WICHE
Western Interstate Commission for Higher Education

Policy Insights

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Tuition and Fees in the West 2006-07

Resident undergraduate tuition and fees for the academic year 2006-07 at public two-year institutions in the WICHE states increased by 5.1 percent from the previous year, while the rates at public four-year institutions increased by 6 percent. These increases compared to a 4.1 percent rise in the consumer price index. For the four-year institutions, the increases compared favorably to the 6.3 percent rate of increase nationally, but the growth rate at the two-year institutions in the West exceeded the national rate of 4.1 percent. Actual levels of tuition and fees in the West remain substantially below the national average for four-year institutions (by 25 percent), while the average rate at two-year institutions in the West surpassed the national average for the first time ever.

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, 2006-07: Detailed Tuition and Fees Tables*, published by WICHE in November 2006 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.

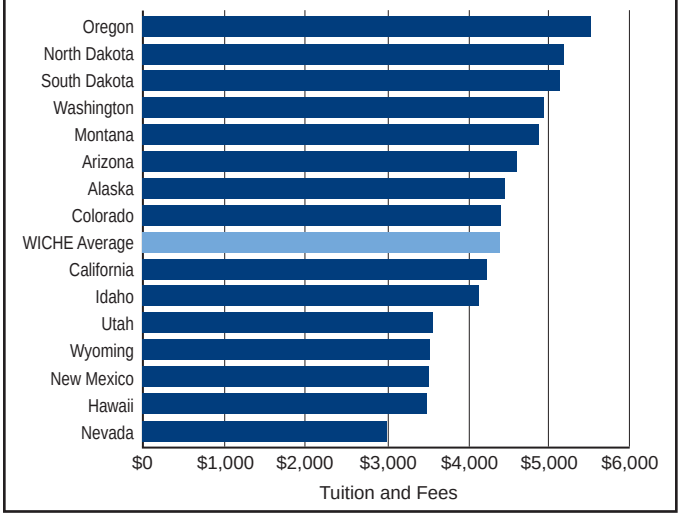
As it did for the first time last year, the report displays information about campus mandatory fees charged to undergraduates in its appendices. Users of the report are cautioned against making simple comparisons between the fees charged by institutions, due to the substantial variability in what "fees" consist of, what they pay for, and who determines their levels.

Four-Year Institutions

Average tuition and fees for resident undergraduates in 2006-07 at public four-year institutions in the region were $4,359, an increase over the previous year of $211 (5.1 percent).[2] By comparison, the national average was $5,836, which was up $344 (6.3 percent).[3] After adjusting for inflation, the change in average resident undergraduate tuition in the region was 1.1 percent over 2005-06, considerably more modest than the 29.4 percent rate of increase over the previous five years.[4]

Within the region, there was substantial variation in tuition prices at four-year institutions, ranging from $2,424 at New Mexico Highlands University to $8,835 at the Colorado School of Mines. The statewide average price was lowest in Nevada, at $2,977, and highest in Oregon, at $5,498 (Figure 1). The largest one-year increase occurred in Hawaii, where average statewide tuition and fees climbed 21.6 percent; the smallest rate of growth was in California (Figure 2). Resident undergraduate tuition and fees at public doctorate-granting universities across the region averaged $5,321 in 2006-07, while all other public four-year institutions charged an average price of $3,777.

Figure 1. 2006-07 Resident Tuition and Fees at Public Four-Year Institutions, State Averages and WICHE Average



