

Grapevine

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TIMELY DATA CIRCULATED WHILE CURRENT

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The tables on pages 2223 and 2224 focus on the appropriations for the operating expenses of the community and two-year colleges in 41 states. Table 1 includes 24 states in which the colleges are "state-aided," each receiving some proportion of funding from both state and local sources. In the 20 states shown in Table 2, the community colleges receive virtually all of their funding, other than tuition and fees, from state sources; thus, prompting the label "state" community colleges. Colorado, New Mexico and New York have both types of colleges and are included in both tables.

The most prominent characteristic of the two tables is the fact that in FY1989, the total amount appropriated by the states to these colleges was \$5.5 billion or about one-sixth of the total dollars appropriated to all of higher education that year. In magnitude of dollars appropriated, the amounts range from California's \$1.4 billion (about one-fourth of the \$5 billion appropriated to all of higher education in that state) to four states, each of which appropriated less than \$10 million to community colleges. Another characteristic this year is that, taken together, there was a 12% two-year gain in appropriations for these colleges, exceeding the 8.5% two-year gain reported for FY1988. In two-year gains, the "state-aided" community colleges increased from 7% in FY1988 to 13% in FY1989. While seven states shown in Table 1 had negative two-year gains in FY1988, most of the states in Table 1 show increases over those reported last year. Funding of "state" community colleges exhibits more stability in percentage gains, with a 12% two-year gain reported in both FY1988 and FY1989. In general, community colleges show percentage gains at least as great as, and frequently higher than, the percentage gain for all of higher education in their states. One explanation for this may be that specific programs in community colleges, such as partnerships with businesses, economic development efforts, and job training, are regarded by the state policymakers as a means for attracting private businesses and industries to their states.

FOCUS ON PRICE: TRENDS IN PUBLIC HIGHER EDUCATION: TUITION AND STATE SUPPORT

By John R. Wittstruck and Stephen M. Bragg

Published in July 1988, by the State Higher Education Executive Officers, 1860 Lincoln Street, Suite 310, Denver, CO 80295

Executive Summary

In the last quarter century, the U.S. higher education system has grown to become a large, complex and diverse enterprise. In the fall of 1987, an estimated 12.5 million students were enrolled in American public and private colleges and universities with 9.7 million students (77%) enrolled in the public sector (National Center for Education Statistics, 1987).

Financing such a vast enterprise is equally complex. Higher education revenue exceeded \$100 billion for the first time in fiscal year 1986. Nearly \$67 billion (65%) was revenue at public, four- and two-year colleges and universities. In fiscal 1986, four-year public institutions received 43% of their income from state and local governments and 14% from tuition, while two-year colleges received 64% from state and local governments and 16% from tuition (National Center for Education Statistics, 1988). The federal government also plays a major role in financing through student financial aid programs.

In recent years, the cost of operating such a vast system, the price of that system to students, and the costs to state and federal government have come under scrutiny (L. To 1987, O'Keefe 1987, Snyder and Galambos, 1988). One dimension of the current criticism has focused on recent increases in tuition and fees, questioning whether or not they have been excessive.

The purpose of this paper is to examine recent trends in tuition and required fees at public colleges and universities in relation to state support and selected economic indicators: the higher education price index (HEPI), the consumer price index (CPI) and per capita disposable income (PCDI).

The study addresses three questions: (1) Historically, what issues have surrounded the price of public higher education? (2) What have been the changes in tuition and required fees, state appropriations, the higher education price index, consumer price index, and per capita disposable income during the past two decades? and (3) How have the changes in tuition and fees compared to changes in relevant economic indicators?

(1) How much did resident undergraduate tuition and required fees increase in the last 15 years (1972-73 to 1987-88)?

--Public research universities increased their posted price from an average of \$549 to \$1,701, an increase of 210%. Increases were highest in the South, from \$459 to \$1,532, or 234%. The Northeast experienced the slowest rate of increase, 209%, from an average of \$539 to \$1,835.

--Public regional state colleges and universities increased their tuition and required fees from an average of \$466 to \$1,380, or 196%. The largest increase occurred in the South, from \$398 to \$1,239, or 211%. The smallest increase was in the Northeast, from \$606 to \$1,715, or 183%.

--Tuition and fees data for community colleges were unavailable prior to 1978-79. In the 10 years of available data, community college tuition and required fees increased 101% from an average of \$387 to \$780. The largest increase was in the South, from \$304 to \$661, 118%, but the lowest was in the Northcentral region, \$509 to \$999, or 96%.

Table 2. APPROPRIATIONS OF STATE TAX FUNDS FOR ANNUAL OPERATING EXPENSES OF STATE COMMUNITY COLLEGES, FY1989 AND TWO PRIOR FISCAL YEARS, IN THOUSANDS OF DOLLARS.

