

## Tuition and Fees in the West 2008-09

Average resident undergraduate tuition and fees for the academic year 2008-09 at public two-year institutions in the WICHE states increased by 4.6 percent (\$110) from the previous year, while published prices at public four-year institutions grew by 6.3 percent (\$300). Regional increases were similar to those of the nation, which averaged 4.7 percent for two-year institutions and 6.4 percent for four-year schools. During the same period, the Consumer Price Index rose 5.2 percent. Actual levels of tuition and fees in the West remained substantially below the national average for four-year institutions (by 22.6 percent), but the West's average tuition and fees level for two-year institutions (excluding California's) had levels slightly above the national average.

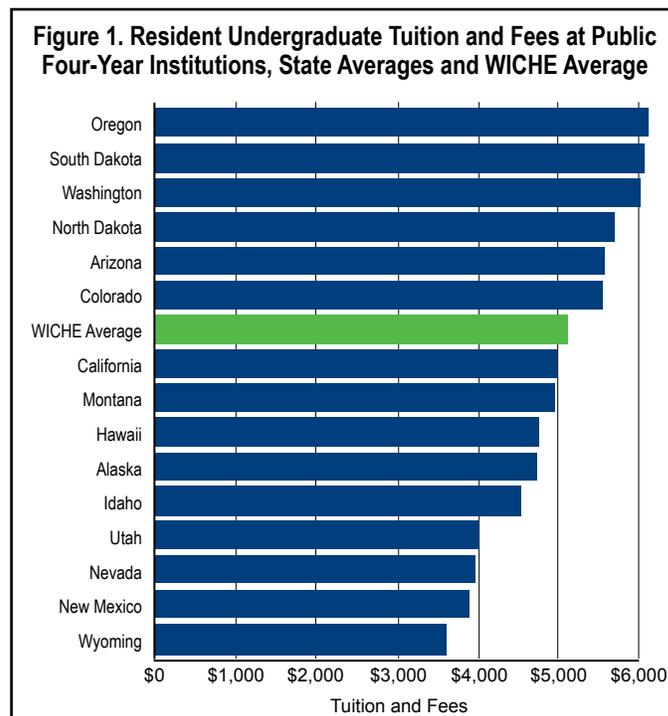
This issue of *Policy Insights* reviews the results from WICHE's annual survey of tuition and fees at public colleges and universities in the region. Complete data are available in *Tuition and Fees in Public Higher Education in the West, 2008-09: Detailed Tuition and Fees Tables*, published by WICHE in November 2008 and available at [www.wiche.edu/policy](http://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.<sup>1</sup> Respondents are invited to correct previous years' data, and the averages calculated are not weighted by enrollments.

### Four-Year Institutions

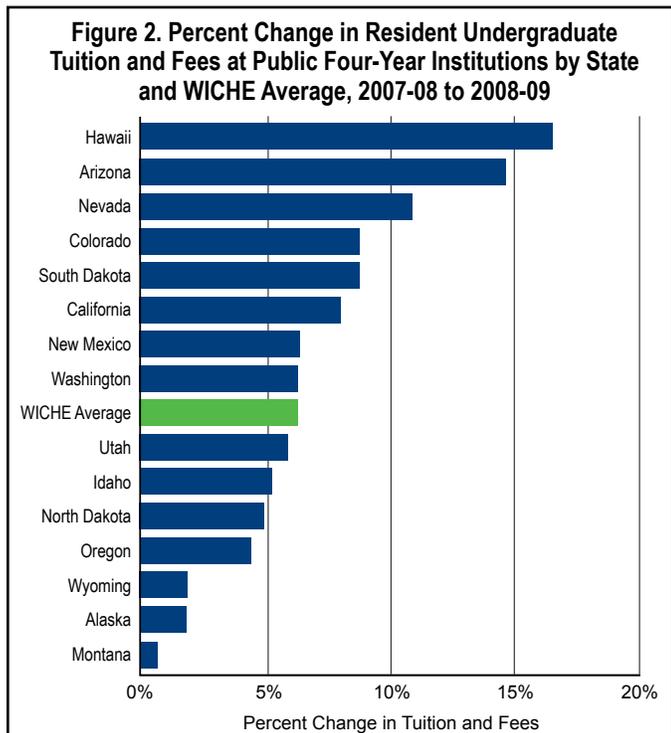
Average tuition and fees for resident undergraduates in 2008-09 at public four-year institutions in the region were \$5,094, an increase over the previous year of \$300 (6.3 percent).<sup>2</sup> By comparison, the national average was \$6,585, which was up \$394 (6.4 percent).<sup>3</sup> After adjusting for inflation, the change in average resident undergraduate tuition in the region was 3.3 percent over 2007-08 and 25.2 percent over the previous five years.<sup>4</sup>

