



Measuring University Performance: Costs

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Summary

Newspaper columnists love to complain about student tuition and fees. They talk about the cost of higher education and project astronomical rates of growth in university tuition and fees. Using aggregate data they strike fear in the hearts of parents and students with stories of debt-burdened students struggling to survive after graduation.

This journalistic enthusiasm obscures some important issues about the cost of college in states like Florida with low tuition and fees. The national aggregate data consolidate large variations in the price of instruction to students and parents, and as a result these data confuse everyone's understanding about specific tuition and fees for particular universities. It is not the same to pay out of state fees at the University of Michigan (at \$17,671 per year) as it is to pay in-state fees at the University of Florida (at \$1,705 per year). This issue of *Measuring University Performance* reviews the tuition and fees of the University of Florida within the national context.

Tuition and Fees

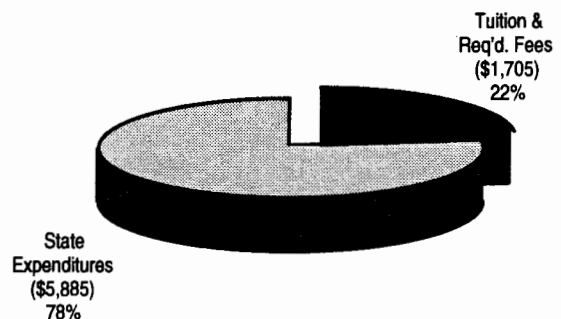
UF Undergraduate (In-State) 1995-96 Tuition & Required Fees	
Activity Fees	\$179
Health Services Fees	\$139
Facilities Fees	\$143
Athletic Fees	\$45
Student Financial Aid Fees	\$57
Total Required Fees	\$563
Tuition Only	\$1,142
Total Tuition & Req'd. Fees	\$1,705

We often use words that confuse the issue. We have tuition and we have various fees. Some fees pay for instruction, some pay for student activities, and some pay for intercollegiate sports. The cost of education to the student equals the

total cost of the tuition and other fees required to attend the university. In addition to the total required cost, all universities have additional fees for optional services from residence halls, to bookstores, to concerts and sports events. While most students participate in these activities to some extent and incur these costs, they are not university charges but rather fees for optional services. The university, for example, provides library and computer services within the required cost, but many students prefer to buy books rather than consult them in the reserve reading room or purchase computers rather than use them in the computer labs. These expenses purchase the student extra service, convenience, or value, but they are not required expenses.

Tuition, Fees and the Cost of Instruction

Undergraduate Cost of Instruction per FTE Student



At no public universities do the required tuition and fees paid by the student equal the cost of the instruction received. Instead, students pay a part and the taxpayers of the state pay a part of the cost of instruction. At UF this split is 22% for the student and 78% for the state [total cost of about \$7,600 per undergraduate FTE student].

However, this under-represents the contribution of the taxpayer because it does not account for the cost of physical plant and other basic facilities and equipment also paid out of state revenue. In

low tuition states like Florida, students pay a very small portion of the cost of education.

When we increase the state support of higher education, we of course increase it at the expense of taxpayers who provide the general revenue and lottery funds for education. This is a tax-based adjustment in the support for higher education. However, when we increase required student tuition and fees, we raise the price to the consumer of education. Students gain the primary direct benefit of higher education in the form of greatly increased lifetime earnings compared to not completing higher education. The state benefits from the taxes and economic prosperity generated by these graduates' increased lifetime earning and expenditures. This is why both state and student pay for higher education, although the student is the direct consumer.

National Comparisons of Tuition and Fees

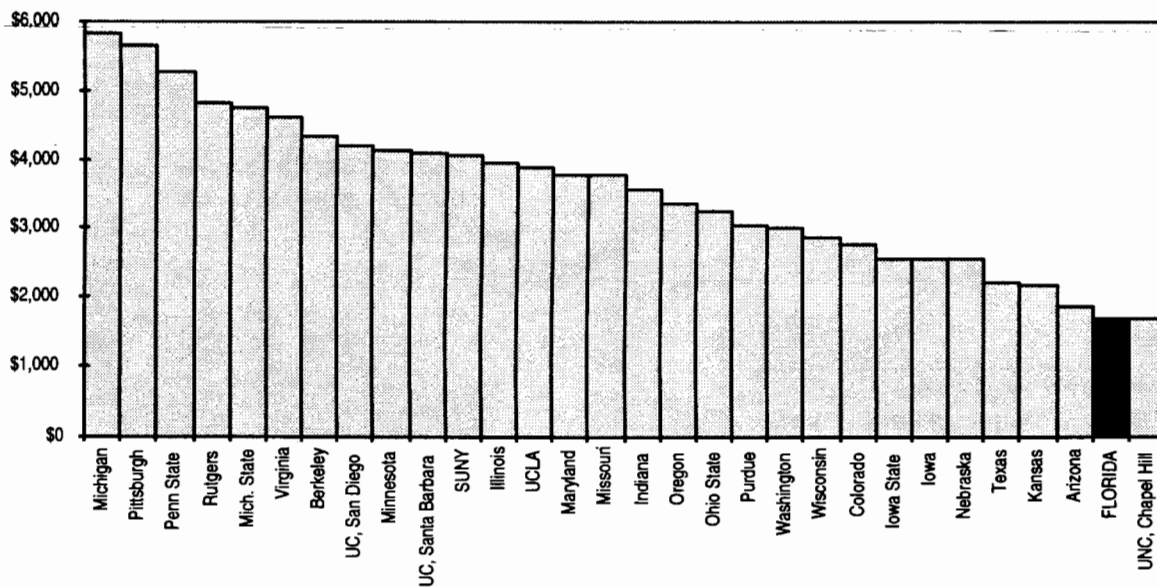
In Florida, students pay very low tuition and fees (the required cost of undergraduate higher