States	Year 1986-87	Year 1987-88	Year 1988-89	2-yr Gain Percent
(1)	(2)	(3)	(4)	(5)
North Carolina	304,873	323,594	325,587	7
Washington	214,106	218,407	232,440	9
Virginia	148,353	156,242	177,556	20
Massachusetts	130,524	134,658	152,469	17
New York*	84,799	93,070	95,937	13
South Carolina	86,085	87,814	92,836	8
Minnesota	61,486	65,923	75,788	23
Oklahoma	64,823	64,823	65,582	1
Tennessee	58,986	64,036	67,936	15
Georgia	65,663	63,454	66,453	1
Alabama	58,550	58,869	67,312	15
Connecticut	46,839	53,699	62,197	33
Colorado*	44,733	48,507	52,052	16
Rhode Island	21,380	23,260	25,711	20
Delaware	21,472	22,285	24,149	12
Nevada	18,924	21,565	23,522	24
Utah	14,634	15,401	15,650	7
West Virginia	10,388	9,921	10,538	1
New Mexico*	5,454	5,729	6,377	17
North Dakota	2,584	2,585	2,705	5
Totals	1,464,656	1,533,842	1,642,797	
Weighted average percentage of gain				12

*One of the states having both "local" and "state" community colleges.

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(2) How much did state appropriations increase in the last 15 years (1972-73 to 1987-88)?

State support for public higher education and related activities increased from \$8.5 billion to \$34.0 billion, or 300%. Public higher education in the South experienced the largest gain in state support, 354%, from \$2.5 billion to \$11.3 billion. The Northcentral states increased their support for public higher education the least, 232%, from \$2.4 billion to \$7.9 billion.

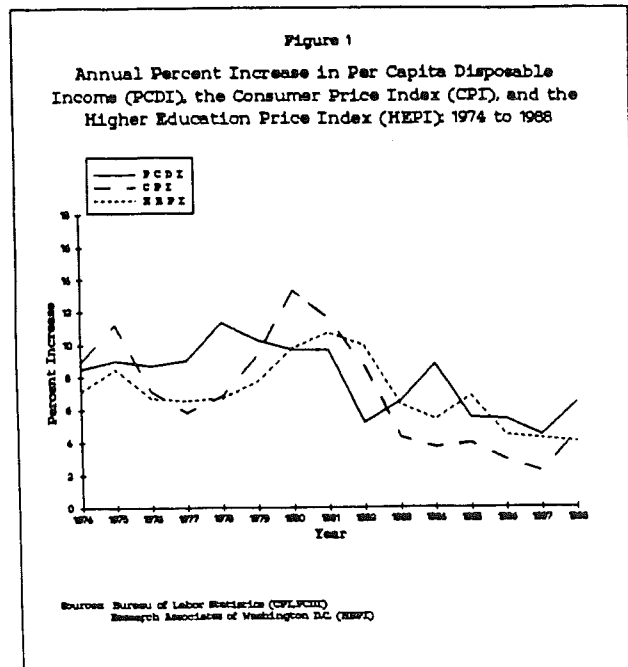
(3) How much did resident undergraduate tuition and required fees at universities and regional state colleges and universities change over the 15-year period, 1972-73 to 1987-88? How much did HEPI, CPI, and PCDI change?

- University tuition and fees increased 210%
- Regional state colleges tuition and fees increased 196%
- HEPI increased 175%
- CPI increased 172%
- PCDI increased 212%

A Turning Point in the Early 1980s

The point-to-point comparisons above show that per capita disposable income is the only economic indicator that increased faster than tuition and fees over the 15-year period in question. Both HEPI and CPI increased at a slower rate than tuition between 1973 and 1988. However, average tuition and fee increases only began to outpace these economic indicators after 1982-83. Prior to that, tuition and fee increases lagged behind both the CPI and HEPI.

Figure 1 shows that the patterns of annual percent increases for these measures are similar: sharp increases in early years followed by dramatic slowing in the rate of increase in later years. These indicators reflect the period of higher inflation in the late 1970s and early 1980s followed by a sharp downturn in economic activity in 1981 and 1982. This period of higher inflation in the late 1970s and early 1980s was also associated with relatively high state and local appropriations. The economic downturn in 1982, however, reduced many states' tax revenues and, as a result, state and local appropriation increases in the following year were cut to about half what the increases had been in previous years.



NOTE: For the study, tuition and required fees are the posted price, not the net price, for a year's schooling. The tuition and required fees used are the announced institutional price, not the price students pay for a year of collegiate study once student financial aid, tuition waivers, and discounts are included. State appropriations are the amounts states have approved in their budgets for higher education and related activities, and not the fiscal year expenditures.

