WICHE Policy Insights

March 2001

Tuition and Fees in the West: 2000-2001

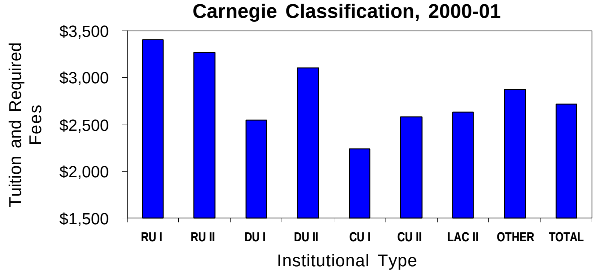
Academic year 2000-01 again saw resident undergraduate tuition and fees at the region's public four-year institutions post increases that were lower than the rate of inflation, while charges by public community colleges outpaced inflation. Although regional average resident tuition and fees for both public four-year and two-year institutions remain well below the national avarage, affordability can still be a problem in some states, that's especailly true when tuition and fees levels are examined within the context of related factors, such as median household income, state spending on higher education, and financial aid to needy students.

This issue of *Policy Insights* summarizes current information and historical trends for resident undergraduate tuition and fees at the region's public institutions. Policy implications are explored within the context of these data. Complete data are available in *Tuition and Fees in Public Higher Education in the West, 2000-01; Detailed Tuition and Fees Tables*, published by WICHE in November 2000 and available at http://www.wiche.edu.

Public Four-Year Institutions

For academic year 2000-01, average resident undergraduate tuition and fees at the region's public four-year institutions was $2,721. In comparison, the national average was $3,510.[1] Tuition and fees varied greatly across the 15 WICHE states, ranging from $1,839 in the California State University system institutions to $5,211 at the Colorado School of Mines. The University of California system charged close to $4,000, the second highest in the region despite fee reductions and freezes in place since academic year 1998-99. By Carnegie Classification, Research Universities I had the highest tuition and fees level at $3,407 and Master's Universities I had the lowest at $2,237 (see Figure 1).

Figure 1
Resident Undergraduate Tuition and Fees by Carnegie Classification, 2000-01



RU I: Research Universities I
RU II: Research Universities II
DU 1: Doctoral Universities I
DU 2: Doctoral Universities II
CU I: Master's (Comprehensive) Universities and Colleges I
CU II: Master's (Comprehensive) Universities and Colleges II
LAC II: Baccalaureate (Liberal Arts) Colleges II
OTHER: Professional Schools and Specialized Institutions

Average resident undergraduate tuition in the region decreased slightly between 1999-2000 and 2000-01 after adjusting for inflation.[2] This came on the heels of the 2.5 percent increase in the region's real median household income.[3] Nationally, resident tuition and fees increased 1.1 percent for the same period after adjusting for inflation; the increase in the nation's real median household income from 1998 to 1999 was 3.1 percent.

Average one-year changes in tuition and fees varied greatly across the 15 member states, ranging from less than 1 percent in California and Hawaii to 12 percent at universities in New Mexico.

By Carnegie Classification, Doctoral Universities II saw the largest one-year percentage increase, 4.3 percent, followed by Master's II and Baccalaureate II institutions at 3.9 percent. Other types of institutions had increases of around 2.5 percent.

Over the past five years in the West, tuition and fees increased 16 percent in current dollars. The magnitude of change ranged from over 80 percent increase at Hawaii's public four-year institutions to a decrease of over 3 percent in California's CU and CSU systems. Five other states saw increases of less than 20 percent. Idaho was the only state other than Hawaii that saw a rate of increase exceeding 50 percent. Research Universities I had the smallest percentage increase, mostly due to the fee reduction at the University of California system. Baccalaureate Colleges II, on the other hand, had the largest increase at over 34 percent.

