

PRICED OUT *of the Promised Land?*

Rising tuition may be putting a college education out of reach for some students.

BY JOHN ALLEN



Last September, Governor Jim Doyle '67 struck his best Mosaic pose and gave Wisconsin a covenant. In doing so, he surrounded himself not with stone tablets, but rather with fanfare, along with the leaders of the state's educational organizations.

The Wisconsin Covenant, as Doyle called it, offered access to the promised land — in this case, a shot at college for the state's middle-schoolers. When Doyle signed the covenant, it struck the assembled academics as a grand moment.

"The Wisconsin Covenant is about the state stepping up to its own future," said UW System president Kevin Reilly in a press statement at the event.

"The governor's proposal allows children in middle school to imagine that their dreams can be fulfilled," added Elizabeth Burmaster '76, MS'84, superintendent of the Department of Public Instruction. Leaders from the Wisconsin Technical College System and the Wisconsin Association of Independent Colleges and Universities heaped on their praise as well.

The Wisconsin Covenant was one of Doyle's major initiatives in 2006, announced during the State of the State address in January. "The idea is simple,"

he said, "but the impact is far-reaching. All eighth-graders in the state will be given the chance to join the Wisconsin Covenant. If they pledge to stay in school, take challenging courses, stay out of trouble, apply for state and federal financial aid, and maintain at least a B average in high school, we'll do our part and guarantee their [families] a package of financial aid that lets them walk through the doors of one of our UW campuses."

If all goes as advertised, that first Covenant class will enter the UW, fully prepared and fully funded, in the fall of 2011. To Sara Goldrick-Rab, an assistant professor of educational policy studies

and sociology at the School of Education and a faculty affiliate for the Wisconsin Center for the Advancement of Postsecondary Education, the plan is a "grand idea. But," she says, sensing danger in the ambiguities, "it needs cash and clarification."

The Wisconsin Covenant is hardly etched in stone. It's not a law or even a contract, but merely a memorandum of understanding, and even the understanding can be overstated. For instance, the financial aid package may include scholarships and grants — outright gifts to the students — or loans, which don't eliminate but merely delay the cost of education. (See sidebar, "The Indentured Student.")

TUITION **\$6,730** **39%** TOTAL COST OF ATTENDANCE **\$17,280**

Rising tuition has made a lot of news, but it's only about a third of the total cost of attending UW-Madison for Wisconsin residents in 2006-07. According to the office of admissions, room and board, books, transportation, and other needs run to \$10,550 — 61 percent of an in-state student's expenses. This drives up the annual cost to \$17,280, and \$31,280 for out-of-state students.



BASCOM PHOTO: JEFF MILLER DOLLAR BILLS: GREG KUOHIK/GETTY IMAGES

Still, the Covenant recognizes an important, if inconvenient, truth: the price of attending a UW System school is rising at an alarming rate. Students who entered UW-Madison as freshmen in 2003 paid \$5,139 that year in resident tuition. This year, as seniors, they'll pay \$6,730, an increase of 31 percent. Add in books, room, board, and other costs of attendance (as calculated by the UW's office of admissions), and the price rises to \$17,280. It's an increasingly difficult burden for students from poorer families to bear — and so, increasingly, many of them aren't.

Consider this figure: the median family income in Wisconsin, according to the U.S. Census Bureau, is \$46,351. But according to the chancellor's office, the average family income of a new UW-Madison freshman is nearly twice that — about \$90,000. As tuition prices rise, Goldrick-Rab and those who study access to higher education fear that the UW and other public universities are becoming gated communities, excluding poorer families from a higher education and the opportunity for social and financial improvement that goes with it.

"College remains the bastion of the privileged," she says, "where upper-class

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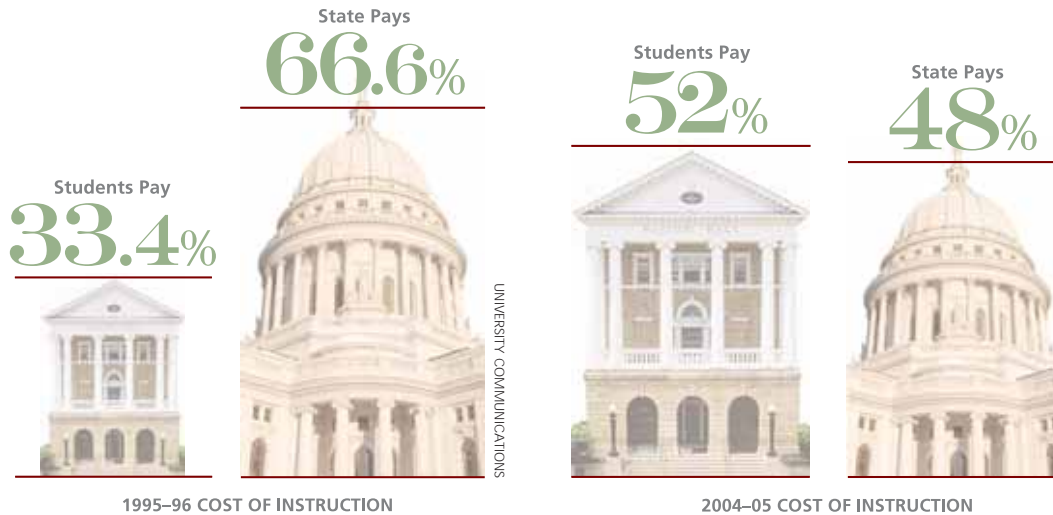
students follow successful pathways to a degree and lower-class students follow different, and thus far less successful, routes."