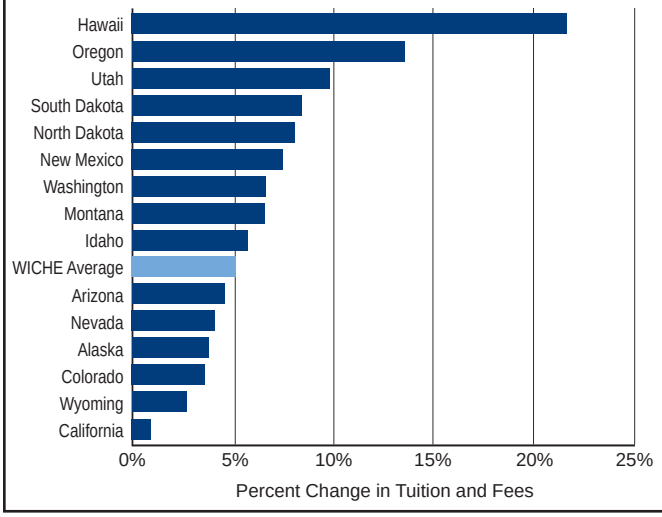
Changes in nonresident undergraduate tuition and fees at public four-year institutions in the region did not climb as quickly as the resident rates. The average nonresident undergraduate rate was $14,124, up 4.9 percent from 2005-06. New Mexico Highlands University charged nonresidents the lowest tuition, at $3,636, while the most expensive institution for nonresidents was the University of California, Davis, at $26,260.

Two-Year Institutions

Tuition and fees for resident in-district students at public two-year colleges in the WICHE states, excluding

Policy Insights examines current issues in higher education from the perspective of policymakers at the state level and on campus.

Figure 2. Percent Change in Resident Tuition and Fees at Public Four-Year Institutions by State and WICHE Average, 2005-06 to 2006-07



California, averaged $2,308 in 2006-07, an increase of $131 (6 percent) over the previous year and $767 (49.7 percent) over the past five years.[5] By comparison, the national average was slightly lower at $2,272, the first time the West's average two-year tuition rate exceeded the national figure. The national increase over the previous year was smaller than the West's, both in percentage terms (4.1) and in actual level ($90).[6] The West's inflation-adjusted growth was $65 (2.1 percent) in the past year.

Within the WICHE states, the community colleges in California continued to charge the lowest rates after maintaining their fees for full-time in-district students at $690, which reflected a reduction from the previous year. Not including California, the state charging the lowest average tuition and fees was New Mexico at $1,296, while the highest was North Dakota, where the average was $3,442 (Figure 3). The biggest increase occurred in Alaska, where the average price went up $551, 20.3 percent (however, only one two-year institution in Alaska is included in the report). Aside from Alaska, the biggest increase was in North Dakota, where the average price increased $240 (7.5 percent). Meanwhile, the $18 increase (1 percent) in Wyoming was the smallest increase (Figure 4). Overall, the rate of growth in average two-year college tuition and fees over the past year exceeded the national average rate in 10 of the 15 WICHE states.

Figure 3. 2006-07 Resident In-District Tuition and Fees at Public Two-Year Institutions, State Averages and WICHE Average

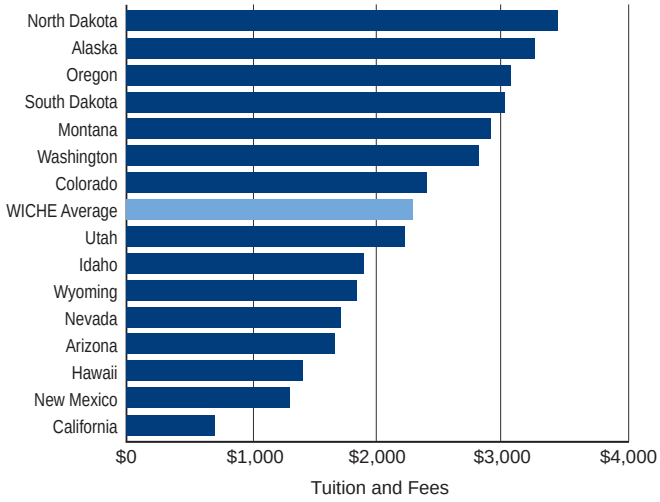
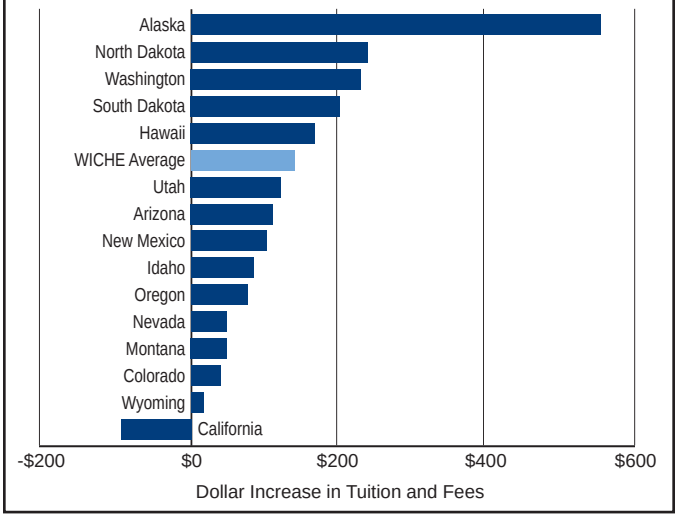