Within the region there was substantial variation in tuition prices at four-year

institutions, ranging from \$2,688 at New Mexico Highlands University to \$11,239 at the Colorado School of Mines. The statewide average price in this sector was lowest in New Mexico, at \$3,901, and highest in Oregon, at \$6,130 (Figure 1). The largest one-year increase in percentage terms occurred in Hawaii, where average statewide tuition and fees climbed 16.5 percent; the smallest rate of



growth was in Montana (Figure 2). Wyoming had the lowest average increase in dollar terms, \$33; while students in Arizona paid the highest average increase, \$715.



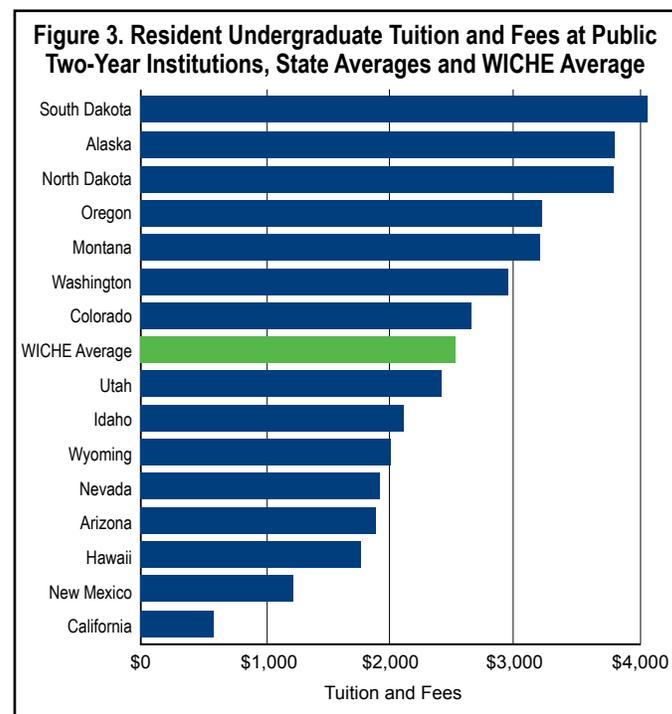
The rate of growth in nonresident undergraduate tuition and fees at public four-year institutions in the region did not climb as quickly this year as the resident rates did. The average nonresident undergraduate rate was \$15,447, up 5.1 percent from 2007-08. But when measured in dollars, the increase, at \$754 on average across the region, exceeded the change in resident undergraduate tuition and fees. New Mexico Highlands University charged nonresidents the lowest tuition, at \$4,032, while the most expensive institution for nonresidents was the University of California, Davis, at \$29,247.

### Two-Year Institutions

Tuition and fees for resident in-district students at public two-year colleges in the WICHE states, excluding California, averaged \$2,505 in 2008-09, an increase of \$110 (4.6 percent) over the previous year and \$665 (36.1 percent) over the past five years.<sup>5</sup> By comparison, the

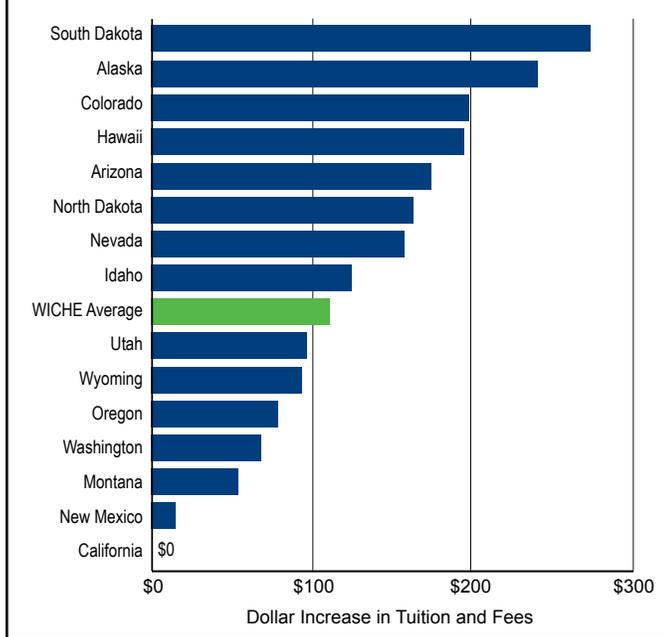
national average was slightly lower at \$2,405, so the West's average two-year tuition rate exceeded the national figure for the third consecutive year. The national increase over the previous year was comparable to the West's, at \$108 or 4.7 percent.<sup>6</sup> The West's inflation-adjusted growth was \$40 (1.7 percent) in the past year.<sup>7</sup>

