

## TUITION IS RISING AS STATES FACE BUDGET DIFFICULTIES

By William Trombley

**WHEN MISSOURI GOVERNOR BOB HOLDEN** announced last spring that the state would be unable to make 60% of its May and June payments to Missouri's 31 public colleges and universities because of a huge state budget deficit, campus officials were stunned. The money withheld ranged from \$500,000 at tiny Linn State Technical College to more than \$41 million at the four-campus University of Missouri system.

Since the academic year was almost over and most of this money already had been spent or committed, "there was a lot of shell shock," said Robert Stein, associate

commissioner for academic affairs at the Missouri Coordinating Board for Higher Education. "Everybody was in a tailspin, trying to figure out what options they had."

Several campuses ordered immediate hiring freezes. Others dipped into carefully hoarded reserve funds. Southeast Missouri State University declared a "fiscal emergency," allowing

administrators to dismiss even tenured professors. At least one campus—Harris-Stowe State College, in St. Louis, ran out of money to pay its bills.

This was the third reduction in Missouri higher education spending during the 2002 fiscal year, for a total of \$286 million—representing 37% of all the cuts Governor Holden and the Legislature made to balance the budget. Holden also ordered a 10% reduction in the colleges' "core budget" for 2003, and warned that more money might be withheld if state revenues do not pick up.

To cope with the cuts, campus officials have increased tuition and fees by 5 to 25%. The four University of Missouri campuses raised undergraduate tuition by 8.4% and tacked on an additional surcharge of nine dollars per credit unit. This

means undergraduates will be paying, on average, 14.3% more than they did a year ago.

The university also has offered early retirement to 2,000 faculty and staff members, hoping to reduce the payroll by 400 to 500 people. Several academic programs have been eliminated at the flagship campus in Columbia and at the university's medical school.

Some Missouri campuses have been forced to tap into reserve funds. "Over a 10-year period, we had accumulated a 'rainy day fund' of about \$3 million and it was all paid out in a single day," said Ivy Locke, vice president for finance at Southeast Missouri State.

Truman State University, ranked high among Midwest regional universities in the annual *U.S. News & World Report* survey, suffered a \$6 million cut in its state appropriation last year and faces at least another \$4.6 million reduction this year. Truman has left 40 faculty and staff positions unfilled, resulting in an increase in the student-faculty ratio.

"We're reducing some services and others will take longer," said President Jack Magruder. "We've managed so far but I can tell you the long term doesn't look good."

There is no money for Missouri's "Funding for Results" program, which has given financial rewards to campuses that have improved their graduation and retention rates, among other criteria.

"We are still committed to performance assessment," said Commissioner of Higher Education Kala Stroup, "but realistically, without the resources, where is the incentive for campuses to do better?"

"It really has been devastating," said Sandra Kauffman, chair of the higher education coordinating board and a former state legislator. "All of the gains of the past five or six years have been lost. Every institution has been very adversely affected."

Chuck Kenyse, Black Star



Jack Magruder, president of Truman State University, in Missouri.

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Kauffman said she was “surprised and disappointed” by the lack of political support for higher education.

“We tried to make the case that it was shortsighted to make such deep cuts in postsecondary education because these [campuses] are the economic engine for the state,” she said, “but it was as if they just were not listening.”

The Missouri experience has been repeated across the country, as the recession and the aftermath of the September 11 terrorist attacks have eaten into state revenues. In July, the National Conference of State Legislatures estimated that the gap between revenues and spending in the 50 states was at least \$36 billion for the 2002 fiscal year and predicted the gap would widen to \$58 billion in 2003.

Tennessee ran out of money last summer, suspending most state operations for several days and causing summer sessions at both the University of Tennessee and the State University and Community College systems to end prematurely.

Kentucky Governor Paul Patton and the Legislature have been unable to agree on a budget, so the state is proceeding under an “executive spending plan,” which includes about a one percent cut in higher education spending for the 2003 fiscal year, on top of a two percent cut last year.

At this writing, California is almost two months past its budget deadline, with Governor Gray Davis and Republicans in the Legislature still at odds over how to deal with the state’s whopping \$23.6 billion deficit. So far, only modest cuts in higher education spending have been proposed and there are no plans to raise tuition, which has been frozen for seven years. But administrators are apprehensive.