Over the last decade, resident undergraduate tuition and fees at public four-year institutions more than doubled in current dollars in six WICHE states. Meanwhile, tuition and fees in Arizona, Colorado, and Utah increased less than 55 percent. Tuition and fees doubled at Research University II institutions and nearly did so at Master's Universities and Colleges II. In contrast, Doctoral Universities II charged approximately 52 percent more over the 10-year period. Baccalaureate Colleges II experienced an increase of 80 percent, with the majority of the growth occurring in the past five years.

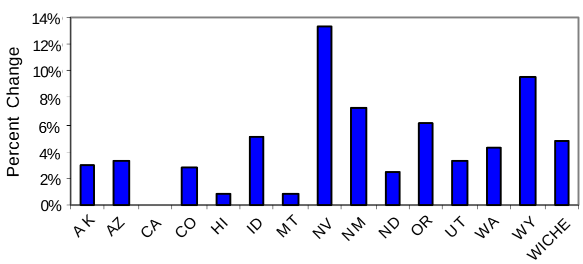
Policy Insights is a publication for WICHE's fact book, ***Policy Indicators for Higher Education: WICHE States.*** This short report series examines current issues in higher education from the perspective of policymakers at the state level and on campus.

Public Two-Year Institutions

Average resident in-district tuition and fees in the region's public two-year colleges (excluding the very low matriculation fee of $330 at California's community colleges) was $1,436 in Fall 2000. Prince William Sound Community College in Alaska charged the most in the region, $2,088, and North Dakota had the second highest average at $1,954. The second-lowest average in the region was New Mexico at $776. In comparison, the national average for resident tuition and fees at public two-year institutions was $1,705, 19 percent higher than the WICHE regional average without California.

The one-year increases from 1999-2000 to 2000-01 in resident tuition and fees at public two-year colleges in the region (excluding California) was 4.8 percent (see Figure 2), compared to 3.4 percent for the nation (including California). A handful of states accounted for the high growth rate: Nevada's tuition and fees increased by 13.4 percent, Wyoming's by 9.5 percent, and New Mexico's by 7.2 percent. Ten of the WICHE states came in under the regional average. California had no change, and the increase in Hawaii was less than one percent.

Figure 2
One-Year Percent Change in Tuition and Fees at Public Two-Year Colleges, 2000-01



In the past five years, resident tuition and fees at the region's public two-year colleges increased 27.4 percent, much higher than the rate of increase at public four-year institutions in the region. Again, the variation among the states was great. In Hawaii, resident tuition and fees at public two-year colleges more than doubled. The second highest five-year increase rate was 47.8 percent in Wyoming. North Dakota and Utah each had an increase rate of less than 15 percent. In California, the matriculation fee declined 15 percent, from $390 to $330. After adjusting for inflation, the increase at public community colleges (excluding those in California) was 12.7 percent, compared to 2.7 percent at public four-year institutions.

Over the past decade, California increased its matriculation fees for public community colleges from $100 in 1990-91 to $330 in 2000-01. Four other WICHE states doubled their tuition and fees charges, and three increased over 90 percent. North Dakota's public two-year colleges, in contrast, only charged 21 percent more. Utah had the second-lowest increase rate at 36 percent.

Policy Implications

How should tuition and fees relate to income? Historically, Western states encourage policies that promote low tuition and fees. Such policies, however, do not automatically translate into better affordability. For some residents, tuition and fees are high relative to family income, making it difficult for children of low-income families to afford a college education without federal and/or state aid. States in the West have not purposefully shaped their tuition policies in relation to family income, although several use personal or disposable income as a factor that is considered indirectly in setting resident tuition rates.

On average, median household income in the West grew last year, but not as much as the national average or as much as resident undergraduate tuition and fees at public two- and four-year institutions. The regional average median household income in 1999 reached $39,895, slightly less than the national average of $40,280. The one-year increase (1998 to 1999) of real median household income for the region was 2.5 percent, below the national average of 3.1 percent.[4] Five Western states had increase rates higher than the national level.