Figure 4. Change in In-District Tuition and Fees at Public Two-Year Institutions by State and WICHE Average, 2005-06 to 2006-07



Policy Implications

Tuition levels are key factors in whether a state's public higher education institutions are broadly accessible to the most price-sensitive of students, as well as affordable for everyone. But tuition levels are not set in a vacuum. The remainder of this brief discusses the relationship between tuition levels and state budgets and appropriations to higher education, while also commenting on the ongoing need for policymakers to be vigilant in protecting access for the most needy students.

In 2006-07, average resident tuition and fees charges at public four-year institutions in the West showed the slowest one-year growth rate since 2002-03. The growth rate for resident students at public two-year colleges has not grown so slowly in the West since 2000-01, but the news that the average price of two-year colleges in the West has exceeded the national average for the first time is troubling for a region that has long prided itself on keeping tuition down.[7] Given that two-year institutions tend to disproportionately enroll students who are traditionally underrepresented or especially price sensitive, the crossing of these trend lines bears noting because it could portend further retreat from the low-tuition strategy in the West.

Otherwise, the slowing of the pace in the growth rate of tuition in both sectors is good news, the result of a recovery in state general fund (GF) revenues and expenditures on higher education. Table 1 shows the robust growth in most Western states' budgets and corresponding increased commitments to their higher education enterprises. Historically, at public higher education institutions (nationally as well as in the West), there has been an inverse relationship between state appropriations and tuition charges (Figure 5 shows this

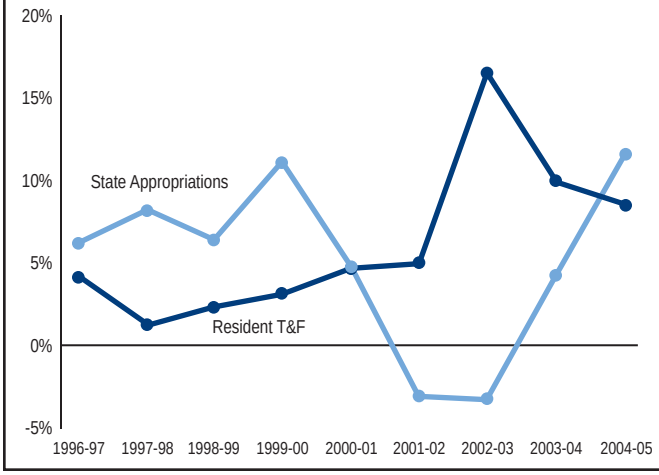
relationship for public four-year institutions in the West). So it is no surprise that the recent rapid growth in public tuition prices has slackened, given increased state spending on higher education.

Table 1. Percent Change in General Fund Revenues and Spending on Higher Education[8]

State*	Percent Change in GF Revenues FY2004 to FY2005	Percent Change in Estimated State Spending on Higher Education, FY2005 to FY2006
Alaska	31.0	7.5
Arizona	15.6	6.4
California	10.2	8.8
Colorado	5.0	1.5
Hawaii	9.6	19.5
Idaho	8.3	1.5
Montana	1.2	9.0
Nevada	19.4	10.0
New Mexico	2.0	6.3
North Dakota	4.1	2.5
Oregon	12.1	3.1
South Dakota	8.4	2.7
Utah	6.9	5.8
Washington	8.0	4.2

*Wyoming reported no change between the last year of one biennium and the first year of the next biennium.