“We can escape this year but next year could be very difficult,” said Charles B. Reed, chancellor of the 23-campus California State University system. “We will need both a tax increase and a fee [tuition] increase.”

State officials have asked both the California State University and the University of California systems to prepare for draconian 20% cuts in the 2003–04 budget.

In many other states, however, governors and legislatures have already cut higher education spending because it is one of the few discretionary items in most state budgets. As in Missouri, college and university officials in many states have responded with substantial tuition and fee increases, making higher education less affordable for all. Some states also have trimmed their student financial aid budgets, which means low-income students will find it more difficult to pursue education beyond high school.

Since many of these tuition and fee increases have occurred in the last few months, they are not reflected in the affordability grades reported in *Measuring Up 2002*.

Some of the tuition increases are steep: Texas A & M will charge freshmen and other new students 27% more than a

year ago, Ohio State 19%, and the University of Illinois at Urbana-Champaign 10% plus a \$1,000 surcharge for freshmen. On Kansas public campuses, the average increase will be 21%, in Iowa 19%. The Legislature in the State of Washington has authorized tuition increases of up to 16% in the four-year schools, up to 12% in the community colleges.

Virginia colleges and universities, which lost \$288 million in state support for the next biennium, expect to make up half of that loss through tuition increases.

The interplay between budget cuts and higher tuitions is illustrated by the experience of Clemson University, South Carolina’s 17,000-student land-grant institution.

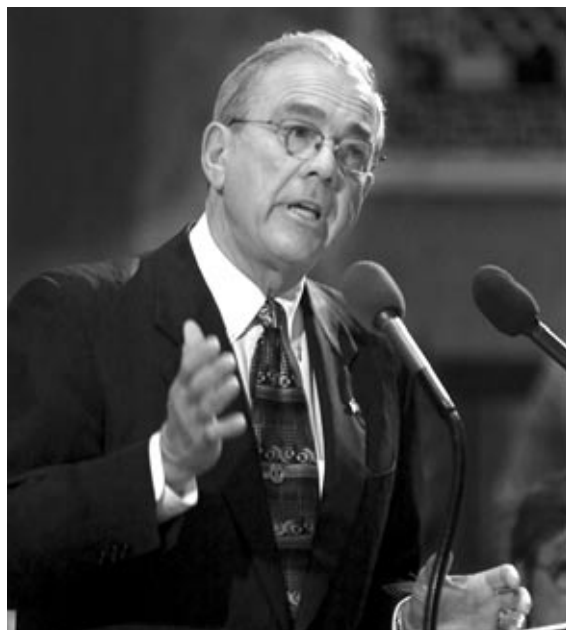
When the Legislature trimmed 10% from Clemson’s 2002 fiscal year appropriation, the Board of Trustees voted to raise undergraduate tuition by \$1,500 for fall 2001—an increase of 42%.

But Governor Jim Hodges vetoed all the higher education spending cuts, restoring \$6 million to the Clemson budget. This led the trustees to reduce the tuition increase midyear for the 2001–02 academic year from \$1,500 to \$900, which still represented a 25% increase. However, a subsequent cut of \$10 million in state funds left Clemson worse off than before, so the trustees then increased tuition for the 2002–03 academic year by 14.6%.

The consequence of all this is that Clemson in-state undergraduates will be paying \$5,834 this year. When room and board, books, supplies, and other necessities are added, an undergraduate year at Clemson is likely to cost at least \$15,000, or about what it cost to attend a private college or university not many years ago.

Campuses also have imposed new mandatory fees and have increased already-existing charges. Texas A & M students will pay a new \$400

Stewart Boorman



**Governor Paul Patton of Kentucky.**

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“academic enhancement” fee, while the University of Texas at Austin has adopted an “infrastructure fee” that starts at \$300 and increases to \$860 over four years. (This fee is being challenged in court.) Technology fees have been introduced at some schools, increased at others.

**“Increasingly, students and their families are depending on loans to finance college costs.”**

Budget cuts and tuition increases are having a devastating effect on community colleges in almost every state, said George Boggs, president of the American Association of Community Colleges, an advocacy group based in Washington, D.C. for the two-year colleges. “Costs are going up just as there is greater demand from people who can’t find jobs or need retraining or can’t get into crowded four-year schools,” Boggs said.

