

**QUALITY AND AFFORDABILITY:**

**POLICIES FOR PRICING AND  
STRATEGIES FOR PAYING**

**PREAMBLE**

One of the three policies that are the foundation of the California Master Plan for Higher Education is the maintenance of low fees. The other two are broad access to higher education for the citizens of California and wide availability of academic program offerings of high quality. Access and quality are the goals of California higher education, while the preservation of low fees has been an important means for achieving these goals. After several decades of extraordinary commitment to fulfilling the promise of the Master Plan, the current period of unprecedented economic stress in California has resulted in the state's inability to sustain its historic level of support to higher education. The question is whether the fundamental goals of the Master Plan for Higher Education can be continued, perhaps with less destructive modification to the basic policies, in a way that makes it possible to keep the essential promise to students and citizens of California.

It is imperative that we strive to retain our social contract because the return on the state's investment in the CSU can be readily measured in terms of benefits to the state and benefits to the individuals we serve. CSU is an instrument for preserving the essential moral commitment of constructive socioeconomic mobility. One of nine teachers for the country and three of four for the state are trained in the CSU. Eighty percent of those who receive a bachelor's degree in California, after transfer from a community college to a public university, graduate from a CSU campus. CSU faculty have defined the cutting edge of work in public policy analysis and applied research, key ingredients of California's healthy social transition. For all these benefits, the CSU definitions of quality and access must continue to include availability to newer constituencies and relatively low costs for those in need. These are the areas where the state must place its priority and align its policy direction. The clear focus must be on those who can pay and those who cannot, and on increased returns for California's investment.

One modification to basic policies is the adoption of pricing patterns for California public higher education which more nearly mirror the tuition and fee policies of similar institutions across the United States. Of course California always has been proud of its ability to provide more subsidy for all, than any other state but does anyone believe that this financial generosity is likely to prevail again? Therefore, this modification should provide for a predictable and reasonable adjustment of student fees from year to year so that students and their families are better able to plan for university attendance. It is equally important that a commitment to students is established on the part of the institution regarding what those fees will "buy". A rational framework for higher education pricing and financial aid might include measures and criteria which derive from

- institutional mission and priorities;
- differential costs associated with student level, objective, and enrollment status;
- incentives to improve access in terms of entry into the university system and shortening time to degree; and
- the considerable disparities of family income and wealth among those seeking California higher education.

Any long term fee and aid policy, particularly one that requires a greater average contribution on the part of students and their families, must assume a commitment on the part of the state to assume its share of the partnership. The policies suggested here are predicated on not losing further ground in 1993/94 and

## The California State University Student Fee Policy References

beyond in state appropriations. The state's general revenue fund should pay for the access of additional students headed toward our universities. Thus, the only way to ensure a high level of student access in the short run is to recover a higher level of state appropriations.

Provision of adequate student financial aid and equitable application of aid policies would be a *central* tenet of a new and higher student pricing and aid structure. To mitigate an increase in fees becoming a barrier to access, a comprehensive program of student aid is imperative. A dramatic improvement in student aid is essential to meet the challenge of increasing disparity in family incomes in California which causes increasing disparity in students' ability to pay for college. A well defined set of policies for student financial aid must be linked directly to student fee policies. CSU is working with the University of California, the other segments of higher education, and relevant state agencies on a broader, long-term review of how California raises and allocates funds for aid.