For 2000-01, average resident undergraduate tuition and fees at the region's public four-year institutions consumed 6.8 percent of median household income, much less than the national rate, 8.7 percent.[5] However, in three of the poorest states (Montana, North Dakota, and South Dakota) tuition and fees took at least 9 percent of income.[6]

Findings of a recent report titled *Measuring Up 2000: The State-By-State Report Card For Higher Education* show that families in seven WICHE states – California, Colorado, Idaho, Nevada, New Mexico, Utah, and Washington – required a smaller proportion of family income to attend public institutions.[7] However, public higher education in Montana, Oregon, and South Dakota was graded among the least affordable in the nation. The relationship between tuition and fees, financial aid, and affordability are explored in the next section.

What kind of state financial aid best serves both student and state needs? Student financial aid plays a vital role in expanding access among low-income families. Generally, high-performing states such as California and Nevada provide both financial aid and reasonable tuition. However, states that rank as least affordable often have higher-than-average tuition and inadequate financial aid to help needy students compensate for the higher tuition. In some of the Western states where college is less affordable, spending on need-based aid is shrinking. Moreover, in recent years state financial aid policies have increasingly emphasized merit-based aid and tax incentives for college savings plans. These plans are more likely to benefit children of the middle and upper classes, because academic achievement is closely linked to income.

In academic year 1997-98, only 15 percent of the region's undergraduates received need-based aid, compared to 20 percent nationally, though need-based funds accounted for 92 percent of aid awarded by state grant programs.[8] Moreover, the region's average state aid dollar per FTE was below the national avarage. Among 10 WICHE states that responded to a survey for fiscal year 2001, California reported an increase in student aid spending of 36.5 percent over last year, with the majority going to the newly created merit-grant component of the student aid package.[9] Washington increased state aid funds by nearly 14 percent over the prior year, while Colorado added 7 percent.

States have increasingly turned to merit aid programs. In recent years, Alaska, Nevada, New Mexico, and Washington established merit-scholarship programs aimed at a broader range of students than those served by traditional programs like the National Merit Scholars. These broad-based programs ignore family income.[10] California pioneered a state aid program that mixes merit with need.

College Tuition & Savings Plans

State aid may also come in the form of tax incentives to residents who enroll in state-sponsored college savings plans, which may not benefit low-income students. All WICHE states except South Dakota have college savings plans, but state tax exemptions come in different forms and the economic impact for the state and the student is not always clear.

- An investment of up to $1,315 in Utah or $2,000 in Oregon is state income tax exempt for tax year 2000.
- New Mexico is more generous: All contributions to the state's college savings plan and investment earnings in the plan are state tax exempt.
- The increased value in Colorado's college savings plan is exempt from state tax.
- Arizona residents receive state tax exemptions when funds from their state-sponsored college savings plan are used to pay qualified higher education expenses.

How should states consider federal aid in state-aid decisions? The interaction of federal, state, and institutional financial aid is complex and often uncoordinated, making it difficult to shape state policy far in advance. The federal Hope and Lifetime Learning tax credits influence state and institutional aid decisions, but timely, accurate state-level data on the recipients of these federal programs has been an unattainable goal for policymakers seeking to factor that information into state planning. The recent increase in the maximum Pell Grant award, with an additional increase under consideration, is a significant development that will also influence state aid policies. Several issues are involved, in these federal programs, yet their impact on state and institutional aid is not clear: Should states and institutions freeze financial aid at current levels? Should they decrease aid since the federal programs provide additional support? Should there be a shift in how state and institutional dollars are allocated – from need- to merit-based programs or from merit to need? Should the outcomes of federal programs alter the ways that states use financial aid to broaden access?

Some argue that tax credits could cover a portion of the costs now shouldered by states through low tuition and new merit-based scholarships. However, low tuition and fees or state financial-aid awards can reduce students' out-of-pocket costs that could lower the tax benefits. A study of California's public community colleges and the University of California system estimates that two-thirds of their students, roughly one million people, are ineligible for tax credits due to the low matriculation fees and readily available financial aid.

