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Government & Politics

From the issue dated July 20, 2001

Public Colleges Feel Impact of the Economic Downturn

Many are being forced to enact large tuition increases; others face budget uncertainty

By SARA HEBEL

As states' legislative sessions wind down, the effects of tough fiscal

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Double-Digit Increases

Cuts Unlikely to Hurt Public Colleges' Strong Credit, Moody's Says

times are beginning to show up on college campuses, mostly in the form of large tuition increases, program cuts, and hiring freezes.

In some states, lawmakers are still struggling to devise final budgets, although it is clear that those won't be good ones for higher education. As a result,

tuition has yet to be set for the fall at some institutions, leaving students and parents anxiously waiting to learn how much their bills for the coming year might increase.

Officials at public institutions worry that the budget crunch, caused by slowing state economies and the rising cost of utilities and health-insurance premiums, may force them to scale back their missions, or increase prices so sharply that they deny access to some students.

College officials in several states report cutting back outreach programs, research investments, and some student services, as well as not filling certain staff positions that become open. And colleges in at least eight states, including Alabama, Iowa, and Minnesota, have adopted or are considering double-digit percentage increases in tuition.

Higher-education experts fear that the worst may be yet to come. While this year the tough economic times are most severe in the Midwest and Southeast, the fiscal health of California and the Northwest is also worsening, they say. Those areas face an energy crisis, drought conditions, and the slowing of their large technology

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sectors.

In addition, the children of baby boomers have begun trickling on to campuses, signaling the start of an anticipated enrollment surge that could further strain colleges' purse strings.

"People are approaching the higher-education budget situation with a new dose of sobering reality," says Travis J. Reindl, director of state policy analysis for the American Association of State Colleges and Universities. "If the economy stays in slow mode with all of the students coming at us, this is going to get tricky."

Beyond the cyclical downturn, college officials and higher-education analysts also worry about the long-term trend of dwindling state support for public institutions. That trend exacerbates any short-term economic weakness, they say, and threatens to fundamentally alter the role of public institutions, especially research universities that aim to fulfill broad needs for states.

State taxpayers have not been the "majority stakeholders" in public colleges for many years, Mr. Reindl says. As state support to institutions falls, the public's minority stake in public colleges is shrinking. Meanwhile, the students' stake is increasing, as they cover more of an institution's costs through rising tuitions. In time, institutions' priorities could become excessively focused on the demands of undergraduates. A college might, for example, cut spending on outreach in agricultural areas in order to bolster spending on student services.

Mark G. Yudof, president of the University of Minnesota, says he worries about the survival of any university program not specifically financed by tuition dollars, such as certain research projects, and outreach activities in rural areas.

"I can't ask students to pay tuition [to support] researching the turkey virus in northern Minnesota," Mr. Yudof says, even though he believes that such research is important. "How are we going to pay the bill?"

Minnesota has a surplus, but tax cuts have limited the growth of state spending. Even though higher education received increases in state funds this year, the University of Minnesota is expected to adopt an average 13.3-percent increase in tuition and fees in each of the next two years. The Minnesota State Colleges and Universities system is planning an average increase of 10.9 percent for 2001-2.

For the next two fiscal years, state lawmakers have provided the University of Minnesota with about \$1.96-billion in state funds, a 6 percent increase. The state-college system will receive about \$1.3-billion over the biennium, an 8.3 percent increase.

College officials, though, say those amounts are not enough to maintain quality and cover the rising costs of energy and health insurance. (University of Minnesota officials, for instance, estimated that, over the next two years, they would have to spend \$12.5-million more for utilities and \$69.8-million more for employees' health-insurance premiums.) The increases for the two systems are less than half of what they requested, even though the Legislature more than doubled the \$99-million in new money that Gov. Jesse Ventura, of the Independence Party of Minnesota, recommended for higher education.

In addition to raising tuition, Mr. Yudof plans to make ends meet by reducing spending in some areas, such as biological research.

He also plans to use part of the new tuition revenue to increase financial aid for needy students.

Many other institutions planning to raise tuition are similarly increasing their financial assistance. But some students argue that won't be enough to maintain access.

Jay H. Dworin, who will be a senior this fall at the University of Pittsburgh, says he is "real, real disappointed" that the institution's Board of Trustees voted to increase tuition by 7.5 percent this year, raising the fees for resident students to \$6,902.

The increase, he says, will force him to take out more student loans, adding to his existing debt of almost \$30,000. He says he knows two students who have decided not to return to the university in the fall because they cannot afford the tuition hike; they will attend community colleges instead.

University officials "are pricing education out of reach of a lot of students or potential students," he says. "They are taking education and pushing it more to just the 'haves.'"

However, university officials say the increase is needed to continue making improvements in teaching and research. The university's state appropriation for 2002 increased by less than 1 percent, to \$178.5-million.

Elsewhere, some colleges and legislatures have yet to set tuition for the fall semester, leaving students and parents anxious over how

much they will owe.

In Tennessee, lawmakers have effectively put institutions' tuition decisions on hold as the General Assembly tries to work out differences on tax and budget plans. When lawmakers failed to agree on a budget by the end of June, they enacted a short-term one.

One provision in that plan said that lawmakers would decrease state appropriations to any college that raises tuition, by the same dollar amount that the tuition increase would generate. Lawmakers say they plan to delete that provision once they agree on a final budget.