Within the WICHE states, the community colleges in California continued to charge the lowest rates after reducing their fees for full-time, in-district students to \$600. Other than California, the state charging the lowest average tuition and fees was New Mexico, at \$1,227; while the highest was South Dakota, where the average was \$4,060 (Figure 3). The biggest increase occurred in South Dakota, where the average price went up \$273, or 7.2



percent. The largest percent increase was in Hawaii, where the average price climbed by 12.4 percent, or \$194. California did not change the fees it charges residents attending its two-year institutions (Figure 4). But aside from that state, New Mexico had the smallest increase, at only \$15 (1.2 percent).

**Figure 4. Dollar Change in Resident Undergraduate Tuition and Fees at Public Two-Year Institutions by State and WICHE Average, 2007-08 to 2008-09**



## Policy Implications

Tuition and fees levels are one of the three major policy decisions states must consider in financing their public higher education institutions. The other two relate to the level of appropriations each institution will receive from state legislators and to the amount available for awards through state financial aid programs, as well as the methods of distributing them.

Too often, these three policies are disconnected from one another. Even though they exert a combined impact on the degree to which students are able to access, afford, and be successful in public institutions, states tend to consider these three levers independently from one another.<sup>8</sup> For instance, in many states the legislature provides institutional appropriations as part of its budget process, balancing in some way the demands of higher education against those from competing state needs (such as healthcare, public schools, corrections, and transportation); typically, in a good budget year, the state will provide an incremental increase over the previous year's appropriation. Meanwhile, another group of state leaders is setting tuition policy, taking the institutional appropriation into consideration as part of a strategy to preserve overall

institutional funding levels. The result of these nonintegrated policy discussions is that tuition prices have traditionally been countercyclical: when the economy sours and state tax revenues fall, tuition prices climb faster than normal to offset the decline in institutional appropriations. Allocations to state financial aid programs are provided for last, and the manner in which states award grants is rarely well integrated with what would reduce the financial barriers to enrollment and success given the actual costs of attendance faced by students in the state.

These issues are especially important as our national economy grows weaker and as rapid demographic shifts are changing the face of our student population. While published tuition prices in the West grew at a moderate pace overall between 2007-08 and 2008-09, many states in the West have reduced their projections of tax revenue since those prices were set, with some states now considering further tuition increases to offset likely reductions in appropriations. While indications are that the higher education sector in most Western states may not have to assume the bulk of budget cuts, as they have in the most recent periods of economic decline, neither can they expect to be spared the sting of the budget axe entirely.

## Demographic Challenges Ahead

These trying budgetary times coincide with a seminal milestone in the shape of enrollment demand. According to WICHE's projections, the class of 2008 represented the peak level of production of high school graduates both nationally and in the West.<sup>9</sup> That class marked the last of 14 consecutive years in which the number of high school graduates nationally grew rapidly. While the number of high school graduates will decline considerably over the next seven years, the West as a whole can expect to see a more modest decline. (However, the regional pattern obscures the likely fates of individual states: while Arizona,

Nevada, and Utah will continue to see explosive growth, Wyoming, Montana, North Dakota, and South Dakota will see the number of high school grads slip further).

