HIGH TUITION/HIGH AID: CLASSIC ARGUMENTS

PRO:

1. Increasing tuition is good public policy

2. States charge students less than what it actually costs to educate a student

3. This creates a subsidy for students regardless of need or family ability to pay

4. This is:
   a) Inefficient – because a large number of students and families who do not need the subsidy receive it;
   b) Inequitable -- because it spends more money on the middle class and well-off than on low-income individuals

3. High tuition approach necessitates a high financial aid response
   a) to preserve equal opportunity for low-income and disadvantaged students
   b) to promote access with students who might otherwise self-preclude

CON:

1. Thinks that public subsidies should be distributed broadly through low tuition, rather than targeting them;

2. Views society as the primary beneficiary of public expenditures on higher education;

3. Subsidizes the education of all enrolled students regardless of financial need;

4. Increases signal:
   a) an erosion to educational equity and opportunity for the poor and the middle class who downgrade their educational choices, or
   b) opt out of higher education altogether
INTERESTING FACTS:

**Higher Education Finance:**
The past several years have prompted major changes within higher education funding patterns. In the late 1990s policy shifted from public financing of higher education (via appropriations and grants) to student funding (via higher tuition and borrowing). (Reindl and Redd, 1999)

A recent U. S. Government and Accounting Office study (1998) reported that for every dollar lost in state tax revenues, public institutions have raised tuition 75-cents. Over the **10 year period** ending in 1998-99, after adjusting for inflation, average public four-year tuition and fees in the U. S. **rose 53 percent** (The College Board, 1998).

**Higher Education Participation Rates:**
According to a New York Times article, there is an increased demand for higher education. A number of highly qualified high school seniors applying for fall 1999 admission were rejected by colleges of their choice, leading the author to label this college application season the **most competitive in the nation’s history**” (Boner, 1999, p. A1).

Boner goes on to report that, in fall 1999, the **number of students enrolled in four-year institutions of higher education was at an all-time high** of 14.8 million, up from the record of 14.6 million in fall 1998.

**Vermont/North Carolina Comparisons**
**Median Family Income**
North Carolina is 30th at $51,790 for a family of four; Vermont is 29th at $51,814.

**Public Tuition and Fees Charges**
North Carolina ranks 45th out of 46 states reporting $1,757 for undergraduate, resident tuition (public system data, not just UNC-CH)
North Carolina is 44th out of 46, at $1,805 for graduate, resident tuition
Vermont ranks 3rd at $4,592 for undergraduate, resident tuition
Vermont is 6th, at $4,592 for graduate, resident tuition

North Carolina ranks 13th, at $8,857 for undergraduate, non-resident tuition
Vermont ranks 3rd, at $9,860 for undergraduate, non-resident tuition

North Carolina ranks 11th, at $9,075 for graduate, non-resident tuition
Vermont ranks 8th, at $9,360 for graduate, non-resident tuition

**Participation rates (17yr old and older, AY 1996)**
North Carolina – in third quartile at 33rd out of 50
Vermont – in second quartile at 18th out of 50

Higher tuition is clearly not a deterrent to enrollment or higher participation rates.

PROTECTING ACCESS AND PERSISTENCE UNDER A HIGH TUITION APPROACH:

1. If the institution raises tuition it must seek to preserve equitable access to higher education for disadvantaged and low-income individuals;
2. Tuition and student aid policy need to be linked; policy integration is important.
3. Higher tuition is not, in and of itself, a deterrent to enrollment in higher education.
4. However, some precautions must be taken:
   a) Low-income students are very responsive to larger grants (likely to enroll);
   b) Low-income students cannot be asked to borrow to offset tuition increases (they may drop out);
   c) When aid is inadequate, low income and minority students drop out.
   d) Middle and upper-income students show a minimal response to changes in tuition. They tend to borrow “loans of convenience.”
   e) Caution: African-American and Hispanic students need the assurance of increased grant assistance; they (according to some researchers) are disproportionately affected by tuition increases.

SUMMARY AND CONCLUSIONS:

1. UNC-CH needs increased revenues
2. The Legislature cannot be expected to do it all, given the challenges the state is facing.
3. The Committee proposes a plan for shared responsibility
4. The Committee proposes a plan to hold needy students “harmless” from the tuition increases by dedicating 30 percent of the new tuition revenue to offset the increased financial needs of both graduate and undergraduate students;
5. The University did this with the 1995 increase, reserving 40 percent of new revenues initially:
   a) That was more than enough;
   b) We are currently using 33 percent;
   c) Even at 33 percent we have $2.9 million available per year
d) At the end of the year, there is approximately $300,000 remaining each year after paying the $400 per capita grants.

e) We are then permitted to award as supplemental grant aid to students. This means that needy students were not only held harmless from the last tuition increase, but were also enriched by supplemental funding.