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ABSTRACT

Unless aid programs are given more direction and funding, and unless an immediate program is initiated to make public and private tuitions competitive, the trend toward secularization of American higher education by default will continue. The process is harmful to both private and public colleges from a philosophical point of view as well as from an economic angle. For the state systems to bail out the private colleges by absorbing them is extremely expensive as a total solution to the problem of affording private colleges. While the main issue--ending the low-tuition policy--is considered to be against the best interests of state institutions and against those of many students, failure to deal with the volatile proposal may result in the continued loss of many private institutions, to the detriment of both sectors of higher education. (Author)

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A Defense for Diversity: More Colleges for More Students

It will take some financial maneuvering to reverse trends of the early 1970's toward a homogeneous, shrinking number of universities and colleges, all tending to mirror public institutions. New plans of dollar-aid to students will be a big part of that maneuvering.

In the last two academic years 31 colleges in the United States closed, eight merged, and six private colleges were taken over by state or local higher education authorities.

All of the six colleges transferring control were located in Southern Regional Education Board (SREB) states, indicating a questionable move to continue expansion of state college systems by "bailing out" private institutions. Next year, a second Baltimore-area unit will be added to the University of Maryland with the conversion of the formerly private University of Baltimore to a quasi-public status.

The number of private four-year colleges and universities incurring current-fund deficits is increasing—from one-third of all institutions in 1968 to nearly 60 percent by 1971, according to the Association of American Colleges. The need for more basic changes in the financing of higher education, from the students' point of view as well as the institutions', is apparent.

Factors which have worked to increase costs at private institutions—inflations, fewer college-age young people, disenchantment with traditional higher education, and a reduction in federal subsidies—have also had an effect on the public institutions. In addition, the state taxpayers who contribute most of the subsidies for instructional costs, aren't willing to foot the bill for continued "expansion." As a result, increases in cost are now passed on to public college students in the form of tuition increases, just as they have been in private colleges.

Nevertheless, because they receive fewer government subsidies, private colleges are suffering the most from financial hardships and are gradually pricing themselves out of the marketplace. Tuition at private colleges has risen much faster than the average disposable income, a national indicator of "ability to pay." The bill for public colleges, historically "low cost," is now increasing at a rate almost equal with the average disposable income. The national ratio of private to public college tuition is now four-and-a-half to one, according to the Carnegie Commission on Higher Education.

Students, caught in the bind of increasing costs, have chosen less expensive community colleges close to home and state institutions. In the SREB area, only 18 percent of students in traditional higher education institutions attend private colleges. The drop is especially noticeable when compared with 1951 when 41 percent of the enrolled students were in private colleges.

Changing the Dollar Flow

In recent months there has been a significant effort to change old ways of financing students and institutional funding because old methods have failed to meet the financial aid needs of students and the financial band-aid needs of institutions.

Three main possibilities are shifting out of some major proposals:

- Students who have the means may be required to pay more of

Groups urge closing the private/public "tuition gap."

the cost of education, or to "mortgage" their future higher earnings through educational loans that would be repayed over their productive lifetime.

- Rather than institutions receiving most government subsidies for distribution to students, individuals in financial need may receive the bulk of federal government funds in order to enable students to afford the college of their choice. The machinery for this change has already been set in motion.
- "Market choice" will enable private colleges—often more innovative and student-oriented than public colleges—to attract more students and students' money, whether it's their own or funds granted by state and federal governments.

Among recent proposals for funding policies are a report released this summer by the Carnegie Commission on Higher Education entitled **Higher Education: Who Pays? Who Benefits? Who Should Pay?**, and an October report by the Council for Economic Development (CED), **The Management and Financing of Colleges.**

The proposals look closely at the total college bill, including all costs of instruction, facilities and services, and suggest a rearrangement in the proportion of these that students pay. Students nationally pay a median of less than one-sixth of the costs of education at public institutions, and an average of two-thirds of these costs at private colleges or universities. (The rest is picked up by the government, private philanthropy or corporate giving.)

