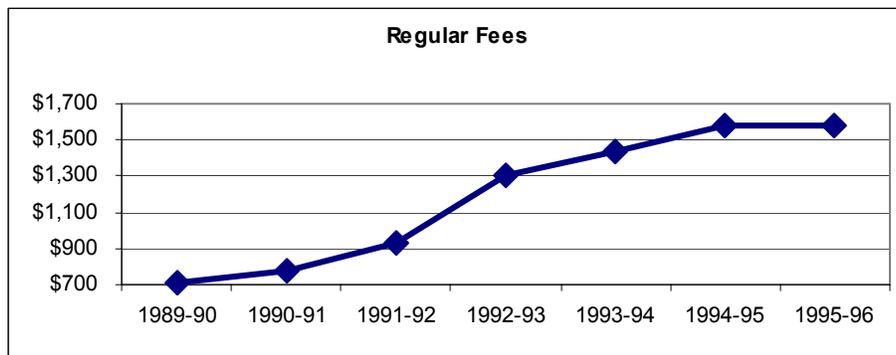


## **The California State University Briefing on Student Fee Increases and Student Enrollment**

Donald Heller's 2001 review of the literature for the California Student Aid Commission and the EdFund<sup>1</sup> provides one of the most recent and thoughtful commentaries on the effects of tuition prices and financial aid on enrollment in higher education in California and the nation. At the start, Heller reminds readers that factors like the local economy and the academic preparation of high school students have much more influence on their college enrollment behavior than college pricing and financial aid. However, he also observes that college pricing and financial aid are among the few factors that are under the direct control of postsecondary education policymakers, thus, making them important foci for study and understanding. Heller's reanalysis of national data suggests some small, negative effects of fee and tuition increases on student enrollments *ceteris paribus*. Fortunately, theoretical assumption of "other things being equal" rarely has fit the empirical context in which other forces have been much more powerful in drawing students to higher education than the negative effect of increasing fees. As Heller readily acknowledges, in the 1980s and 1990s, there was every reason to believe that higher education enrollments would decline. Demographers saw a shrinking pool of high school graduates in the 1980s and early 1990s and projected declining college enrollments. Fee/tuition prices soared nationally during the 1980s and 1990s, especially in relation to the ability of students and their families to pay for them. Yet as we all know, college enrollments continued to rise during the 1980s, 1990s, and now in the 2000s.

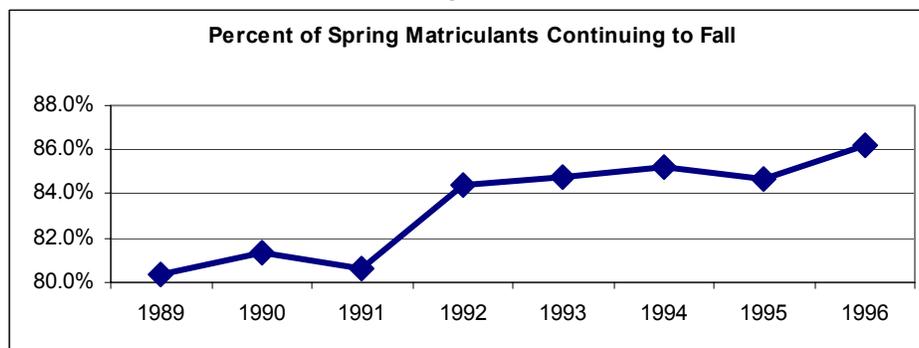
Some might argue that the California State University (CSU) enrollment trend during the early 1990s provides a counterexample to the national case. CSU enrollments fell from 369,053 in fall 1990 to 361,904 in fall 1991 to 347,693 in fall 1992 to 325,639 in fall 1993 to 319,368 in fall 1994, while student fees in the CSU during the same period increased. From 1990 to 1994, fees for regular students during the academic year rose from a little over \$700 to over \$1,500. The largest annual increase occurred between 1991-92 and 1992-93, when the regular student fee rose from \$936 to \$1,308 -- an increase of \$372 or 40 percent.