Quality of Education

As we demonstrated in an earlier issue of MUP (April 1, 1996), financial aid serves to help those who cannot afford higher education but even more to support the expenses of those who do not have a demonstrated need. Our students graduate with about \$12,000 in financial aid debt; much of this acquired without a demonstrated need just as Floridians accumulate other forms of consumer debt. This average amount of debt equals the debt on a conventionally financed mid-priced car. In Florida, at least, our students graduate with a modest debt and high expectations of future income compared to what they would have been able to earn had they not attended college.

Florida's very low tuition creates a strong political constituency to continue this policy of subsidizing the educational costs of everyone who attends college whether they need the financial support or not. This political constituency, combined with a no-new taxes political commitment, guarantees that over time the public

**Undergraduate Tuition & Required Fees (In-State)
AAU Public Universities**



education) by national standards. We rank near the bottom of AAU public universities in the required cost to the student of an undergraduate academic year. To reach the middle price of an AAU public university we would need to increase our price to students by 100%. Clearly, while tuition and fees may be a problem in some states and for some universities, higher education in Florida is tremendously under-priced.

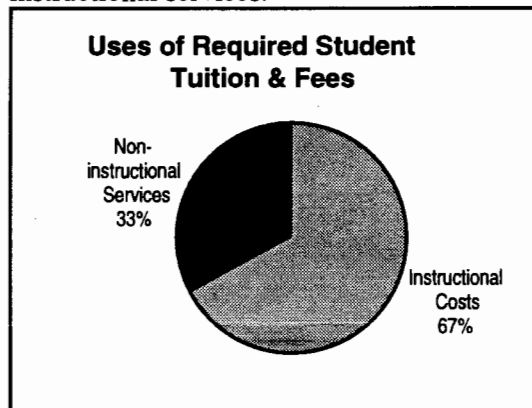
universities in the state of Florida will gradually lose the financial base required to maintain their competitive quality relative to other public universities in the country. As that quality declines, the graduates of Florida's universities will find themselves less and less able to compete against the graduates of better funded institutions that can afford up-to-date equipment and materials, first rank faculty and staff, and competitive facilities. Universities in Florida have made remarkable efforts to restructure and

reform operations to save funds and reduce costs, but this process has now begun to affect quality.

Solutions to this political and financial conundrum require a clear and detailed understanding of tuition and fees so that simple slogans do not substitute for a full understanding of costs and benefits in public higher education.

Organization of Tuition and Fees

Taking the University of Florida as an example, an undergraduate student pays required fees to attend the university and receives as a benefit from the state an investment in the direct costs of her education. Of the required fees paid by the student, \$1,142 or 67% cover partial costs of instruction and \$563 or 33% pay for non-instructional services.



As an example of the organization of fees, let us consider how the university can manage to confront the dramatic changes in the technology surrounding education. Formerly, we purchased technology in the same way we purchased other long term capital improvements. We bought large computers and expected them to last for several generations of students. Today, students who come to college with a completely up-to-date computer will find that machine obsolete by the time they graduate four years later. This rapid cycle time of technology means that universities must institute funding mechanisms to maintain computer and other technology at current levels of competitiveness.

This we can do in one of two ways. We can include a computing fee to guarantee that over the course of a student's career she will pay for the cost of the computing resources used so we can replace these resources for the next generation of students coming along in four years. Or, if the political process prevents the inclusion of a fee for this purpose, we can provide no computing resources to students but encourage outside

vendors to sell computing resources directly to students and hope that by reasonable guidance and information we can help them get the right equipment and software for the requirements of their classes.

In a well ordered world, we would do a bit of both as we do with more traditional resources. We maintain a baseline service for books and other materials in the library where we pay particular attention to maintaining materials too expensive for an individual student to own. Then, we encourage private bookstores to provide students with the less expensive consumable print materials required for their classes. Similarly, in computing we should maintain a baseline service in networking and large and expensive mainframe computing, but we should provide for independent vendors to sell computing equipment and software that students will consume during the course of their undergraduate career. A required computing fee would guarantee the baseline service but not provide for the consumable computing that students will choose to do at varying levels depending on their resources, their academic interests, and their interest in computing. Last year almost 2/3 of the AAU public universities charged their students a computing/technology fee.

The state should remain vitally interested in that portion of the total cost of education that comes through tax dollars, but the state should remove itself from the conversation about the consumer cost to students of the education they receive. Students, if given the opportunity to make choices about various costs among various universities (public and private) will evaluate issues of quality, geography, special programs, and other individual consumer issues to determine whether or not the pricing of education at one university in the state (public or private) is appropriate for their needs.

The choices students make in this marketplace will help universities specialize, eliminate substandard but currently subsidized programs, focus on delivering quality to students rather than on manipulating the regulatory mechanisms of the state, and become much more market and consumer responsive. Competition in education is a good thing, and absent competition, public universities will continue to accumulate unnecessary costs based on bureaucratic logic and political pressure rather than on the needs of the students and the capabilities of the university.