

Tuition and Fees in the West 2007-08

Resident undergraduate tuition and fees for the academic year 2007-08 at public two-year institutions in the WICHE states increased by 3.9 percent from the previous year, while published prices at public four-year institutions grew by 8.3 percent. During the same period, the Consumer Price Index rose 2.4 percent. For the West's two-year institutions, the growth compared favorably to the 4.2 percent increase nationally, while prices at the region's public four-year institutions grew more quickly than the national average, 6.6 percent. Actual levels of tuition and fees in the West remained substantially below the national average for four-year institutions (by 23.6 percent), but the West's average tuition and fees level for two-year institutions (excluding California's) had levels slightly above 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, 2007-08: Detailed Tuition and Fees Tables*, published by WICHE in November 2007 and available at www.wiche.edu/policy. The survey on which the report and this policy brief are based is administered to state higher education executive offices or system offices in most states.¹ Respondents are invited to correct previous years' data, and the averages calculated are not weighted by enrollments.

For the first time, the survey instrument included two questions concerning differential tuition pricing policies and practices. There is growing evidence (mostly anecdotal) that institutions are resorting to differential tuition in an effort to both maximize and stabilize their tuition revenue stream. In particular, they see such policies as a reasonable strategy to counter the unpredictability and inconsistency of state appropriations levels.

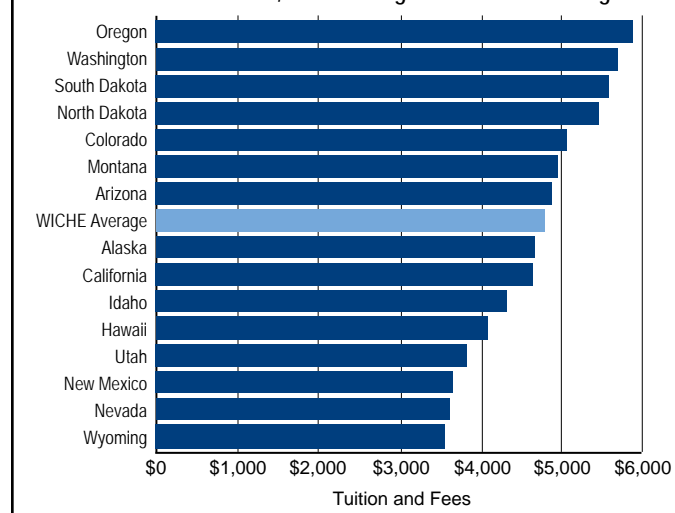
Four-Year Institutions

Average tuition and fees for resident undergraduates in 2007-08 at public four-year institutions in the region were \$4,789, an increase over the previous year of \$367 (8.3 percent).² By comparison, the national average was \$6,185, which was up \$381 (6.6 percent).³ After adjusting for inflation, the change in average resident undergraduate tuition in the region was 5.2 percent over 2006-07 and 35.4 percent over the previous five years.⁴

Within the region there was substantial variation in tuition prices at four-year institutions, ranging from \$2,516 at New Mexico Highlands University to \$10,050 at the Colorado School of Mines. The statewide average

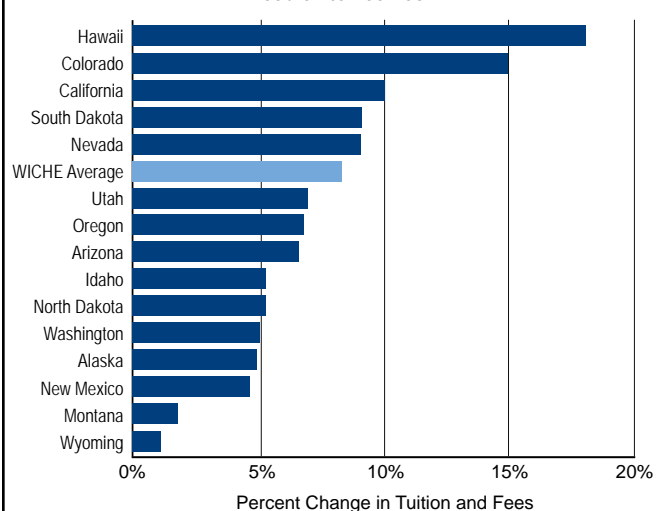
price in this sector was lowest in Nevada, at \$3,601, and highest in Oregon, at \$5,870 (Figure 1). The largest one-year increase in percentage terms occurred in Hawaii, where average statewide tuition and fees climbed 18 percent; the smallest rate of growth was in Wyoming (Figure 2). Wyoming also had the lowest increase in dollar terms at \$39 while students in Colorado paid for the highest increase at \$658. Resident undergraduate tuition and fees at public doctorate-granting universities across the region averaged \$5,804 in 2007-08, while all other public four-year institutions charged an average price of \$4,131.

