Rising Tuition and Diminishing State Funding: An Overview

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Delta Cost Project

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Rising Tuition and Diminishing State Funding: An Overview

2013 Annual Conference
National Center for the Study of Collective Bargaining in Higher Education and the Professions

Rita Kirshstein

April 8, 2013
The Issue: Tuition Is Increasing

Percentage change in college sticker price against other consumer areas – 1999-00 – 2010-11
College Affordability
Concerns Not New

• Many Commissions, Studies & Reports
  ▪ 1946, Truman Commission
  ▪ 1986, Congressional request to study escalating college costs
  ▪ 1998, National Commission on the Cost of Higher Education
  ▪ 2006, Spellings Commission on the Future of Higher Education
  ▪ 2011, White House Summit on College Costs
This “Crisis” Is Different!

- Tuition has far outpaced inflation
- Tuition has increased much faster than median family income
- A college degree is more necessary
- College students are coming from more diverse backgrounds
Tuition Has Outpaced Inflation
Tuition Has Outpaced Median Family Income

![Graph showing the percent increase in tuition and median family income from 1970 to 2010. The graph includes lines for median family income, public 4-year, public 2-year, and private 4-year institutions.]
Postsecondary Education More Important than Ever!

**Education Pays**

**Unemployment rate in 2012 (%)**

- **Doctoral degree**: 2.5%
- **Professional degree**: 2.1%
- **Master’s degree**: 3.5%
- **Bachelor’s degree**: 4.5%
- **Associate’s degree**: 6.2%
- **Some college, no degree**: 7.7%
- **High school diploma**: 8.3%
- **Less than a high school diploma**: 12.4%

**Median weekly earnings in 2012 ($)**

- **Doctoral degree**: $1,624
- **Professional degree**: $1,735
- **Master’s degree**: $1,300
- **Bachelor’s degree**: $1,066
- **Associate’s degree**: $785
- **Some college, no degree**: $727
- **High school diploma**: $652
- **Less than a high school diploma**: $471


All workers: 6.8%

All workers: $815
College Students
More Diverse Today

• Many more lower income and first-generation students

• More students who are not academically prepared

• Many older students
### Why Are Tuitions Increasing? Declining Appropriations in Publics

#### Declines between FY08 and FY13

<table>
<thead>
<tr>
<th>State</th>
<th>Percent Decline</th>
<th>Dollar Decline</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arizona</td>
<td>-50.4%</td>
<td>-$3,125</td>
</tr>
<tr>
<td>New Hampshire</td>
<td>-49.9%</td>
<td>-$2,196</td>
</tr>
<tr>
<td>South Carolina</td>
<td>-38.8%</td>
<td>-$3,405</td>
</tr>
<tr>
<td>Pennsylvania</td>
<td>-20.9%</td>
<td>-$2,082</td>
</tr>
<tr>
<td>New Jersey</td>
<td>-27.7%</td>
<td>-$2,549</td>
</tr>
<tr>
<td>Illinois</td>
<td>-23.3%</td>
<td>-$1,425</td>
</tr>
<tr>
<td>New York</td>
<td>-14.7%</td>
<td>-$1,482</td>
</tr>
</tbody>
</table>

Source: Center on Budget and Policy Priorities, [http://www.cbpp.org/cms/?fa=view&id=3927](http://www.cbpp.org/cms/?fa=view&id=3927)
Higher Education’s Share of State Spending Is Declining

Note: “Other” includes state contributions to pensions and health insurance, children’s health insurance program (CHIP), institutional and community care for mental health, public health programs, economic development, state police, parks and recreations, housing, and general aid to local governments.

Source: National Association of Budget Officers, State Expenditure Reports, FY2010 and FY1996, Table 3.
Tuition Revenues Surpassing Appropriations in Many Publics

Tuition & Appropriations
Not the Only Revenue Sources
The Delta Cost Project: Focusing on College Spending

- Looking at revenue not enough
- Delta Cost Project fills gap by including college spending
- Belief that spending can be contained without sacrificing access or educational quality
- Better use of data to inform strategic decision making
The Delta Cost Project

- **Mission**: to improve college affordability by helping policy makers and higher education administrators understand higher education costs and productivity

- **Focus**: how colleges and universities spend money; how tuition (price), other revenues, & spending relate to one another

- **Tools**: reports and briefs; online analysis system; website with available resources
The Delta Cost Metrics

- **Revenue**: Where does the money come from?
- **Expenditures**: Where does the money go?
- **Cost/Price/Subsidy**: What are tuitions paying for?
- **Performance**: What is the relationship between spending and outcomes?
Making Sense of Spending

- Education & related spending: Core educational mission
- Education & general spending: All core operating expenditures
- Total operating expenses: All spending
Total Spending Outpaced Spending on Core Educational Mission (E&R)
Higher Education is Labor Intensive

Distribution of Employees by Job Type, FY2000 and FY2010

Source: Delta Cost Project IPEDS Database, 1987-2010. 11-year matched set.
Full-time Faculty Declined Relative to Enrollments

Change in Full- and Part-time Faculty/Instructors per 100 FTE Students, FY2000 - FY2010

Spending Not the Cause of Rising Tuitions

![Graph showing the percentage changes in net tuition revenue, state/local appropriations, and education & related spending from 2000 to 2010.](http://thekeep.eiu.edu/jcba/vol0/iss8/14)
Spending in Community Colleges Actually Declining

Community Colleges

Graph showing trends in spending for community colleges with data points from 2000 to 2010, indicating a decline in state/local appropriations and other related spending.
Institutions Enrolling the Most Students Spend the Least on their Education

**Spending per Student Versus Enrollment by Sector, AY 2010**

Source: Delta Cost Project IPEDS Database, 1987-2010; spending data from the 11-year matched set; enrollment data from the unmatched set.
Subsidies Have Declined in All Types of Public Institutions

Net tuition and subsidy shares of E&R costs (in 2010 dollars)
Subsidies Exist in Privates and Have Declined Somewhat

Net tuition and subsidy shares of E&R costs (in 2010 dollars)
Explaining Rising Tuitions: Increased Spending or Cost-shifting?

Tuition increased primarily to replace institutional subsidies—not to enable new spending.

Changes in net tuition, state and local appropriations, and education and related spending per FTE student, AY 2000–2010 (in 2010 dollars)

- Net tuition
  - $505
  - $399
  - $275
  - $139
  - $157
  - $253
  - $171

- State and local appropriations
  - -$818
  - -$618
  - -$927
  - -$1,014

- Education and related spending
  - -$154
  - -$256
  - -$243
  - -$855
  - -$873
  - -$506

Costs per Degree Declined Somewhat in 2010

Average E&R spending per degree (in 2010 dollars)
Delta Cost Resources: Tools & Products

- Website – www.deltacostproject.org
- Online analysis system – www.tcs-online.org
- Data Updates, Issue Briefs, Perspectives
- State Profiles
Delta Cost Resources: Helpful Staff

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