Both studies suggest raising public college tuition and rely on increased individually-awarded student aid to close the gap between the higher tuition and student ability to pay. Both emphasize that such actions would place public and private colleges back into competition by making compatible their costs to the students. The CED, a group of 200 prominent businessmen, argues primarily from the economic and management standpoint; the Carnegie Commission, while drawing on economic data, speaks from a philosophical and educational point of view.

Upper-income students would be expected to pay more of the cost of public education, as it is these who have benefited most from the present system.

"The more heavily (state-) subsidized university sector of the higher education system tends to serve students with considerably higher average family incomes," the Carnegie Commission study said. "And these families in most states have a proportionately lower state and local tax burden."

The CED recommends that public college tuition be raised over the next five years to cover one-half of educational costs. A 10-year period is suggested for community colleges, as these traditionally have provided low-income groups entry into higher education institutions.

The Carnegie Commission recommended that community colleges be completely exempt from its proposal. It advocated raising public college tuition to cover one-third the educational costs, the increase occurring over the coming decade. The Commission also favored tuition reflecting the relative true costs of lower and upper division studies, of graduate and professional education. These have usually been averaged out, as the costs of post-baccalaureate are much higher than undergraduate studies.

Coupled with the suggestions, which have raised criticism from groups with a special interest in low tuition at public colleges, were recommendations for increasing and streamlining student aid. For all income groups, loans were deemed an appropriate means of financing either the sharply increased tuition at public colleges or to pay for the private college bill, which is expected to increase, but at a slower rate.

One researcher of student aid data suggested that it might become feasible for a student to finance his education just as his parents acquired their home—through a long-term loan in which the collateral would be his promise of increased earnings as a result of higher-level education.

Deferred tuition plans require large endowments.

Paying for Learning, Earning

Politically, the idea of having a student pay more for his education —at least in theory—is a popular one now.

"Society is shifting the cost to the individual," John Yngve, a regent of the University of Minnesota, told college trustees and regents at a meeting in Atlanta. He forecast even greater reluctance of legislatures to approve expansion of systems at taxpayers' expense.

For this reason, the Yale plan, a proposal for students to pay deferred tuition over a lifetime of assumed relative affluence, caught the imagination of many people. The Plan was instituted at Yale in 1971 and in a more limited way at Duke University.

The drawbacks were the large amount of capital needed to effect the plan on a large scale—only schools with significant amounts of unrestricted endowments would be able to do so—and the fact that high earners eventually would have to subsidize low earners. Another problem was attempting to collect sums from alumni spread across the country who would feel less responsibility over the years, especially if their colleagues were debt-free after graduation.

However, the idea is still alive of students paying over a longer period of time for what they learn and earn.

The Council for Economic Development recommended "an expanded federally operated student-loan system to provide students and their families guaranteed access to supplemental funds," so families and students of all income levels could support a greater share of college costs. Currently the federal direct student loan and guaranteed student loan programs are geared to those with a recognized need for assistance, the low and moderate income families.

The Carnegie Commission also sees loans as a major means for students to finance a higher proportion of educational costs and consequently disperse themselves over a larger range of institutions.

"Low tuition public colleges provide a local option for most students, but we believe it strongly desirable to broaden the range of options and to add to the student's mobility by providing ample loan funds to enable attendance at a residential public or private college or university," the Commission said.

The Commission repeated its recommendation for a National Student Loan Bank which would be self-sufficient except for catastrophic risks, would be available for all students regardless of need, and would allow repayment over a period of up to 40 years on an income-contingent basis. Thus, college graduates, who are known to incur family responsibilities early in their working careers, would repay a larger part of the loan when their income indicated a greater affluence.