Figure 1. 2007-08 Resident Undergraduate Tuition and Fees at Public Four-Year Institutions, State Averages and WICHE Average



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 \$14,686, up 3.1 percent from 2006-07. But when measured in dollars the increase, at \$445 on average

Figure 2. Percent Change in Resident Undergraduate Tuition and Fees at Public Four-Year Institutions by State and WICHE Average, 2006-07 to 2007-08



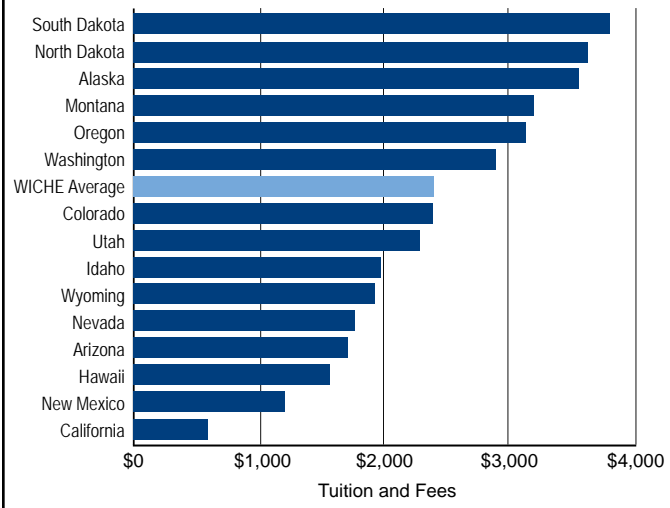
across the region, exceeded the change in resident undergraduate tuition and fees. New Mexico Highlands University charged nonresidents the lowest tuition, at \$3,775, while the most expensive institution for nonresidents was the University of California, Davis, at \$27,744.

Two-Year Institutions

Tuition and fees for resident in-district students at public two-year colleges in the WICHE states, excluding California, averaged \$2,391 in 2006-07, an increase of \$91 (3.9 percent) over the previous year and \$712 (42.4 percent) over the past five years.⁵ By comparison, the national average was slightly lower at \$2,361, so the West's average two-year tuition rate exceeded the national figure for the second consecutive year. The national increase over the previous year was comparable to the West's, at \$95 or 4.2 percent.⁶ The West's inflation-adjusted growth was \$24 (1 percent) in the past year.

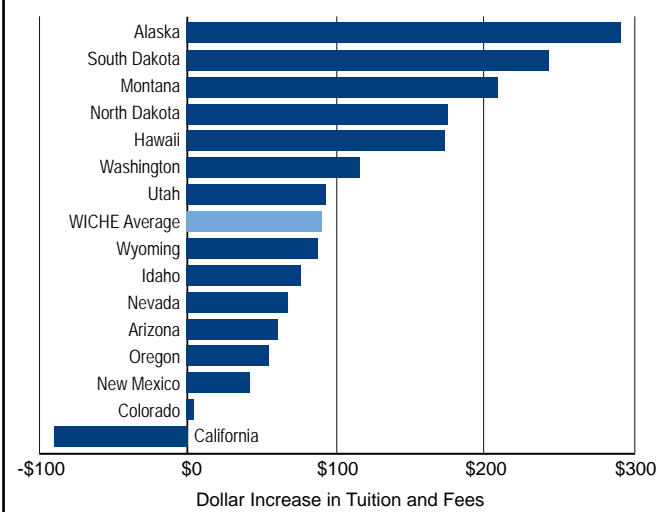
Within the WICHE states, the community colleges in California continued to charge the lowest rates after

Figure 3. 2007-08 Resident Undergraduate Tuition and Fees at Public Two-Year Institutions, State Averages and WICHE Average



reducing their fees for full-time, in-district students to \$600, lower by \$90 than the previous year. Other than California, the state charging the lowest average tuition and fees was New Mexico at \$1,212, while the highest was South Dakota, where the average was \$3,787 (Figure 3). The biggest increase occurred in Alaska, where the average price went up \$290, 8.9 percent (however, only one two-year institution in Alaska is included in the report). Aside from Alaska, the biggest increase was in South Dakota, where the average price increased \$241 (6.8 percent). Meanwhile, the \$4 increase (0.2 percent) in Colorado was the smallest increase (Figure 4).