Figure 5. Percent Change in State Appropriations and Resident Tuition and Fees at Four-Year Public Institutions, WICHE States



In the midst of the generally good news for public higher education funding, there remain reasons to be concerned about access and affordability. First, the change in published tuition prices is a highly visible, closely tracked benchmark, and it may be the key factor in whether the least savvy potential students – typically poor or minority – use in their decision to enroll or not. But increasingly few students or their families actually pay the full tuition amount advertised, as a result of tuition-discounting practices, grant aid they receive from multiple sources, tax benefits, or a combination of these. The importance of considering "net price" in assessing access and affordability is made clear by evidence showing that net price has risen more rapidly than advertised tuition and fees since 2001-02.[9]

Furthermore, colleges and universities have considerable control over the resulting net price they ultimately charge individual students. Because different students end up facing different prices, this practice amounts to a form of price discrimination and, while it has been more closely associated with private institutions, public colleges and universities now rely on it extensively as well. State policymakers should be conscious of how such practices can conflict with the goals of access and affordability.

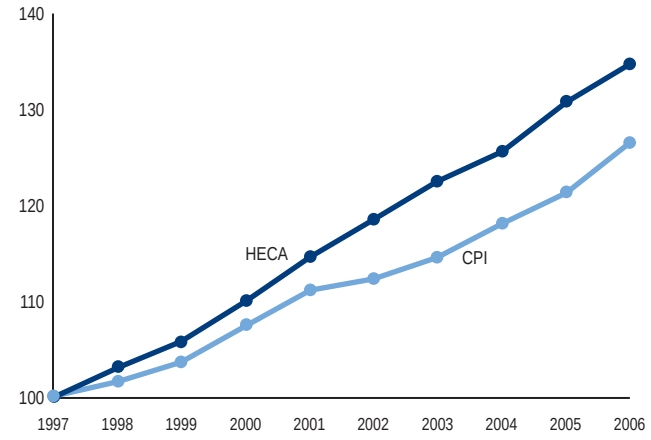
Besides efforts to limit increases in tuition, states have a complementary tool to protect access for students who are most vulnerable to high prices: need-based grant aid. The most recent data available on state spending on financial aid only come up to the 2003-04 academic year, but since then California, New Mexico, Oregon, and Washington have been vigilant in substantially increasing their spending on their existing need-based aid programs while Montana and Wyoming both created new need-based aid programs.

In addition, even in a climate of increased state appropriations to public higher education institutions, there are some pressures pushing upward on advertised tuition prices of which state policymakers should be aware. First, as higher education funding recovers from the widespread cuts of the first half of the decade, institutions will seek to make expenditures that were postponed during those leaner times, particularly to make some headway on deferred maintenance backlogs, to fund other capital improvements, and to increase salaries suppressed during budget cuts. Second, enrollment growth that exceeds inflation-adjusted growth in state funding will push tuition higher.

Moreover, by higher education's very nature, its costs can generally be expected to outpace the rate of inflation for society at large. A comparison between the national inflation rate and an index commonly used for measuring the costs of higher education more specifically (the Higher Education Cost Adjustment) bears this out (Figure 6).[10] This is consistent with other so-called "handicraft industries," which can be characterized by the difficulty they face in obtaining greater efficiencies by substituting technology for talented labor.[11] Just as it is hard to conceive of anything other than highly skilled performers on stage in the production of a Broadway musical, higher education institutions are reliant on highly educated talent in the production of college graduates. There is evidence demonstrating that nonprofit colleges and universities can benefit from thoughtful and appropriate uses of technology to improve efficiency and even learning outcomes, although successful projects to date appear to be difficult to replicate at scale.[12] These efforts show promise and should be encouraged, and state policies should be designed so as to not stifle such innovation. Nevertheless, it is unlikely nonprofit higher education institutions will soon be able to do without a large, highly trained professional workforce, especially so long as consumers identify quality with measures of inputs, such as faculty-student ratios. Yet states can and should seek out ways to promote efficiency gains at their public postsecondary institutions without sacrificing educational quality. One way states can do so is to ensure that the measures of institutional performance they rely on offer the right mix of incentives to promote retention and

degree completion, especially among students from historically underrepresented backgrounds.

