THE FUTURE OF TUITION

One Price for the Well-Off, a Lower One for Everyone Else

By JEFFREY SELINGO

It's become as common on college campuses as laptops and cellphones: tuition discounting. After loans, scholarships, and work-study paychecks are taken into account, very few students actually pay the sticker price listed in the undergraduate catalog.

But what if that price more accurately reflected what students really pay? The more money a family has, the more its children would pay to attend college. Such a change would turn the student-aid system inside out. Rather than taking the sticker price and adjusting it, using financial aid as the tool, the price would be adjusted upfront, giving families a firm idea of what they would pay before their children even applied for college. Tuition rates would come to resemble tax tables.

While no one has suggested throwing out financial aid as we know it, the idea of linking tuition to family income has been proposed by lawmakers and college trustees in a few states, including two that are well known for their low tuition rates at public colleges: California and North Carolina.

In July, as the Board of Regents of the University of California system agreed to raise tuition by 30 percent for 2003-4, one member, Tom Sayles, suggested that the nine-campus system impose a surcharge on well-off families. The extra fee, perhaps
$1,000, would be applied to students whose families make more than $90,000 a year, under one model being considered, or more than $150,000, under another.

"I don't think that we can continue to apply across-the-board increases," Mr. Sayles said.

An analysis of the proposal by university officials predicted that with the $90,000 threshold, a $1,000 surcharge would generate $53.7-million in the first year, after administrative costs were factored in. With the median income of students' families across the system between $70,000 and $75,000 a year, university officials estimated that 36 percent of students would pay the surcharge if the threshold were $90,000, and 13 percent if it were $150,000.

'A Cliff' Between Fees

But the university's study also raises serious concerns about the idea. For one, officials say, it would create a "cliff" between the fees charged to students just above the threshold and those just below. The analysis also predicts that California would receive "numerous appeals" from families who feel that "any definition of income" does not represent their financial situation, and that any income cutoff "is arbitrary."

The idea also has the makings of a political horror movie. Almost from the moment it was proposed, university officials distanced themselves from it.

"The income-contingent fee surcharge is an idea suggested by one member of the Board of Regents and has not been discussed by the board in any level of detail," says Hanan Eisenman, a university spokesman. "It is not on the regents' agenda as a specific item for discussion or action."

Even Mr. Sayles himself, who did not return several telephone calls, is not talking about the idea anymore, according to other regents, who add that the proposal is probably dead for now.

"It sounds like unfair taxation," says Ward Connerly, a regent, who supports raising tuition over all and then giving needy students more financial aid. "Wealthy people think they are already paying too much in taxes."

What's more, under any system that tied tuition to income, well-off students who pay more would not necessarily get anything more in return. In other words, the students would still stand in cafeteria lines with everyone else and take classes in large lecture halls.
"Unless the higher tuitions are accompanied by a higher level of service, it's not fair," says Jane Wellman, a senior associate at the Institute for Higher Education Policy, a think tank in Washington.

After studying income-contingent tuition as a consultant to University of North Carolina system several years ago, Ms. Wellman says she concluded that it was "not workable," and that it fails to meet the standards of a good policy. "I think you want something that is defensible, transparent, and is equitable," she says. "This pricing structure smacks of gimmickry."

A Bargain in North Carolina

For a time, the idea had some appeal in North Carolina, where lawmakers in recent years have struggled to meet the university's growing needs and, at the same time, a constitutional mandate that calls for tuition to be as close to free as possible for in-state students. At $3,372 a year, many North Carolina families see tuition on the highly competitive Chapel Hill campus as a relative bargain, especially considering that the median family income among students there is about $85,969. (Nationwide, about one-fifth of the students who attend public flagship universities come from families who make more than $100,000 annually.)

Still, North Carolina never adopted the income-contingent idea. A similar plan, floated by the leader of the State Senate last year, also went nowhere. "I don't anticipate it coming up again in the near future," says Molly Corbett Broad, president of the university system. "North Carolina takes its historical commitment to low tuition pretty seriously."

Even if tying tuition to income were politically workable, several experts in higher-education finance say it would pose an administrative headache.

For one thing, colleges would have to collect income data on every student, not just on those applying for financial aid. And while the financial-aid system depends on a set of complex formulas, which take into account family assets and siblings in college, among other things, an income-contingent model would probably be based largely on adjusted gross income reported on federal tax returns.

"When you look closely at it, the plan breaks down pretty quickly," says Gary T. Barnes, a retired vice president of the University of North Carolina system. "Many people take extensions on their income taxes, so they wouldn't have that information readily available. And what information would
you use? Adjusted gross income is just that, adjusted, and you very quickly have a debate about the definition of income."

That is what faced Michigan State University in the late 1960s, when students' tuition amounted to 1 percent of their parents' adjusted gross income. Roger Wilkinson, vice president for finance and operations at the time, says the system was "extremely difficult" to operate, particularly since officials did not have the computer technology available today.

"It was politically unpopular in the Michigan Legislature, and there was a lot of pressure to implement a new program," he says.

As a result, the university scrapped the tuition policy after only two years, in 1970. Since then, no university, public or private, has followed by charging an explicit fee based on income.

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**A SURCHARGE FOR THE WELL-OFF**

A member of the Board of Regents of the University of California system has proposed that undergraduate students whose family income exceeds a certain threshold pay a surcharge on their tuition bill, probably $1,000 per year. Here is who would and who would not pay in 2003-4, based on two different models:

<table>
<thead>
<tr>
<th></th>
<th>$90,000 annual income threshold</th>
<th>$150,000 annual income threshold</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Would pay surcharge</strong></td>
<td>36%</td>
<td>13%</td>
</tr>
<tr>
<td><strong>Would be exempt:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Now receive need-based financial aid</td>
<td>46%</td>
<td>46%</td>
</tr>
<tr>
<td>Family income now below threshold</td>
<td>17%</td>
<td>41%</td>
</tr>
<tr>
<td>Non-needy independent students</td>
<td>less than 1%</td>
<td>less than 1%</td>
</tr>
</tbody>
</table>

*Note: Figures reflect rounding.*

**SOURCE:** University of California
Ability to Pay?

As public colleges have struggled with the need to impose large tuition increases in recent years, some trustees and lawmakers have suggested that students from well-off families who attend the institutions should pay higher tuition than everyone else. Their argument: Many students who go to public flagship universities have the ability to pay a lot more than they do now.

**Distribution of undergraduates by annual family income at four-year, doctorate-granting public**

<table>
<thead>
<tr>
<th>Income Range</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $20,000</td>
<td>10%</td>
</tr>
<tr>
<td>$20,000 to $39,999</td>
<td>19%</td>
</tr>
<tr>
<td>$40,000 to $59,999</td>
<td>21%</td>
</tr>
<tr>
<td>$60,000 to $79,999</td>
<td>18%</td>
</tr>
<tr>
<td>$80,000 to $99,999</td>
<td>13%</td>
</tr>
<tr>
<td>$100,000 or more</td>
<td>19%</td>
</tr>
<tr>
<td><strong>$60,000 or more</strong></td>
<td><strong>50%</strong></td>
</tr>
<tr>
<td><strong>$80,000 or more</strong></td>
<td><strong>32%</strong></td>
</tr>
</tbody>
</table>

Note: Data are from 1998, the latest available.

Source: U.S. Department of Education

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