aid are modest. State-level need-based financial aid can serve as a mechanism through which to protect college access, but the current crisis, as well as the federal stimulus legislation, may tempt states into diverting funding away from this vital resource for preserving access. Even beyond the current recession, the growing concern over state fiscal sustainability, strains on institutional capacity as enrollments surge, a diversifying college-going population, and the preservation of access and affordability present state leaders with important challenges and opportunities. As all of these trends tend to exert pressure on tuition to climb, it will be increasingly vital that policymakers find effective solutions to pricing college within the means of their state's citizens while preserving educational quality.

## Endnotes

<sup>1</sup> A complete list of respondents is available in the *Tuition and Fees in Public Higher Education in the West, 2009-10* report.

<sup>2</sup> For the purposes of this brief, only the increase in Colorado's resident tuition net the Colorado Opportunity Fund voucher is considered. The voucher available to a full-time student increased to \$2,040 in 2009-10, from \$2,760 in the previous academic year.

<sup>3</sup> College Board, "Trends in College Pricing" (Washington, D.C.: College Board, 2009), Table 1a. The national average figures are enrollment weighted.

<sup>4</sup> Inflation adjustments used the Higher Education Cost Adjustment (HECA), calculated by State Higher Education Executive Officers (SHEEO).

<sup>5</sup> The average for the two-year institutions excludes California institutions because their large number and historically low fees distort regional patterns. Including them changes the average resident tuition and fees to \$1,845 for 2009-10.

<sup>6</sup> College Board, "Trends in College Pricing."

<sup>7</sup> Inflation adjustments here used the HECA rather than the CPI.

<sup>8</sup> Rockefeller Institute of Government's "State Tax Revenues Show Record Drop, For Second Consecutive Quarter" report.

<sup>9</sup> Pew Research Center, "College Enrollment Hits All-Time High, Fueled by Community College Surge."

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