A Pluralistic Approach

While acknowledging the desire of society, and the economic advisability, of having students pay more of the costs of their education, both commissions concerned themselves with the situation of low-and-middle income students for whom even increased loan funds would be insufficient in helping finance the higher costs of public and private higher education. The conclusion was that society continues to benefit from an educated populace and that equality of choice between private and public institutions as well as equality of access are principles that should be underwritten by the taxpayers. Thus, both favor a pluralistic pattern of funding that includes an effective system of grants in addition to the expanded loan program.

The grants advocated are the Basic Opportunity Grants (BOG's) implemented for the first time this fall following enactment of the Education Amendments of 1972. In a sharp contrast to student aid dispensed under previous pro-

"Market choice" could reward innovation.

grams, the BOG's, or portable grants, directly entitle the student to monies based on need, and can go to a large variety of postsecondary institutions, rather than, as has been the case, to traditional higher education institutions.

Permit full funding of this mechanism, advised the Carnegie Commission (the average award this fall was only $260, the neediest student received only $474), and raise the $1,400 or no-more-than-half-the-costs ceiling on grants in order to make them more effective as leveling agents for the private colleges.

The two studies also favored increased participation by state governments in grant and loan programs, with incentives (already embodied in federal legislation) favoring students needing financial assistance. Finally, the two favored direct and indirect state aid to private institutions as a means of utilizing the resources of the private schools for the state's benefit, and of keeping private tuition from rising too sharply.

Choice Helps Private Colleges

The assumption lying behind the proposals to more nearly equalize the costs of education between the public and private sectors (the Carnegie Commission says that its proposals could lower the ratio of costs from four-and-a-half to two-and-a-half to one) is that "market choice" between the two types of institutions will result in more different kinds of colleges for students to attend.

"Student choice in the educational marketplace would be expected to reward innovation, efficiency and responsiveness while penalizing less attractive colleges," an article in the October issue of **Change** magazine states. Private colleges, being smaller and more autonomous, have traditionally been free to perform the experimentation that has been possible to a lesser degree in public institutions. The size and intimacy of many private institutions is another factor in favor of such schools, if market choice, subsidized by grant and loan programs, becomes operative.

However, the proposals of the CED and the Carnegie Commission to raise public college tuition have aroused heavy criticism on many important fronts.

Congressman James O'Hara of Michigan, the leading House higher education figure, immediately denounced the CED proposal as a further unwelcome handicap to middle-income persons, and labor groups opposed it as discriminatory towards those seeking upward mobility.

The two national organizations representing state colleges and universities, the American Association of State Colleges and Universities and the National Association of State Universities and Land-Grant Colleges, have publicly blasted the plans suggested by the CED and the Carnegie Commission, and similar ones by a commission of the College Entrance Examination Board. A statement from AASCU noted that they depend on a doubtful guarantee of coordination among "federal and state politicians, bureaucrats, and bankers" and would require a "magic money machine" for sufficient student aid.

An End to Low Tuition?

It is difficult to say whether state legislatures and public colleges and universities will choose to accelerate increases in tuition in the manner suggested by the two studies. Judging from the reaction of politically powerful groups, the decision is one sensitive to pressure from middle-income families. As for members of the upper-income groups, they would be opposed because so many of those benefit greatly from

America's colleges may be secularized by default.

the system as it is. Thus, there is reason for pessimism about the possibility of tuition increases reflecting more of the educational costs.

Nevertheless, the institutions are receiving increases in their appropriations at a decreasing rate. There have been indications from state systems threatened with loss of tuition income by any court decision outlawing out-of-state tuition that resident students would be the immediate recipients of a larger tuition bill. These factors, as well as the public's feeling that the students should pay for what they learn and earn predispose public institutions to turn to the last substantially untapped source—the student—for more income.

There is evidence of congressional activity that may result in some liberalization of the guaranteed loan and the BOG programs, which, if they occurred, could help assuage the fears of low-tuition advocates that raising tuition would further exclude low-and middle-income students from higher education institutions. There is a long way to go in this area, however; figures from SREB show a need for financial aid in the region amounting to more than $350 million.