Figure 4. Dollar Change in Resident Undergraduate Tuition and Fees at Public Two-Year Institutions by State and WICHE Average, 2006-07 to 2007-08



Policy Implications

Establishing tuition levels at public institutions is a complicated, highly political process that varies considerably throughout the West and the nation as a whole. No matter how states actually go about the process of setting tuition, ideally they will carefully balance tuition levels with state appropriations and state-funded financial aid amounts in order to assure accessibility and affordability.⁷ Traditionally, tuition levels have been counter-cyclical, with faster growth occurring in years during which state economies slowed. With tax revenues up in many states over the last few years, states have been able to provide larger appropriations, which has helped to brake tuition increases. One of the most serious problems with that pattern relates to the challenges institutions face in adequately planning for future years, absent stable and predictable state appropriations. Higher education institutions are typically among the first to face deep cuts when state tax revenues slip, and with so much of each institution's unrestricted revenue up for debate in a politically charged climate every year or two, institutions have increasingly sought to shore up their tuition revenue stream through the application of innovative strategies. The remainder of this brief discusses the results of a first effort to survey the degree to which all the individual

public institutions in the West employ one such strategy: differential tuition.

Differential tuition is a complex topic and it takes many different forms. At its core, it consists of charging a different price to different students to buy essentially the same product, in this case a college education. In fact, institutions have been differentially pricing the education they provide for decades through their financial aid offices. Thus, one student gets an institutionally provided scholarship that pays for a portion (or all) of his or her costs of attendance, while another student gets a smaller institutional grant or no grant at all. In combination with other sources, especially the government or private scholarship providers, grant aid reduces the tuition amounts published by institutions to what is known as “net price.” Variability in net prices means that students who share many of the same characteristics (such as similar academic records, socioeconomic status, racial/ethnic background, family size, etc.) already may pay very different amounts to attend college. These practices underlie the importance of considering the net price charged to students as a more accurate indicator of the costs of college than the institution’s published price. Yet for various reasons – especially because they are a readily available measure of affordability that translates well to a public accustomed to transactions that are simpler than buying a college education – published tuition amounts and the annual changes in them attract a great deal more attention.

In addition, institutions have long charged additional fees for lab courses and other subjects that are more costly to teach, such as engineering. What is relatively new in the concept of differential tuition is that institutions are publishing tuition prices that intentionally take advantage of market economics by establishing different levels based on some criteria. Criteria by which to differentiate tuition include (and this is by no means an exhaustive list): academic major or subject area, lower division/upper division, guaranteed tuition,⁸ and the location of the course (including distance education). The evidence that such practices are expanding is mostly anecdotal.⁹ However, a recent review of statewide tuition policies by the State Higher Education Executive Officers (SHEEO) was able to identify states that use differential pricing approaches in some way in 2005-06, although

the report was silent on the degree to which each type of differential pricing actually proliferates at public institutions within each state.¹⁰

As an initial effort to better understand how widespread this practice is at individual institutions, the survey that provides the data for the annual updates to *Tuition and Fees in Public Higher Education in the West* included two very basic questions about differential tuition pricing strategies for the first time this year. The items concentrated specifically on two forms of differential pricing: that which is based on the student’s year in college (this was intended to capture cases where incoming freshmen are charged different amounts, as well as cases where there is a difference between lower division and upper division coursework) and that which is based on the student’s academic program area.¹¹ Respondents were asked to identify whether each institution employed either or both practices with respect to their tuition only; differences that were captured in separate or additional fees amounts were excluded because of the complexity of institutional fee schedules, which regularly include laboratory or equipment fees for certain courses that have been assessed over many years, as well as others. Moreover, acknowledging the degree to which tuition-setting is highly regulated and highly politicized (as opposed to fees schedules, which institutions themselves typically control with little external interference), the questions focused on tuition alone as a stronger indication of the extent to which institutions are outwardly embracing this particular market-oriented policy phenomenon.

Despite clues that differential tuition pricing is a growing phenomenon, the results of our survey do not show that it is currently all that widespread in public institutions in the West, at least not for the two types of differential tuition considered here. Respondents reported that only six of 106 public four-year institutions across the West differentiate tuition based on a student’s year in college. There were more two-year institutions reported as having such a policy (11 out of the 256 institutions across the West), which is surprising, given that the most obvious distinction to make is along lower-division/upper-division lines, and two-year colleges do not typically offer upper-division coursework. One explanation may relate to the growing number of two-year colleges that offer select baccalaureate degrees, for which students are commonly expected to pay more when they reach upper-division coursework.

Respondents indicated that differential tuition based on academic program is more common among public four-year colleges and universities in the West, with 26 out of 106 institutions having such a policy – still a small minority of all institutions in that sector. The four-year institutions most likely to have such a policy were the most research-intensive ones. In fact, in every state where at least one institution had such a policy, the public flagship was differentiating tuition this way. Additionally, all five public four-year campuses

Table 1. Usage of Differential Tuition Pricing Methods

Type of differential pricing	No. of States
Lower division/upper division	17
Programmatic (varies by major or course)	28
Credit/non-credit	36
On-site or classroom-based instruction/off-site or distance education	28
Credit hours beyond a specific number (e.g., credit hours above 140 and charged at a higher rate)	12
Cohort-based tuition (fixed rate for a cohort of entering freshmen)	5

Source: SHEEO

in Arizona had such a policy, as did all the campuses of the University of California system. In Colorado, all the campuses of the University of Colorado and Colorado State University plus the University of Northern Colorado differentiated tuition this way. Among two-year institutions, differentiating tuition by program of study was less common, with only nine institutions having a policy, almost all of which were located in Washington.

