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Push for Tuition Predictability

States weigh plans to set rates more rationally, but skeptics worry that the changes would only increase students' financial burden

By SARA HEBEL

Year after year, Steve Munch has watched his tuition bill at the University of Kansas increase by double-digit percentages. He wants state policy makers to do something about it.

But Mr. Munch is not clamoring for lower rates. Instead, he is pressing for predictability -- a goal increasingly being trumpeted by state and college leaders across the nation who are looking for better ways to manage the erratic ups and downs of tuition rates.

While students understand that they have to pay more as colleges' operating costs rise, Mr. Munch says, he believes that students deserve something in return: enough consistency in their bills to allow them to plan.

"Realistically, just given the nature of the economics at many large-scale institutions, there has to be new revenue generated each year," says Mr. Munch, a junior who is president of the university's Student Senate. "We're just looking to control tuition increases in such a way that students receive a fair deal."

For Mr. Munch, a fair deal takes the form of a plan that he and fellow student leaders at Kansas drafted last year and are encouraging the state's Board of Regents to adopt. Their proposal, which university administrators support, calls for a single tuition rate to be set for each incoming freshman class, a rate that they would pay for each of their four years (or longer, for certain academic programs). The plan -- which mirrors a program that took effect this academic year at public colleges in Illinois -- would allow families to budget payments for college much as they do for other major purchases, like fixed-rate home mortgages.

Debates over tuition policy in other states, such as Arizona, Mississippi, and New York, center on plans that would make tuition increases more consistent by tying them to measures of inflation. Legislation in Indiana and Virginia would move away from setting tuition year by year, requiring longer-term plans.

But for all the advantages of such proposals, some students, lawmakers, and other skeptics of the policies argue that cementing in place automatic increases in tuition would lead to higher rates than students otherwise would pay and would curtail access to college unless student aid rises at the same pace. Other opponents worry that guaranteeing colleges a set stream of new revenue could take pressure off them to find efficiencies in their operating budgets and make it easier for states to avoid difficult decisions about streamlining their higher-education systems.

A Decade of Ups and Downs

Recent efforts by states to find a rational approach for setting tuition are coming after a decade of severe swings in the rates. During the flush late 1990s, several states froze, or even rolled back, tuition at public

colleges. When the economy began to falter in the early part of the current decade, those colleges were left without much of a financial cushion, and their tuition rose rapidly as state aid dwindled.

In New York, for instance, students in the state's two public-university systems went eight years without a tuition increase. Then, in 2003, in-state rates jumped by 28 percent on the four-year campuses of the State University of New York and by 25 percent on the four-year campuses of the City University of New York.

Robert L. King, SUNY's departing chancellor and a former state budget director, says 2003's abrupt increase spurred him to consider other approaches to tuition, which now averages \$4,350 a year. Mr. King also wants to change the pattern of the past two decades, during which all of the revenue from tuition increases simply replaced reductions in state aid. Neither students nor the system's campuses gained any tangible benefits from the extra money students paid, he says.

Under the chancellor's proposed policy, tuition would rise for incoming freshmen on SUNY's four-year campuses each year by a rate tied to the Higher Education Price Index, an annual estimate of how inflation increases the price of basic goods and services needed to operate colleges. The measure has averaged 4.1 percent over the past five years. Members of each class would then pay the same rate for four years (or more, for certain academic programs), an assurance that advocates of the plan also hope will encourage more students to graduate on time.

At the same time, the proposal calls on the governor and state legislators to provide the university system enough aid to cover the growth of certain core operating costs, including collective-bargaining agreements and utility bills. SUNY officials say they would then be able to put all of the revenues from the tuition increases toward improvements like hiring more full-time faculty members and adding equipment to laboratories and libraries.

"This puts pressure on the government," Mr. King asserts. "They know if we don't do our part, we are going to be responsible for starving the university of the resources it needs."

The chancellor's plan has the support of Gov. George E. Pataki, a Republican, as well as of campus presidents and several faculty and student groups within SUNY. Lawmakers excluded the plan from the final version of the state budget they adopted this spring, but the tuition policy could still be adopted this year.

Some students, lawmakers, and others, however, believe that it is unrealistic to expect such a plan to work as its authors envision. New York State Rep. Ronald J. Canestrari, a Democrat and chairman of the State Assembly's Higher Education Committee, says he cannot recall a time when the Legislature allocated enough money to fully cover the increased operating costs that the plan asks the state to finance.