Correction

In the September, 1973, issue of **Regional Spotlight**, Dr. B.E. Childers of the Southern Association of Colleges and Schools was misquoted as saying that approval of a proprietary school program by the "National Council on Accreditation" was the "only reliable guide" for the prospective student. In fact, Dr. Childers said that there is no reliable guide, but that there are two available, if not definitive, guides to accrediting agencies that approve occupational training programs. These are the National Commission on Accrediting, and the U.S. Office of Education's list of approved accrediting agencies for programs eligible for federal funds.

Not to Decide . . .

Unless aid programs are given more direction and funding, and unless an immediate program is initiated to make public and private tuitions competitive, the trend toward secularization of American higher education by default will continue. The process is harmful to both private and public colleges from a philosophical point of view, as well as from an economic angle.

For the state systems to "bail out" the private colleges by absorbing them, as happened with the several institutions in the SREB region, is extremely expensive as a total solution to the problem of affording private colleges.

What the studies by the Council on Economic Development and the Carnegie Commission on Higher Education suggest represents a bold change in relationships, by which public and private colleges in recent years have worked separately more often than they have together. While the main issue—ending the low-tuition policy—is considered to be against the best interests of state institutions and against those of many students, failure to deal with the volatile proposal may result in the continued loss of many private institutions, to the detriment of both sectors of higher education.

For further information:

Financing Higher Education No. 29, Southern Regional Education Board Publications Office, 130 6th Street, NW, Atlanta, Ga. 30313.

Higher Education: Who Pays? Who Benefits? Who Should Pay? Carnegie Commission on Higher Education, $3.95, McGraw-Hill Book Co., Hightstown, N.J. 08520.

The Management and Financing of Colleges, Council for Economic Development, 477 Madison Avenue, New York, N.Y.

"Vouchers and Social Equity," Henry M. Levin, **Change** Magazine, October, 1973, $1.50, NBW Tower, New Rochelle, N.Y. 10801.

News From The Region

Pembroke State University, N.C., has expanded its multipurpose Human Services Center to provide service-learning opportunities for students in six academic departments to 40 community agencies in the area of the university. The center helps arrange field placements and assists in evaluating the experience for academic credit. Large numbers of students have found part-time jobs with area businesses through the center. The center also provides tutorial services and coordinates the Upward Bound Program as well as providing student manpower for other community projects.

The State University System of Florida has established a uniform policy among its units for accepting results of College Level Entrance Program (CLEP) tests from community college transfers. The cutoff point for credit is ranking in the 50th percentile, approximately the level used by some universities, and higher than that used in a few community colleges. The effect of the move is to increase standardization and to ease articulation between public community colleges and senior institutions

The Board of Regents is seeking to determine an optimum cut-off point by arranging for a validation study of the CLEP general exams over the next few months.

"Going to college" by reading the newspaper is now possible in many states, including the SREB region. A "courses by newspaper" project at West Virginia University allows academic credit for registered students and for high school students accepted for next year at WVU. Continuing education credit is available for others.

Testing for credit for the 20-week course, "America and the Future of Man," will take place twice at a university center during the course. **West Virginia University, Bethany College** and **Fairmont State College** will offer the course through six West Virginia newspapers. The **University of South Florida** and the Tampa Times are also cooperating in offering the course.

A Biology Learning Center has been set up for non-majors at the University of South Carolina in Columbia that does away with traditional classroom instruction. Students use audio tapes in carrels to listen to the objectives of the course material and to the content, then study and work in the lab with the assistance of other undergraduate students. The material for the course is designed and recorded by a one-man teaching staff each week.

Virginia Polytechnic Institute and State University is the site of the National Council on Year-Round Education. The council is a clearinghouse to provide information and assistance to school districts and individuals interested in year-round school operations and in upgrading the quality of educational programs.

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