Table 1. APPROPRIATIONS OF STATE TAX FUNDS TO STATE-AIDED PUBLIC COMMUNITY/JUNIOR COLLEGES FOR OPERATING EXPENSES, FY1989 AND TWO PRIOR FISCAL YEARS, IN THOUSANDS OF DOLLARS.

States	Year 1986-87	Year 1987-88	Year 1988-89	2-yr gain Percent
(1)	(2)	(3)	(4)	(5)
California	1,199,057	1,312,366	1,388,896	16
Florida	392,662	421,526	460,908	17
Texas	406,257	413,584	413,584	2
New York*	275,530	295,460	309,255	12
Michigan	186,722	196,595	201,361	8
Illinois**	203,240	193,008	207,416	2
Maryland	98,143	99,149	105,921	8
New Jersey	83,765	92,865	98,843	18
Pennsylvania	78,217	81,505	95,470	22
Iowa	60,003	75,343	80,939	35
Ohio	78,243	74,426	78,049	0
Oregon	59,571	60,486	62,954	6
Mississippi	50,196	57,014	68,741	37
Arizona	59,905	56,793	62,167	4
Missouri	51,845	56,417	62,463	20
Wyoming	34,272	34,272	36,920	8
Kansas	27,449	30,145	33,962	24
Nebraska	22,110	22,285	23,127	5
Arkansas	20,335	21,403	21,896	8
Indiana***	15,747	16,577	17,640	12
Colorado*	10,831	11,713	12,621	17
Idaho	5,815	6,155	6,407	10
Montana	3,063	3,051	3,042	- 1
New Mexico*	908	887	933	3
Totals	3,423,886	3,633,025	3,853,515	
Weighted average percentage of gain				13

*One of the states having both "local" and "state" community colleges.

**Includes State Community College in East St. Louis which does not receive local tax support.

***For Vincennes University, a two-year college supported primarily by the state, but partly by the county.

Excluded from Tables 1 and 2 are appropriations for separate systems of vocational-technical institutes, two-year branches of universities, and the community colleges which are administered as an integral part of the principal state university.

Undergraduate Tuition and State Appropriations

A popular characterization of public institutions of higher education is that they are expenditure driven. That is, institutions first plan their academic, research and public service programs, then calculate needed resources, and then seek revenues to implement their plans. State and local appropriations are primary sources of revenues in the public sector; tuition is second. If appropriation increases do not meet expectations, tuition is adjusted to compensate. While this oversimplifies a very complex and dynamic process, it does suggest that lower appropriation increases are associated with higher tuition increases and vice versa. Responses of state higher education finance and executive officers tend to confirm this relationship. The data show that although states and regions differ; in general, larger tuition increases are associated with lower state and local appropriation increases.

Tuition and Per Capita Disposable Income

The table below shows that PCDI increased faster than tuition and required fees through 1982. From 1983 on, sharp increases in tuition, coupled with a slowing in the increase in PCDI, have resulted in average tuition and fees comprising approximately the same percentage of PCDI in 1988 as in 1973. In 1972-73, average university tuition and fees represented 12.3% of PCDI and in 1987-88, it represented 12.2%. In 1972-73, average state college tuition and fees represented 10.4% of PCDI and in 1987-88, represented 9.9%.

Cumulative Percent Increases in Per Capita Disposable Income and in Average University and Regional State Colleges Tuition and Required Fees from 1972-73 to 1987-88

Year	PCDI	University Tuition	State College Tuition
1973	0.0	0.0	0.0
1974	8.5	3.8	4.1
1975	18.3	8.0	7.9
1976	28.5	14.4	13.9
1977	40.1	23.2	20.4
1978	55.9	30.6	28.3
1979	71.9	37.9	35.2
1980	88.6	46.8	44.2
1981	106.9	60.3	54.5
1982	117.7	85.2	80.5
1983	131.8	106.9	102.1
1984	152.1	132.1	124.0
1985	165.9	149.4	140.6
1986	180.4	169.0	157.5
1987	192.8	189.8	176.8
1988	211.5	209.8	196.1

In Summary

Tuition and required fees have increased substantially in the last 15 years; but per capita disposable income, the income which students and parents use to pay tuition, has increased commensurately. State appropriations also have increased substantially. This study shows that the economic recession of the early 1980s substantially changed the relationship between state support of public higher education and the posted price or tuition at public colleges and universities. It remains to be seen if the relationship which existed prior to the early 1980s, one where substantial increases in state support kept increases in tuition low, ever again emerges.

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