### PRINCIPLES FOR A NEW PRICING STRUCTURE

- Fee Revenue Would Fund Improvements to the Direct Benefit of Students Attending CSU, While State Appropriation Funding Would Determine the Number of Students Who Could Attend CSU: The development of a new fee policy for students must be accompanied by a clarification of the responsibility of the state. The burden of ensuring that the state assumes its fundamental responsibility to provide adequate support for public higher education must remain with State policy makers. That responsibility is to provide access to higher education for its citizens by funding the operations of its universities, and that funding level determines how many students can be served. CSU enrollment levels have always been, and will continue to be, determined by the level of support provided by the state budget. Student fee revenues, in turn, can enhance the academic programs, improve the availability of courses, and facilitate student progress, but they cannot, and never should be expected to support increased access. It is also the intention of this policy that a portion of student fee revenues would fund the student aid increases necessary to meet increased need caused by the higher fees.
- Using Percentage of Cost of Education to Determine Amount of State University Fee (SUF): Students and their families should be charged a portion of the costs of education, as determined by a coherent and defensible policy, in the form of fees. California public institutions of higher education should establish a structure for tuition and fees that is more nearly comparable to that charged in other states with similar institutions.
- Differential Fees for Graduate /Postbaccalaureate) Study: Higher cost associated with graduate study should be *recognized* by the *fee* structure. Studies of education costs reveal cost differentials that are highly dependent upon the level and program of academic study, with master's degree programs costing more than undergraduate degree programs, and doctoral study costing substantially more than study at the master's level professional programs, especially those in the health sciences, *are* the most costly of all advanced degree programs. It is also possible to determine the relative differential costs for lower division and upper division undergraduate study and to establish fee levels that reflect this differential. This proposal envisions a specific exception to the policy of differential fees for postbaccalaureate education credential candidates, whose service is so essential to the future of California that the lower undergraduate fee structure, should continue for those students.
- Continue Fee Structures that Differentiate for Part-Time and Full-Time Study: The current fee structure for California State University establishes one fee for limited (6 units or less) and another fee for regular (more than 6 units) study. As the ceiling on the fee is increased and the

## The California State University Student Fee Policy References

policy altered to reflect costs, it is useful to maintain a fee structure that reflects the number of courses or student credit hours taken. This approach can be expanded to leave a fixed fee rate for students taking 12 units or more and instituting per unit charges for students taking fewer units. This type of fee structure contains incentives for students to improve their progress toward a degree. This in turn helps students to enter the workforce more rapidly and to become financially independent. As students accelerate progress to a degree, campus space becomes available for new students to enter the university. More incentives could be added to encourage students to increase their credit load each term.

- Clarify Meaning of Tuition: State law (Education Code Section 89703) limits CSU tuition for California residents to \$25 per year. It also limits the use of tuition revenues to instructional support. It is important to resolve these statutory problems so that revenues generated from increased student fees could support programs of instruction. The time has come to acknowledge formally that in order for public higher education to survive, the state and students of California must establish a partnership. That partnership would be grounded in the determination of "fair share" contributions towards educational costs. The historic commitment to low fees, regardless of economic status, cannot be sustained in light of the protracted problems of the state budget. Formally acknowledging this would lend credibility to any new policy approach, and allowing fee revenues to augment the instructional programs would increase accountability to students, their families, and state policy makers. It is therefore very important that policy makers remove the cap on tuition and/or remove the barrier to using student fee revenues to enhance instructional programs.

### PRINCIPLES FOR A PROGRAM OF STUDENT FINANCIAL AID

Several strategies comprise a comprehensive approach for students to manage the costs of college attendance. The primary strategy for the neediest of students is "gift aid" or grants of various sorts. As the economic means of students and their families increase, the strategies become more diverse and would include "self help aid" such as work study and student loans. Deferred payment strategies would also be used to help students spread the payment of fees across the term of study. The logical extension of this policy is that students from higher income families would no longer receive large subsidies from the state to attend college.

#### GRANTS:

- Establish Institutional Commitment to Student Grant Aid: The Trustees of the California State University have established a program of State University Grants, the purpose of which has been to provide assistance to needy students not adequately served by state and federal programs of student aid. In developing a new student fee structure for CSU, the role of Institutional grants should be reviewed. During the recent period of declining budget support to state student aid, CSU increased its commitment through the State University Grant program to fill the gap created by rising student fees and declining Cal Grants. In developing the policy framework for State University Grants, a number of criteria should be considered, including the following:
  - Provide a portion of fee revenues to augment the State University Grant program.
  - Provide grants to offset the fee Increase according to a student's family financial position.
  - Combine grants and loans to ration limited funds and to "package" aid in accordance with CSU's mission.