But while overall capacity challenges will continue to be pressing concerns for policymakers, in many ways the more important story is how dramatically our public high school graduating classes are diversifying. Public high schools already graduate more minority students than White non-Hispanic students in a few states in the region, including California, New Mexico, and Hawaii. By the time the class of 2015 graduates, that list is expected to grow to include Arizona and Nevada, and other states will be rapidly approaching “majority-minority” status. Even in states along the northern tier of the nation, graduating classes are diversifying rapidly. By 2015 roughly 55 percent of the region’s public high school graduates are projected to be non-White. Virtually everywhere this trend is driven by explosive growth among Hispanic graduates coupled with substantial decreases in the number of White non-Hispanic graduates.<sup>10</sup>

Unfortunately, our fastest-growing populations are precisely those that our nation’s education system has not served very well historically. The Hispanic population in the West leaks out of our education pipeline at alarmingly high rates compared with Whites. Consequently, the share of Hispanics with at least an associate’s degree falls nearly 31 percentage points below that for White non-Hispanics.<sup>11</sup> In an age where education increasingly makes the difference in whether individuals can achieve a middle-class lifestyle, or even obtain living-wage employment, these demographic changes portend serious social justice issues.

They also pose daunting problems for our nation. Today, when economies in the global marketplace are inextricably linked and increasingly competitive, the U.S. depends more heavily than ever on its comparative advantages in producing innovation and a skilled, well-educated labor force. Our failure

to close historic educational attainment gaps in the face of these demographic shifts has enormous implications for our continued economic prosperity and, ultimately, our national security. The challenge ahead is readily apparent: we must adopt public policies that clear away impediments to educational achievement. Since minority populations tend to be relatively poor, the cost of higher education is one major impediment to increased college enrollment and degree or certificate attainment.

### **Striking a Balance in Tuition and Aid Policies**

Tuition policy is sure to have an impact on the degree to which these more diverse cohorts will elect to pursue their education beyond high school (just as it will also impact the enrollment decisions of nontraditional-age populations). So will the availability of financial aid to low-income populations, particularly grant aid that does not have to be repaid. Finding an appropriate balance between how much to charge students attending public institutions and how much to reduce that burden with need-based financial aid is vital to preserving access and promoting success in college.

Policymakers engaged in this balancing act are on the horns of a delicate dilemma. While the West as a region has historically kept tuition at public institutions low to promote access, some economists long ago contended that a policy of low tuition may be a particularly inefficient way to allocate scarce public resources. Their argument went as follows: since all students (and their families) benefit from low tuition regardless of their ability to pay and since students from wealthier backgrounds tend to enroll at higher rates than those from poorer families, the large subsidies to institutions that enable low tuition tend to disproportionately benefit well-off students while having a limited impact on access. Instead, they suggested letting prices rise and selectively awarding need-based aid to those whose enrollment

decisions are most dependent on finances. In this way, policymakers could improve accessibility to a postsecondary education for less money or, more commonly, allow them to deliver better funding to institutions as an investment in quality without reducing access for those in financial need.

This argument for a high-tuition/high-aid model is conceptually sound, but the degree to which it reflects reality depends on the validity of the assumptions on which it is built. One of those assumptions is that prospective students give equal weight to a decrease in the published tuition price as they do to the same size increase in a grant award they would receive. In fact, research shows that this is not true; rather, students tend to place more value on the published tuition price than they do on the possibility of a grant. This gets to another problematic assumption: that students would know of their own grant awards early enough so that they could incorporate this knowledge into their enrollment decision, by being able to calculate exactly what the true costs of attendance would be. In fact, students seldom learn about the amount of grant aid they will receive prior to their decision to enroll, and only rarely can students know anything about the value of the grant for which they are eligible early enough for it to be a factor in planning for college.

Grant aid provided by the state is generally better in this regard than institutional grant aid. Students generally can know earlier what the eligibility rules are for their state's grant program, and in some states they have some sense of what the size of the grant is likely to be. A state grant program can be designed in part to help students understand their eligibility for an award, giving them a leg up on the task of planning for how they will pay for college. Examples of states with programs that best facilitate that kind of planning include Indiana and Oklahoma, which administer early commitment programs targeting students as early as middle school; Minnesota and Oregon,

which utilize a transparent conceptual model for awarding grants that conveys to students and their families the message that college is affordable (the Shared Responsibility Model); and states that make large tuition-free promises based on merit like Georgia (although merit-based awards tend not to go to students who are in the most financial need and so have only a limited impact on access). By contrast, institutions typically withhold information about the grants they award from their own resources until late in the decision-making process, sometimes even after students are admitted and enrolled.