Since the tuition policy could not bind state officials to provide those dollars every year, and budget pressures could make such a commitment difficult, "the only thing predictable about the chancellor's plan is that tuition would go up," Mr. Canestrari says.

Josh Hyman, a fourth-year student on SUNY's Geneseo campus who was recently elected to the system's Board of Trustees, says putting tuition increases on autopilot would also reduce students' ability to press their case before lawmakers to keep tuition low.

"Predictability is a buzzword people like to use that they say takes politics out of tuition," Mr. Hyman says. "But really what it does is it takes important parties out of the politics. It takes students and families out of the process and gives them less leverage."

Ronald G. Ehrenberg, director of the Higher Education Research Institute at Cornell University, applauds Mr. King's plan for proposing ways to free up resources to raise the system's quality and for trying to raise lawmakers' understanding of the need to do so, even if the plan cannot commit state leaders to spending more

money on colleges. But he believes that state and university leaders must also focus on another key issue: maintaining access by increasing student aid as tuition goes up.

Joni E. Finney, vice president at the National Center for Public Policy and Higher Education, an independent research group based in California, raises a different concern about proposals like those in New York. Tying tuition increases to inflationary measures, she says, could end up hurting institutions. A better approach, Ms. Finney and others say, is to use measures like average family income, which often grows more rapidly than inflation.

"We should expect that students and families can make reasonable contributions," she says. Otherwise "we just sort of shoot ourselves in the foot."

On the other hand, Ms. Finney worries that opponents of other plans, like those in Illinois and Kansas, that require administrators to set one tuition rate for each class, are right when they argue that students will end up paying more than they would otherwise. College officials, she says, must set rates high enough to ensure that they can weather all kinds of budget scenarios that may arise.

Ms. Finney says the approach that Virginia has taken could avoid some of the other plans' pitfalls while helping families plan. A new law there that grants public colleges more operating flexibility also requires them to develop six-year academic and financial plans that detail how much tuition they would charge according to how much state aid they might receive.

Responding to the Market

Elsewhere, George Washington University is trying a new program that aims to alleviate the concerns over access that have been raised about fixed-rate plans. George Washington is guaranteeing aid along with predictable tuition. As a private university, whose budget is not directly subject to the discretion of state appropriators, it has more flexibility than most public institutions to set aside funds for student aid.

Under the university's program, put in place this academic year, tuition rates for each class of incoming freshman remain the same for up to five years (or longer, for certain degree programs). At the same time, a student's institutional aid does not decrease during any of those years, even if the financial circumstances of his or her family change.

Robert A. Chernak, senior vice president for student and academic support services at George Washington, says the policy gives the university a "unique advantage in the marketplace," since only a few other private colleges have adopted fixed-rate tuition policies.

Most independent colleges use their budget flexibility to set prices based on what their competitors charge, focusing more on positioning themselves well among their peers rather than responding to any public pressures to keep tuition increases in check or to make them more predictable.

But Mr. Chernak believes that may change. As private-college tuition continues to grow rapidly -- with rates at many of the top independent institutions closing in on or even topping \$40,000 a year -- public anxiety is building, he says. And families who receive institutional-aid packages are becoming increasingly skeptical about whether they can count on that money to be there year after year to help them cover the rising costs.

Consumers, he argues, are becoming more insistent about their desire to map out long-term financial plans, and institutions would be smart to respond. "I really think the marketplace is becoming much more into knowing the knowns and saying, 'Let us figure out how we're going to finance this,'" Mr. Chernak says.

Despite the growing desire for tuition predictability, many institutions and states have still been slow to change their policies. For all the students, like Mr. Munch, of Kansas, who may embrace modest tuition

increases in the name of consistency, higher-education analysts say, there are more people who generally resist price increases. In addition, lawmakers and governors can score political points by taking stands against raising tuition rates, making many of them reluctant to relinquish control over them.

"This is hard stuff to do in a policy context," says Jamie P. Merisotis, president of the Institute for Higher Education Policy, a Washington-based research group. But the calls to change the status quo have been increasing, he says, as more and more people seem to be growing tired of unpredictability in tuition rates.

"There has got to be a way to find something more reasonable and less painful to everyone in the system," he says, "than continuing the practice of every year essentially throwing a wild card out to students and families."

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