## The California State University Student Fee Policy References

- Assign priority to first-time freshmen and upper division community college transfers.
- Reform the State Program of Student Aid to be More Responsive to Student Need: The existing program of Cal Grants was formulated in an earlier period of California's history when fees at public universities were comprehensively low, and the major objectives of the Cal Grant programs were to recognize student achievement and to provide student choice. Financial problems for the neediest students have been further exacerbated by the rationing of reduced Cal Grant dollars to students on the basis of academic achievement in high school rather than on the basis of financial need. With the current state budget problems, funding for the Cal Grant programs has actually declined even though student fees have continued to increase, most dramatically at the California State University and University of California. Restoration of the full partnership with state and federal student aid programs should be a high priority for policy makers as it is for trustees. A reasonable balance of roles can and must be found.

Thus a comprehensive overhaul of the state program of student aid is essential to the development of a coherent structure of student fees. The primary goal of a revised public policy would channel student aid funds towards students with the greatest need. The intent of this policy goal is to expand the amount and type of financial aid available to all students in need. CSU is working with the University of California and private institutions in California to examine the public policy implications of new approaches to the provision of financial assistance and to re-examine guidelines regarding which students should be subsidized and for what purposes.

- Seek Adequate Funding and Full Eligibility for CSU Students from Federal Programs of Student Aid: Changes to the Higher Education Act through the reauthorization process have raised technical problems related to the level of grant eligibility for many CSU students. Restoration of *full* eligibility and full funding of federal student aid programs, especially the Pell Grant program, must be a high priority for CSU.

### LOANS AND SELF HELP:

- Federal and State Student Loan Programs: Increasing prices of higher education in California make the development of an array of loan programs for students imperative. CSU should explore the full potential for forgivable and low-interest loan programs. Among the potential programs are state and federal options that are tied to community service, to professions that are in high need, and regions of California that are underserved. Considerable emphasis should be given to a program of national service, which could provide an income contingent repayment loan to assist students that attend college and maximize employment opportunities in specified occupations or allow students to participate in service activities in return for a post-service benefit (such as an education grant). Exploratory conversations are underway with the state treasurer's office concerning the creation of a state trust program that would provide student loans.

### FINANCING OPTION:

- Deferred Payment Programs: CSU has recently developed a program which permits students to spread fee payments across the term of study. Further expansion of this and similar programs will assist students in managing the costs of college attendance (payment of fees by credit card would be a similar deferred payment approach).

## **CONCLUDING COMMENT**

The challenge faced by California State University and, indeed, by the state's policy makers, is how to achieve the goals of the Master Plan for Higher Education in a profoundly different environment than the one which spawned its great aspirations for California's citizens. The enlightened self interest of the state compels policy makers to focus upon the priority that must be accorded to providing the opportunity for Californians of every economic circumstance to gain the higher education they seek and for which they have earned. This priority for California is an economic imperative, if the state is to recover and sustain its economic strength and vitality. The goals of access and quality are the foundation of the Master Plan, and the centerpiece for the development of the California State University. The pursuit of new approaches to preserving these goals is the impetus for this policy framework.

The framework for changing pricing and financial aid policies to achieve quality and affordability of higher education in the CSU, is founded on a new reality for California - one that does not anticipate return to the circumstances of an earlier era. The underlying society that comprises the California of the 1990's reflects both richer diversity and greater disparity. The intent of this proposal is that the state subsidy would provide fundamental access to our university for students who meet the entry qualifications, and that our pricing policies would enhance the quality of their educational experiences. This policy is predicated on higher charges to students, offset by improved financial aid, and on sustained commitment by the state to fund a higher educational opportunity for CSU students.

Following this strategy, the state and the California State University together would direct financial support for the maximum social advantage, and would achieve through aggressive financial aid programs true opportunity for each individual student. Achievement of this goal will require a more effective and more comprehensive program of information and outreach on student financial aid than has ever before been implemented. This policy framework calls for a new partnership commitment from the students, the state and the university. Each is called upon to sacrifice and to innovate. The new direction is not pleasant, it is not easy, but the best among very difficult alternatives must be identified with candor and with courage.