

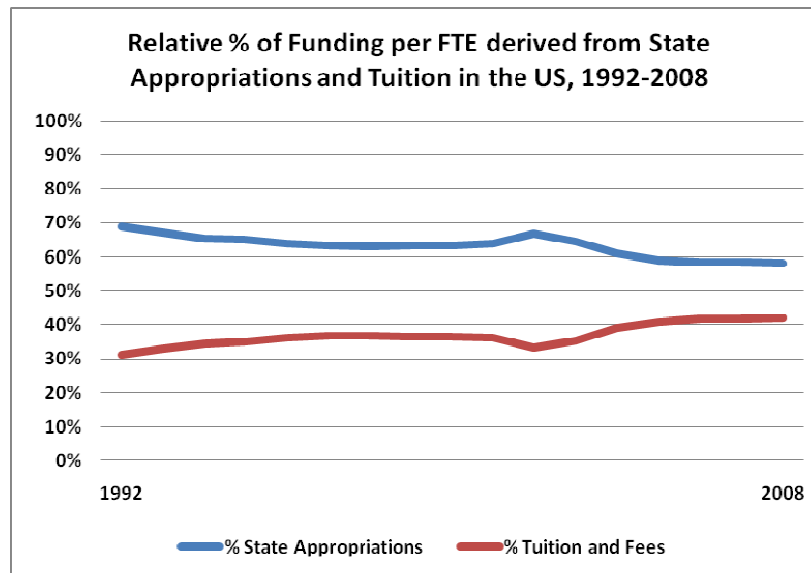
Date: April 12, 2010

Subject: The Relationship between State Support and Tuition Levels at Public Institutions

Historically, viewing higher education as a public good has meant that all students at public institutions have enjoyed greatly discounted tuition rates because states invested taxpayer funds in those institutions. However, in recent decades, public institutions have experienced reductions in state operating support, necessitating higher tuition to meet costs. The Great Recession has accelerated this trend, spurring deep budget cuts and sharp tuition increases across the United States.

State funding trends illustrate shift toward lower state support and higher tuition

Using data reported to the National Center for Education Statistics on federally mandated Integrated Postsecondary Education Data System (IPEDS) surveys, the chart below illustrates how institutional income derived from state appropriations vs. tuition and fees has been converging over time¹. **Since 1992, the ratio of state appropriation to tuition and fee support per student has gone from 2.2 to 1.4 at research intensive public institutions.** The budget cuts and tuition increases of the Great Recession (which IPEDS data do not yet reflect) are expected to hasten this trend.



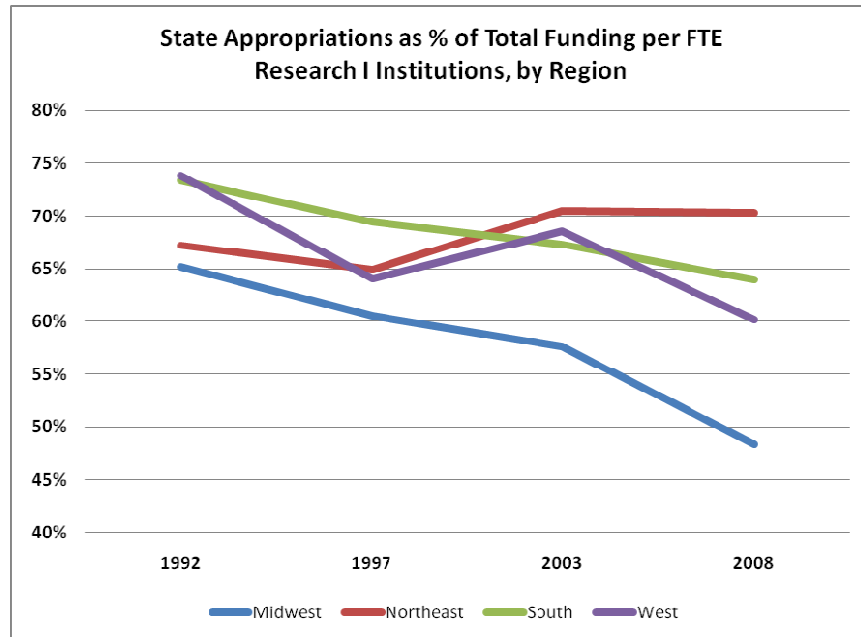
Nationwide data for public research institutions by region² show that the West and the Midwest, which contain 55% of such institutions, have experienced the starkest shift away from public funding. **As the chart below shows, a downward trend in the percentage of per student funding derived from state appropriations is occurring in most of the country, and these lines will likely drop sharply once data for 2009 and 2010 become available.** Despite billions of dollars of federal support through the American Recovery and Reinvestment Act, almost all states reduced support for public institutions in 2009 and 2010³. The Center on Budget Policy and Priorities reports that budget deficits have continued to widen, with 41 states experiencing mid-year deficits for 2010, and over 40 states estimating deficits for 2011⁴.

¹ Included are public institutions designated on the 2005 Carnegie Basic Classification as Research Universities (very high research activity). Given funding changes, it is difficult to split state appropriations from tuition revenue for Colorado institutions so they are excluded from the group, leaving 60 institutions. Schools not reporting at each time point were also excluded, leaving 56 institutions.