There are many reasons why a public institution might turn to differential tuition. The first and most obvious, particularly when state appropriations are likely to be down, is to increase tuition revenue without imposing larger and politically unpalatable blanket tuition hikes on everyone. Institutions will point out that certain subjects are naturally costlier to teach because they require particular equipment or facilities, more expensive faculty and staff, supplemental instruction, or more intensive instructional contact (such as laboratory courses). Technological advances requiring colleges and universities to procure expensive new equipment more frequently in order to provide a thorough and up-to-date education in some fields are widening gaps in instructional costs among disciplines. Given the necessity of purchasing cutting-edge technologies and employing expert faculty to teach their use, institutions have a strong argument that greater investment is needed to preserve the quality of education they offer in critical fields. Institutions are likely to further point out that without differential pricing, the students enrolled in less expensive programs unfairly help to pay for the studies of their peers in more expensive programs through cross-subsidization. A final argument in favor of differential pricing corresponds to the generally higher starting salaries graduates in affected fields are typically able to command. This justification explicitly hinges on the increasing perception of higher education as a private good – that is, a private investment expected to pay off financially for an individual, rather than for society as a whole.

But there are serious drawbacks to differential pricing strategies. Given our nation's need for graduates in STEM (science, technology, engineering, and mathematics) fields, many of which typically require the most expensive instruction, it would be counterproductive to create additional barriers that might dissuade students from studying such subjects. In addition, to the extent that students choose academic programs on the basis of relative affordability, differential tuition pricing is sure to more heavily impact students from lower-income backgrounds, leaving fewer of them in science and technology-based programs. This potentially has even broader societal implications, since

initial salaries in STEM occupations are typically higher than those of other occupations.

Developmentally, many traditional-age college students are ill equipped to make a career choice that sticks (or even to choose a college, as statistics on “swirling” student behaviors show). Differential tuition pricing strategies impose an unintentional cost on the process of career exploration that begins in college for many students, with their sampling of courses all across an institution's curricula.

Institutions that employ differential pricing can help reduce these unintended consequences by being flexible in their application of pricing, making room for career exploration to occur without triggering a higher cost, and by being thoughtful about how they award their financial aid dollars in order to ensure that poor students are not disparately affected. But, with unintended consequences that have the potential to undermine overarching policy goals such as providing equity of opportunity and stimulating the development of STEM fields, state policymakers will need to pay careful attention to the how differential pricing spreads.

¹ A complete list of respondents is listed in the report.

² For the purposes of this brief, only the increase in Colorado's resident tuition net of the Colorado Opportunity Fund voucher is considered. The voucher available to a full-time student increased to \$2,580 in 2006-07 from \$2,400 in the previous academic year.

³ College Board, “Trends in College Pricing” (Washington, D.C.: College Board, 2007), Tables 1 and 3b. The national average figures are enrollment weighted.

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

⁵ The average for the two-year institutions excludes California institutions because their large numbers and historically low fees distort regional patterns. Including them changes the average resident tuition and fees to \$1,621 for 2007-08.

⁶ College Board, “Trends in College Pricing.”

⁷ WICHE, *Policies in Sync: Appropriations, Tuition, and Financial Aid for Higher Education* (Boulder, CO: WICHE, 2003).

⁸ Under guaranteed tuition plans, a student pays a fixed amount for four consecutive years. The guaranteed tuition amount takes into account the likelihood that tuition will rise over the course of those years and so the first year of guaranteed tuition is typically substantially higher than it would be if it was not fixed. However, students who successfully complete degrees within the guaranteed timeframe may find that their total tuition payments were lower than they would have been under a traditional pricing structure.

⁹ Jonathan D. Glater, “Certain Degrees Now Cost More at Public Universities,” *The New York Times*, 29 July 2007, accessed on 2 November 2007 at <http://www.nytimes.com/2007/07/29/education/29tuition.html?_r=1&ref=education&oref=slogin>.

¹⁰ Angela Boatman and Hans L'Orange, *State Tuition, Fees, and Financial Assistance Policies for Public Colleges and Universities, 2005-06* (Boulder, CO: SHEEO, 2006), 16.

¹¹ More details concerning the methodology and a copy of the survey instructions are available in the report.

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