University officials say that they will probably have to raise tuition and fees between 8 percent and 15 percent, depending on how much money they receive from the state, to cover their rising costs.

At the University of North Carolina, system officials are beginning to prepare students' bills without knowing how much lawmakers will require them to increase tuition. College officials say they will probably have to send out a second round of bills after the General Assembly decides on an amount, which could take several weeks.

The university's Board of Governors recommended a 4-percent tuition increase. But lawmakers confronting an economic crunch want to use tuition hikes to help make up for limited funds. North Carolina's economy continues to reel from several factors, including widespread destruction caused in 1999 by Hurricane Floyd.

The state Senate has proposed increasing tuition for residents by 9 percent. The state House of Representatives has proposed keeping tuition flat for residents but increasing tuition for out-of-state students by about 15 percent.

In some states with struggling economies, officials are trying to free up more money for colleges to curtail proposed tuition increases.

Michigan state Sen. John J. H. Schwarz, a Republican and chairman of the Senate Appropriations Subcommittee on Higher Education, wants to eliminate a state tax benefit for students that he says is rarely used and put the \$26-million reserved for it toward higher education. The benefit allows Michigan residents to take a credit against taxes they otherwise would owe for the amount they pay in tuition at a state institution. The student must attend an institution that keeps its tuition increases below the rate of inflation.

Without the extra \$26-million, universities would likely need to

raise tuition by 9 percent or more, Mr. Schwarz says. But if his plan is adopted, he says lawmakers would "look most disapprovingly" on any institution that then hits or exceeds the 9 percent mark.

Michigan State University announced this month that the limited state funds it expects will force it to suspend its "guarantee" that tuition will not increase above the rate of inflation. That policy has been in place since 1994. The university's Board of Trustees has tentatively approved an 8.9-percent increase in tuition, which could be reduced if lawmakers provide more money than anticipated.

In South Carolina, Gov. Jim Hodges, a Democrat, encouraged institutions to repeal "exorbitant" tuition increases. He did so as he vetoed lawmakers' plans to cut \$89-million from the state's public colleges, more than 11 percent of the total \$780-million that colleges will now receive. With that action, colleges will get about the same amount from the state this year as they did last year.

A day after the veto, trustees at the University of South Carolina cut their planned tuition increase in half. They will now raise tuition by 5.2 percent instead of the 10.4 percent they had approved a week before. Resident undergraduates will now pay \$3,964 for the school year.

Clemson University officials said they planned to discuss tuition issues late last week, but did not know whether a planned 42 percent increase would be changed. In June, the institution's Board of Trustees voted unanimously for the tuition hike, which would raise tuition for residents by \$1,500.

In Alabama, public colleges also got a piece of good budget news last month, but it is unlikely to alter planned tuition increases. The Alabama Supreme Court ruled that the state must cut all segments of education when revenues miss budget targets, halting a plan by Gov. Don Siegelman, a Democrat, to make deeper cuts to colleges than to elementary and secondary schools.

The budget for the 2002 fiscal year is now likely to provide about a 3.5-percent increase for colleges. But most campus officials say they still face a tough financial bind, and they are pushing ahead with tuition increases that range from 7.7 percent to 16.8 percent.

Few state-college budgets have been hit as hard as those in Iowa, where state aid for fiscal 2002 was cut from the previous year's levels by \$42-million (6 percent) for universities and by \$4.8-million (3.3 percent) for community colleges.

Most institutions have stopped filling certain staff positions and some are considering layoffs. Two-year colleges are cutting some of their programs.

The universities' tuition rates for 2001-2 were set before the state's economy slowed, but significant increases are expected for 2002-3. Community-college boards are increasing rates for the coming year by amounts that range from 8.1 percent to 17.5 percent.

Community-college officials worry that the increases will restrict access to the institutions, especially since lawmakers also decided this year to eliminate Iowa's \$2.75-million work-study program.

Even worse, the economic picture is becoming more bleak.

"If the pressure continues for all of us next year," says Frank J. Stork, executive director of the Iowa Board of Regents, "that's where we get much, much more concerned about how to meet current need or improve quality at the same time we are experiencing record enrollments."

DOUBLE-DIGIT INCREASES

The following are among the public colleges that have raised tuition and fees by at least 10 percent for 2001-2, or are considering doing so.

	Increase	New tuition and fees
Alabama		
Alabama State University	15.3%	\$2,904
Athens State University	15.2%	\$2,730
Jacksonville State University	11.4%	\$2,940
University of Montevallo	16.8%	\$4,064
University of South Alabama	10.9%	\$3,230
Illinois		
University of Illinois at Chicago*	17.1%	\$5,620
University of Illinois at Urbana-Champaign*	14.1%	\$5,726
Iowa		
Western Iowa Tech Community College	17.5%	\$2,220

Iowa's other public community colleges**	11.1%	\$2,160
Minnesota		
Minnesota State Colleges and Universities**	10.9%	\$2,541
University of Minnesota**	13.3%	\$5,431
Mississippi		
All public four-year colleges	15.0%	\$3,054-\$3,626
Montana		
Montana University System's four-year institutions**	13.0%	\$2,782
South Carolina		
Clemson University	41.8%	\$5,090
Utah		
Utah Valley State College	11.9%	\$1,882
<p>Note: All costs are for full-time, resident undergraduate students. * Enacted increase for new students ** Average increase</p>		
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