Research to help states understand the impact of federal programs is beginning to emerge. A recent report evaluated Georgia's HOPE Scholarship, the inspiration for the federal HOPE Scholarship.[11] The author found that the college attendance rate had risen by nearly 11 percentage points among those youth most likely eligible for Georgia HOPE, relative to attendance of a similar population in nearby states. However, this increase was concentrated among Georgia's white students; the black enrollment rate did not appear affected by HOPE. The differential impact of HOPE on blacks and whites is likely attributable to the focus of HOPE on middle- and upper-income students who perform well in high school. HOPE provided almost no benefits to the lowest-income students, since the scholarship was reduced dollar for dollar by other sources of aid, including the need-based Pell Grant.

HOPE & Lifetime Learning Tax Credits

The first year (1998) the federal Hope and the Lifetime Learning tax credits were available, $3.5 billion in benefits were claimed on almost 4.8 million tax returns. Taxpayers who earned $50,000 and above claimed almost half of the benefits.[12] The U.S. Dept. of Education has estimated that 13.1 million Americans will have received a total of $9.7 billion annually from the two tax credits by spring 2000.

How should tuition and fees levels relate to state funding for higher education? Although Western states have received higher state appropriations in recent years, slower economic growth is anticipated in most states, and many are now grappling with lower-than-projected revenues in their legislative sessions. In a 50-state analysis, Harold Hovey concluded that state and local governments would need to increase spending by about the same percentage as the increase in total personal income of all Americans just to maintain current service levels.[13] Since tuition and fees revenues represent a significant proportion of current fund revenues – 25 percent on average for the region's baccalaureate/ master's institutions in 1997 – the temptation to increase the student's share of the cost of education is strong when other revenue streams constrict.[14]

Revenues from the state and tuition and fees for the region's public institutions increased at rates lower than the national average increase. Since 1995, the average yearly increase in state spending on higher education has outpaced inflation for the WICHE region; however, the regional average increase of 4.7 percent is well below the national rate of 6.4 percent.[15] Montana, Wyoming, Alaska, and Hawaii are now spending less on higher education than they would be had their appropriations simply kept pace with inflation over the past 10 years.[16] Between 1995 and 2000, tuition and fees at the region's public two-year colleges (excluding California institutions) increased over 27 percent, somewhat more than the national average of 23 percent.[17] At public four-year institutions, the increase rate was 16 percent, compared to the national average of 23 percent.

Affordability of public higher education may be adversely affected when state appropriations increase too little or actually decline. Some instances of how tuition and fees levels rise when the rate of increase in the state's appropriations to higher education is low:

- The University of Hawaii system increased tuition and fees by at least 80 percent in the past five years as state appropriations to higher education decreased, a rate five times higher than the regional average.
- Montana and Wyoming institutions experienced tuition and fees growth of over 28 percent versus the regional average of 16 percent.
- In academic year 2000-01, public four-year institutions in New Mexico – where the state appropriation to higher education increased but at a level below the regional average – saw the largest rate of increase for tuition and fees among WICHE states.
- In the past two years, Nevada also lagged behind the regional increase in state appropriations to higher education, and tuition and fees levels at its public two-year colleges rose more than 13 percent.[18]
- In comparison, California increased state spending on higher education while freezing or reducing the matriculation fee.

For fiscal year 2001, state appropriations to higher education increased 5.1 percent over the year before in the West, less than the national rate of 7 percent.[19] After adjusting for prior-year inflation of 3.4 percent, eight WICHE states increased spending on higher education while seven others did not.[20] In Hawaii, the state appropriation to higher education actually dropped nearly 1 percent, even before adjusting for inflation. California, in sharp contrast, has increased its appropriation to higher education by 17 percent.

Conclusion

Tuition and fees in the West have remained low compared to the national average; resident undergraduate tuition and fees at public four-year institutions increased less than the rate of inflation, but charges at two-year colleges outpaced inflation. Affordability is an increasing concern in the West: When examined against the state's median household income, and when financial aid to needy students is taken into account, college affordability differs significantly among WICHE states. Improving college affordability for economically disadvantaged families and keeping institutions well financed to maintain the quality of education will become increasingly difficult priorities to manage.

Endnotes

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