Washington Research Council

POLICY e-brief

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Flexibility the Key to Rational Tuition Policy

BRIEFLY

Gov. Locke proposes to let the states' colleges and universities determine the rates of tuition paid by their students. In 1997, the Research Council recommended that the state's institutions be given the flexibility to set their own tuition rates in response to market demands. Now would be a good time to give them tuition-setting authority.

Among the Governor's initiatives for higher education this session is a proposal that the state's colleges and universities be given permanent authority to determine for themselves the rates of tuition paid by their students. The Governor's proposal has been introduced in the House as HB 1743 and in the Senate as SB 5770.

Currently, tuition is set by the legislature.

Under the governor's proposal, tuition hikes for resident undergraduate students would be limited to no more than 10 percent in any one year and to no more than 40 percent over any six-year period. Tuition hikes for nonresident undergraduate students, graduate students and professional students would not be capped. Institutions would be required to set aside a portion of the money raised through tuition increases for financial aid, to supplement student awards under the State Need Grant program.

In 1999, Gov. Locke proposed that the institutions be allowed flexibility to set their own tuition levels for the 1999-2000 and 2000-2001 academic years. That proposal would have capped annual increases at 5 percent. Ultimately, the legislature set tuition increases of 4.6 percent for 1999-2000 and 3.6 percent for 2000-2001, but gave the institution flexibility to impose smaller increases or even reductions for specific programs. Although schools often took the full increase available, there were some notable exceptions. For example, UW and WSU increased resident graduate student tuition by just 3 percent in both years.[1]

Tuition Levels at Washington's Colleges and Universities

Since the late 1980s, the state Higher Education Coordinating Board has tracked tuition at the state's institutions in comparison sets of peer institutions. The peer-group criteria were determined in consultation with joint legislative-executive study group. Chart 1 shows tuition and fees at Washington institutions, the corresponding peer averages, and the percentage increase or decrease that would take the Washington values to the peer averages. In all cases, resident undergraduate tuition and fees are below the averages of peer institutions. It would take a nearly fifteen percent hike to raise the UW figure to its peer average. For the Evergreen State College, the figure is 32 percent. On the other hand, graduate tuitions, both resident and nonresident, are uniformly above the peer averages.

Tuitions at the UW's professional programs in Medicine, Dentistry, and Law are below the peer averages.

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2000 - 2001 Tuition: Washington Schools vs. Peer Institutions

	Undergraduate Resident	Undergraduate Nonresident	Graduate Resident	Graduate Nonresident
UW	3,761	12,453	5,745	14,283
Peer Average	4,314	13,102	5,222	13,062
Increase or Decrease to Equal Peer Average	14.7%	5.2%	-9.1%	-8.5%

	Medical Resident	Medical Nonresident	Dental Resident	Dental Nonresident	Law Resident	Law Nonresident
UW	9,533	24,084	9,533	24,084	6,216	15,326
Peer Average	12,362	26,177	11,140	24,956	9,044	18,100
Increase or Decrease to Equal Peer Average	29.7%	8.7%	16.9%	3.6%	45.5%	18.1%

	Undergraduate Resident	Undergraduate Nonresident	Graduate Resident	Graduate Nonresident	Veterinary Resident	Veterinary Nonresident
WSU	3,658	10,574	5,660	13,872	9,260	22,960
Peer Average	3,957	11,518	4,526	11,187	8,853	21,569
Increase or Decrease to Equal Peer Average	8.2%	8.9%	-20.0%	-19.4%	-4.4%	-6.1%

	Undergraduate Resident	Undergraduate Nonresident	Graduate Resident	Graduate Nonresident
CWU, EWU, WWU	2,890	9,989	4,589	13,681
Peer Average	3,168	8,285	3,483	8,293
Increase or Decrease to Equal Peer Average	9.6%	-17.1%	-24.1%	-39.4%

	Undergraduate Resident	Undergraduate Nonresident	Graduate Resident	Graduate Nonresident
Evergreen	2,857	10,111	4,567	13,864
Peer Average	3,775	9,397	4,106	9,144
Increase or Decrease to Equal Peer Average	32.1%	-7.1%	-10.1%	-34.0%

	Undergraduate Resident	Undergraduate Nonresident
Community Colleges	1,641	6,459
Peer Average	1,729	4,764
Increase or Decrease to Equal Peer Average	5.4%	-26.2%

Source: Washington State Higher Education Coordinating Board

2020 Commission

The Governor's 2020 Commission on the Future of Post-Secondary Education recommended that the state's schools be given control of their own tuition rates.

> Central tuition setting by the state Legislature has served to protect the public from unreasonable price increases. But legislatively established tuition levels conceal the real costs and the market value of various courses of study. As institutions enter an era of competition with for-profit providers, niche or specialty

> market providers, and distance education providers, they will need to be able to adjust the prices they charge so as not to be disadvantaged in the market.
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> The ability of publicly funded institutions to be entrepreneurial and to deliver education efficiently should not be inhibited by their inability to set prices. Institutions should be able to adjust prices for services delivered in non-traditional ways (e.g. off-hours classes, classes delivered in remote locations, short courses, distance or technologically delivered education). The ability to set prices locally can, in many instances, work to reduce cost to students. Institutions should be free to generate revenue from programs with high market value without raising costs for students in less lucrative fields.[2]

It is fair for students attending programs that are particularly costly to offer and whose graduates are paid particularly high salaries to pay higher tuition that those students who choose to pursue less costly and less remunerative programs.

But equally important, the ability to charge more for such high cost and high demand programs will allow schools to respond more quickly to the needs of students and the demands of the employment market.

Certain courses of study are simply more costly than others for institutions to offer. For example, the average professor in computer science and engineering (CS&E) at the University of Washington receives a salary of $97,200. The average professor in, say, English ($55,800) or Philosophy ($57,900) receives considerably less.[3] The demand for graduates with CS&E degrees is very high, and more students desire to take this major than the department can accommodate. The University should respond to student desires by shifting faculty positions into this department. The ability to make such adjustments is constrained, however, by the need to pay higher salaries to CS&E faculty than to faculty in the departments that would be loosing positions. Were the University able charge tuition that reflected these higher costs, it would be easier to make the shift.

Discussion

Gov. Locke's current proposal is a much bolder step in the direction of providing colleges and universities with control over their tuition rates than was his proposal of two years ago.

In 1997, the Research Council recommended that the state's institutions be given the flexibility to set their own tuition rates in response to market demands.[4] With the current budget situation, it will be hard for the legislature to provide the schools with the money they need to respond to new opportunities. Now would be a good time to give them tuition-setting authority.

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[1] Washington State Higher Education Coordinating Board, *2000-2001 Washington State Tuition and Fee Report*, page 13.

[2] Learning for Life: *Report of the 2020 Commission of the Future of Post Secondary Education*, Recommendation 11.

[3] University of Washington, AAU Institutions Data Exchange, Faculty Salary Data by Campus, College, Department and Rank

[4] Washington Research Council, *Defining the Challenge, A Closer Look at Higher Education*, May 1997.

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