Some community colleges are limiting enrollment by eliminating classes and laying off part-time instructors, among other measures. “For us, turning away students is like a doctor not saving lives,” Boggs told the *Chronicle of Higher Education* in July. “My level of concern for our open-access mission is growing by the day.”

As campuses scramble to compensate for budget cuts, they are imposing faculty and staff hiring freezes, offering early retirement incentives, hiring fewer part-time faculty members, even dismissing some tenured professors.

The two-year, \$288 million reduction in spending for

higher education in Virginia means “there will be 350 fewer faculty members in the classrooms,” said Don Finley, executive director of the Virginia Business Higher Education Council. “Most of this will be through attrition and not filling vacant positions, but, however it is done, this means fewer and larger classes for Virginia students.”

Iowa State University has trimmed 209 faculty and staff positions by merging academic departments, terminating some degree programs, and, in a rare move in academic bureaucracies, eliminating a campus vice president’s position, said Mark Chidister, assistant to the president for budget planning and analysis.

Almost all part-time faculty positions have been wiped out at Northern Iowa University, while full-time faculty members have agreed to accept smaller raises than their union contract calls for.

Instead of increasing enrollment this year by two percent, as planned, Northern Iowa hopes to trim enrollment by strengthening financial aid criteria and reducing the number of credits that students need to graduate. “I see no other choice,” said President Robert Koob. “We think we have a social contract to give [students] a quality education after they enroll. This is how we’ll do it until changes are made at the state level.”

Although few have been as open about it as Northern Iowa, many other institutions have taken steps to curtail enrollment. The University of Oregon has increased the grade-point-average requirement for entering freshmen from 3.0 to 3.25 and the grades must be earned in a specific set of pre-college courses. The 23-campus California State University system, expecting at least 20,000 additional students this fall, has tightened its requirements for community college transfer students.

As tuition and fee charges rise, so does the need for student financial aid. In the 2002 fiscal year, 4.4 million students received federal Pell Grants, which pay up to \$4,000 to students, most of whom come from families with annual incomes of less than \$40,000. The total cost of the program was \$10.7 billion. Next year it will cost more, as there has been a nine percent increase in the number of Pell Grant applications, instead of the usual one or two percent.

In 1979, the maximum Pell Grant paid for 77% of a student’s tuition and room and board costs at a public four-year institution, according to the U.S. Department of Education, but now it pays for only about 40% of those costs.

While a few states (California, Illinois, Minnesota, New York, and Pennsylvania) have generous need-based grant programs, most states have inadequate programs and a few have none at all. Even Illinois, faced with a budget deficit of more than \$2 billion, has trimmed \$38 million from its Monetary Award Program for needy students. Grants for fifth-year students were eliminated altogether and all other grants were trimmed by five percent.

Merit-based scholarships, awarded without regard for financial need, have gained favor over need-based grants in several states. *Losing Ground*, a recent report from the National Center for Public Policy and Higher Education, noted that in 1981, “91% of state financial aid was allocated on the basis of need or a combination of need and academic qualifications.” By 1999, only 78% of state aid “took need into account.”

Axel Koester



**Chancellor Charles B. Reed of the California State University system.**

However, some of these scholarship programs, which are largely funded with state lottery proceeds, have begun to run into trouble as lottery revenues have declined.

Increasingly, students and their families are depending on loans to finance college costs. In 1981, loans accounted for 45% and grants for 52% of federal student financial aid, but by 2000, loans accounted for 58%, grants only 41%, *Losing Ground* reported.

In the 1999-2000 academic year, the median debt accumulated by public university graduates was \$15,375 and for private schools it was \$17,250, according to the American Council on Education. This level of debt might not deter middle-class and upper-middle-class students from going to college, but many believe it is likely to discourage many students from lower-income families.

Some believe the current round of budget cuts, tuition increases, and heavy student borrowing is just the latest turn in the boom-or-bust cycle that has plagued colleges and universities, especially public ones, for decades. They are hopeful, if not confident, that when national and state economies improve, the money will flow again.

But others believe a fundamental change is taking place, one that threatens the nation's commitment to equality of educational opportunity beyond high school.

"I believe there has been an undeniable shift toward asking the students to pay more of the cost," said Kala Stroup, the Missouri Commissioner of Higher Education. "Many of us have been worried about this for years and now it has happened."



*Missouri Commissioner of Higher Education Kala Stroup.*

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