Figure 6. The Consumer Price Index (CPI) vs. the Higher Education Cost Adjustment (HECA), 1997 to 2006



Note: Both indexes set to 1997 = 100.

The need for improved efficiency is acute, given demographic trends showing continued rapid growth in the number of high school graduates in most Western states, especially through 2009-10. These trends will continue to exert some upward pressure on tuition as states struggle to accommodate the increased demand. Policymakers in states such as Arizona, Colorado, California, Nevada, and Utah will have to take care to assure that demand pressures do not lead to higher prices and restricted access, particularly for students from low-income backgrounds. In particular, these states are likely to see increasing competition for admission into their four-year institutions, which may follow in the footsteps of their counterparts in other states to argue that their prices are too low, given the heightened demand.

At the same time, the two-year sector, with its historic open-access mission, may struggle to keep tuition rates in check if state funding levels do not keep pace with escalating enrollment levels. Policymakers should be particularly concerned with this possibility because the fastest growth in enrollment demand is projected to come from traditionally underrepresented populations, who are more likely to attend two-year rather than four-year colleges.

Meanwhile, in WICHE states such as Montana, New Mexico, North Dakota, South Dakota, and Wyoming, the number of high school graduates is expected to decline. Some institutions in these states have already started to respond by slashing the prices they charge nonresident students. New Mexico Highlands University and Mayville State University in North Dakota are examples of two institutions that have recently cut their nonresident tuition rates. But even within states with growing demand, there are institutions responding to localized demographic trends. For instance, in Colorado there are two community colleges located on the rural eastern plains of that state that sharply reduced their nonresident rates for 2006-07. Whether this strategy will be sufficient to induce students to cross borders – especially those from states with rising enrollment demand, where competition for admissions is intensifying – is uncertain. Even if the strategy works, institutions resorting to it nonetheless may find themselves without sufficient resources given no accompanying state funding for these additional, nonresident students.

Finally, the dramatic demographic shifts that are moving the nation toward a more racially and ethnically diverse society have major implications for the WICHE states as well. In particular, Hispanics, who are the West's fastest-growing subpopulation, are also its least well educated. States that ignore the educational needs of this group and fail to design policies and mount outreach efforts will likely see their competitive position in the global economy suffer as a result.

Budget surpluses have allowed most states to keep a tighter lid on tuition increases this year than in previous years. But state policymakers must remain vigilant to ensure that college is perceived to be a viable option for underserved populations. This will require special attention to the rate of increase in the public two-year sector, where the most price-sensitive students are concentrated, as growth in average tuition charges there have outpaced those in the four-year sector this year.

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[1] A complete list of respondents is available 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, 2006), 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 the large number of them and their historically low fees distort regional patterns. Including them changes the average resident tuition and fees to $1,609 for 2006-07.

[6] College Board, "Trends in College Pricing."

[7] Comparing the College Board's figures, which are enrollment-weighted and based on a sample, with WICHE data, which are not enrollment-weighted and based on a population, is somewhat problematic. But both indicators have been tracked for many years in the same way, and the crossing of their trend lines is notable in spite of the precise construction of the indicators.

[8] National Conference of State Legislatures, *State Budget Actions FY 2005 and FY 2006* (Denver, CO: NCSL, 2006), Table 2 and Appendix G (WICHE calculations).

[9] College Board, "Trends in College Pricing," Figure 8c, p. 16.

[10] Bureau of Labor Statistics (for CPI); State Higher Education Executive Officers (for HECA).

[11] For a discussion of higher education as a handicraft industry, see William J. Baumol and Sue Anne Batey Blackman, "How to Think About Rising College Costs," *Planning for Higher Education, 23 (4)*, pp. 1-7.

[12] For information about the successful use of technology, see the National Center for Academic Transformation (www.center.rpi.edu/).

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