At any rate, it takes a certain amount of savvy about financial transactions to appreciate fully the role that grant aid may play in paying for college – savvy that poorer students are far less likely to have developed. If one has not typically been involved in transactions much more complicated than making day-to-day purchases such as for food and clothing, one is likely to understand prices in a fairly straightforward, nonnegotiable way. Therefore, it is crucial that policymakers pay careful attention to the different signals they send to different segments of the prospective student population when weighing whether to let tuitions climb. It is paramount that an increase in need-based grant aid funding accompanies any sizeable tuition hike in order to limit the reduction in accessibility, but it seems clear that this process of “backfilling” with aid may not completely offset the impact of a substantial increase in published tuition prices.

States throughout the region have adopted quite different policy postures with respect to this balance, and policymakers must account for their state's unique historical and policy contexts in their deliberations. Table 1 shows the estimated share of median family income it takes to pay for the full published tuition and fees price at public institutions by state and the amount of state need-based grants awarded to undergraduates during the 2007-08 academic year per full-time-equivalent student.

	Published Tuition and Fees as a Percent of Median Household Income		State Need-Based Grant Dollars per Undergraduate Student
	Public Four-Year Institutions	Public Two-Year Institutions	
Alaska	7.4%	5.6%	\$33
Arizona	10.3%	3.6%	\$37
California	8.3%	1.1%	\$509
Colorado	8.4%	4.0%	\$283
Hawaii	6.4%	2.5%	\$10
Idaho	8.8%	4.0%	\$17
Montana	11.4%	7.2%	\$124
Nevada	6.7%	3.3%	\$196
New Mexico	8.3%	2.7%	\$278
North Dakota	11.5%	7.7%	\$50
Oregon*	11.7%	6.2%	\$255*
South Dakota	12.1%	8.2%	\$0
Utah	7.1%	4.3%	\$53
Washington	9.8%	5.0%	\$756
Wyoming	7.3%	4.0%	\$7

\*Oregon made significant changes in its principal need-based grant, effective in 2008-09, and more than doubled the state appropriation.

Sources: WICHE, U.S. Census Bureau, NASSGAP.

## Summary

Now that our national economy has officially fallen into a recession, it is clear that higher education will be bracing once again for cuts as state tax revenues decline. History indicates that tuition prices likely will climb more rapidly than usual at public institutions as state appropriations do not keep pace. This is especially unfortunate given the demographic changes already underway and the economic need to close persistent gaps in educational attainment, since rising published tuition prices likely disproportionately impact the enrollment decisions of underrepresented populations and the poor (often one and the same group). Nonetheless, wherever tuition does go up in response to declining state funding, it is vital that policymakers ensure that these students have access to higher education by providing support for them through a need-based grant aid program that is as transparent and well-advertised as possible.

*This issue of Policy Insights was prepared by Brian T. Prescott, director of policy research, WICHE. He can be reached at 303.541.0255 or bprescott@wiche.edu.*

## Endnotes

<sup>1</sup> A complete list of respondents is available in the report.

<sup>2</sup> 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 \$2,760 in 2008-09, from \$2,580 in the previous academic year.

<sup>3</sup> College Board, "Trends in College Pricing" (Washington, D.C.: College Board, 2007), Tables 1 and 3b. 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). The HECA index climbed by 2.9 percent, and the difference between its rate and the Consumer Price Index (CPI) accounts for why the inflation-adjusted percentage growth in tuition is lower than the growth in the CPI.

<sup>5</sup> 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.

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

<sup>7</sup> Inflation adjustments here used the HECA rather than the CPI, which accounts for the lower percentage growth amount.

<sup>8</sup> Western Interstate Commission for Higher Education (WICHE), Policies in Sync: Appropriations, Tuition, and Financial Aid for Higher Education (Boulder, CO: WICHE, 2003)

<sup>9</sup> Western Interstate Commission for Higher Education (WICHE), Knocking at the College Door: Projections of High School Graduates by State and Race/Ethnicity (Boulder, CO: WICHE, 2008).

<sup>10</sup> Ibid.

<sup>11</sup> Author's calculations from [www.higheredinfo.org](http://www.higheredinfo.org).

**Western Interstate Commission for Higher Education  
3035 Center Green Drive, Boulder, CO 80301-2204**

David A. Longanecker, President  
Tel: 303.541.0254 Fax: 303.541.0291

E-mail: [Policy@wiche.edu](mailto:Policy@wiche.edu)

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