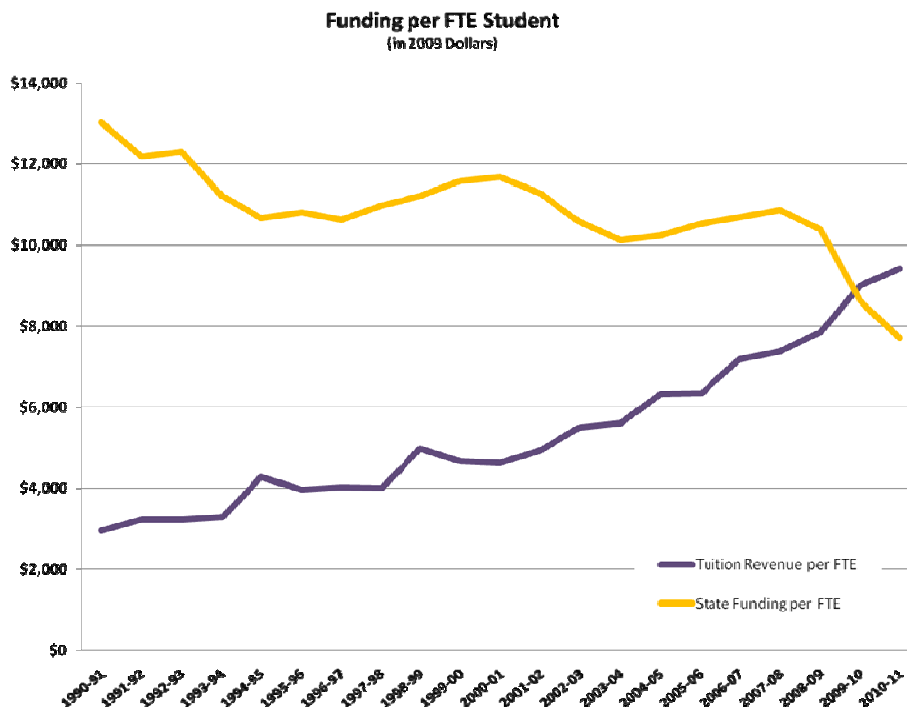
² Based on the four primary regions defined by the Census Bureau found here: www.census.gov/geo/www/us_regdiv.pdf

³ UW OPB Brief here: www.washington.edu/admin/pb/home/pdf/briefs/State-Spending-on-Higher-Ed_2008-10.pdf

⁴ McNichol & Johnson, "Recession Continues to Batter State Budgets" at www.cbpp.org/cms/index.cfm?fa=view&id=711



At the University of Washington, state funding now comprises less than 50 percent of funding per FTE Student, as determined using State Appropriations and authorized student FTE data derived from Legislative Evaluation & Accountability Program (LEAP) data (leap.leg.wa.gov) ⁵.



⁵ Note that the IPEDs data we rely upon for peer comparisons calculates FTE differently from Washington State LEAP data, and reflects higher tuition and fee revenue due to the inclusion of additional revenue sources such as summer tuition, and other fees. So the funding per FTE figure calculated for the UW using IPEDs will always differ somewhat than that calculated using LEAP data. In this case, using IPEDs accelerates the point at which the two lines cross by a couple of years when compared to the point of crossing when we use LEAP data.

Communicating this cost shifting trend is key to building and maintaining public support for institutions

Every year tuition increases at universities across the country make headlines, and every year the public's anxiety about how to afford higher education increases alongside the growing tuition sticker price. When the College Board announced that tuition at public universities had increased, on average, by 6.5 percent for the 2009-10 academic year⁶, the public was incredulous given the economic crisis, existing stress on family budgets, and the low inflation rate. The most prevalent narrative is one of greedy institutions that failed to curb an insatiable appetite for cash during a massive economic crisis. A survey conducted by Public Agenda and the National Center for Public Policy and Higher Education in December 2009 revealed that **60 percent of Americans believe that colleges are more focused on the bottom line than on education, and believe that colleges can use existing resources to educate more students without a decline in quality**⁷.

Several factors feed this narrative:

1. Conflation of private institutions and public institutions regarding cost and student debt burden.
2. Focus on sticker price instead of net price (average price once financial and financing aid is taken into account).
3. Attention to tuition increases that ignores the larger funding context faced by public institutions.

The third issue, contextualizing tuition and fee increases within the broader institutional budget, is perhaps the least discussed or understood. Public confidence in and support for public higher education may continue to deteriorate as long as tuition increases at public institutions are perceived as never-ending increases in spending rather than a shifting of costs from taxpayers to students and families. Conversations about tuition increases must focus not only on institutions, but also on the respective roles of the states, taxpayers, students and their families in determining the cost of the education, as well as on how that cost should be distributed between public and private resources.

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⁶ See www.collegeboard.com/press/releases/208962.html

⁷ See "Squeeze Play 2010: Continued Public Anxiety on Cost, Harsher Judgments on How Colleges are Run" by John Immerwahr and Jean Johnson here: www.highereducation.org/reports/squeeze_play_10/squeeze_play_10.pdf