*Figure 1*



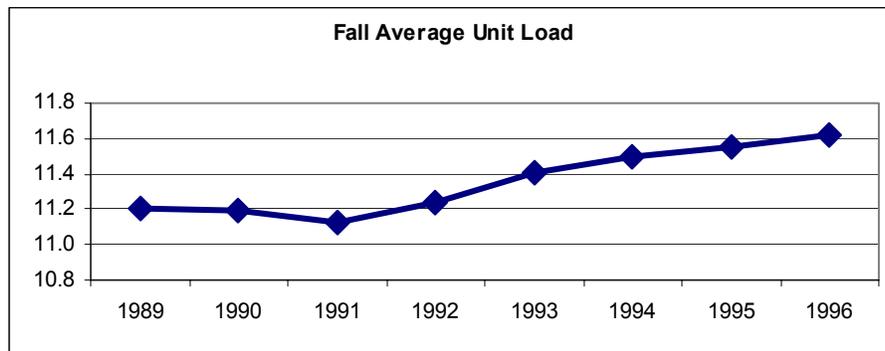
However, if fee increases were driving CSU students to drop out of college or to transfer to a less expensive option, then we should have observed a drop in the percentage of students who continued from the spring of one year to the fall of the next academic year when fee increases took effect.

*Figure 2*



As figure 2 shows, spring 1992 students actually continued their college education in fall 1992 at a substantially higher rate than observed in previous years. When fees were relatively lower, non-graduating students enrolled in the spring continued to the fall at about a rate of 80-81%. In spring 1992, students were paying a fee of \$936 and in fall 1992, they were paying \$1,308, a 40 percent increase. Instead of observing that students had more difficulty continuing their college education, we actually saw students continuing their education at a much higher rate -- 85%. Higher spring-to-fall continuation rates, coupled with increasing average unit loads as shown in Figure 3, suggest that CSU students, faced with sizeable fee increase, look at other alternatives and find that the CSU remains a bargain, so they continue at the CSU, but they take more credit units to make college-going more affordable...credit-by-credit.

*Figure 3*



Three factors underpin the CSU enrollment decrease in the early 1990s: (1) degree conferrals, (2) course offerings, and (3) admissions. During the early 1990s, students were staying in college at higher rates and taking more units in order to make their most economic progress to degree. Increases in the conferral of degree awards logically follow in this scenario. The number of spring/summer degree awards in the CSU hovered around 37 to 38 thousand in the late 1980s. In spring and summer 1991, before the first notable fee increase took effect, degree awards soared to 41.5 thousand. During the spring/summer 1992, degree awards increased again to 43.4 thousand. During spring/summer 1993, degree awards once again increased to 45.4 thousand. While fee/tuition pricing and financial aid are two factors over which higher education policy makers have direct control, two additional powerful factors are course offerings and offerings of admission. In the first year of budget cuts and student fee increases, 1991-1992, new and continuing students in fall 1991 faced a small fee increase and fewer courses in which to register. Faced with paying more and getting less access to courses, proportionately more students decided not to stay in college, and the CSU retention rate decreased for the first time in decades, as shown in figure 2 above. In 1992-1993, the CSU imposed a larger fee increase but still had to reduce its instructional load markedly. To compensate for the decrease in instructional offerings, the CSU decreased its access to first-time freshmen and almost eliminated its access to lower-division transfer prospects (who, at least, were matriculants somewhere in higher education); consistent with the Master Plan, the CSU maintained its access for new upper-division transfer applicants and its enrollment priority for continuing students. As shown in figure 2 and figure 3, overall the spring-to-fall 1992 continuation rate and the fall 1992 average unit load increased, that is, more students decided to stay in college and to take more units. Upper-division students, who have registration priority at most CSU campuses to encourage progress to degree, were most able to proceed to degree. Continuing lower-division students who do not enjoy registration priority on most campuses found they were much less able to get the courses they needed, and their retention rate notably declined. Increases in degree conferrals and decreases in course offerings (coupled with decreased admissions to first-time freshmen and lower lower-division retention rates) are the major drivers of the CSU enrollment decline in the early 1990s.

<sup>1</sup> Donald E. Heller, *The Effects of Tuition Prices and Financial Aid on Enrollment in Higher Education: California and the Nation* (Rancho Cordova, CA: EdFund, 2001)