It wasn't supposed to be this way. UW-Madison is, after all, a land-grant university, implying an obligation to open educational opportunities to working-class people. This is encoded in the Morrill Act of 1862, the founding document of America's land-grant system, which donated federal real estate to support the creation of public universities "in order to promote the liberal and practical education of the industrial classes on the several pursuits and pro-

fessions in life." When the UW accepted its federal gift, it presumably accepted that mission as well.

But ambiguous good intentions are hallmarks of the relationship between the UW and government. You can find them more than a decade before the Morrill Act, when the university was created by the state constitution. In Article X, Section 6, Wisconsin's founders called for "the establishment of a state university at or near the seat of state government." To fund it, they anticipated Morrill, expecting a pile of cash to come in from the sale of federal territory: "The proceeds of all lands that have been or may hereafter be granted by the United States for the support of a university shall be and remain a perpetual fund called 'the university fund,' the interest of which shall be appropriated to the support of the state university."

Importantly, the constitution doesn't say anything about tuition. It's possible that the document's framers believed the university fund would produce enough interest to run a college. Still, when they were laying out the legal basis for primary and secondary schools (Article X, Section 5), they made no similar oversight, stating explicitly that "such schools



Over the last decade, the cost of an education at UW System schools has steadily been migrating toward students and their families. According to the System's Fact Book, students paid just a third of the cost of instruction in 1995. Today, they pay more than half.

shall be free and without charge for tuition." In that ambiguity lies more than a century of struggle among the university, the legislature, and the student body, with students making up the difference whenever state funds came up short. (See sidebar, "A Golden Age.")

During the ensuing decades, the UW

developed a formula for how high tuition ought to be. "The traditional ratio is that the state pays about 65 percent of the cost of running the university, and students pay 35 percent," says Freda Harris, the UW System's associate vice president for budget. The bulk of the students' share is paid by non-residents,

who make up a quarter of the undergraduate population but whose tuition (\$20,730 at UW-Madison this year) has ranged from three to four times as high as resident students'.

This formula worked for years. Between 1996 and 2003, for instance, UW-Madison's resident tuition rose from \$2,881 per year to \$4,426, or 53.6 percent. Non-resident tuition rose by 91.2 percent, from \$9,636 to \$18,426.

But then something happened. Beginning in 2001, non-resident applications at all the UW schools, including Madison, started to drop, and the UW began to realize it was pricing itself out of reach for the more profitable non-resident students.

Wisconsin families may well ask: Is this a problem? After all, if there are fewer out-of-state students, then there's more room for in-state students. But it also means that in-state students have had to pay a greater share of the cost of their education. Since 2003, UW-Madison tuition has continued to rise for out-of-state students, but at a much slower rate, with resident tuition taking equal steps upward. Today, both resident and non-resident students pay \$2,304 more than they did in 2003: resident tuition is \$6,730, and non-residents pay \$20,730.

A GOLDEN AGE

As long as there's been a UW, there's been conflict over who's responsible for funding it, with the university, the legislature, and the students almost constantly at odds. For a brief period in the 1870s, however, the three groups nearly achieved peace.

In 1876, the legislature passed Wisconsin's first tax to directly support the UW: a hundredth of a cent on all property in the state. In return, the board of regents (who had drawn up the bill) agreed that tuition would be free for in-state students. The period that followed was a happy one for all involved, and it produced such illustrious UW graduates as governor and senator Robert M. La Follette 1879 and the father of the Wisconsin Idea, UW president Charles Van Hise 1879. What it didn't produce was enough revenue.

By 1880, the regents saw that the university was in financial trouble, and the legislature, feeling that one tax was enough, was disinclined to bail it out. So the regents levied not tuition, but a fee: \$10 per student. The students weren't taken in by the change in nomenclature and complained that it was prohibitive. One of them, E.B. Priest 1880, sued. The Wisconsin Supreme Court didn't see things Priest's way, however, and it ruled against him. Free tuition has been dead ever since.

— J.A.

“People are always asking me why the cost of education is so high,” says John Wiley MS’65, PhD’68, UW-Madison’s chancellor. “But I try to tell them that there’s a difference between *cost* and *price*.”

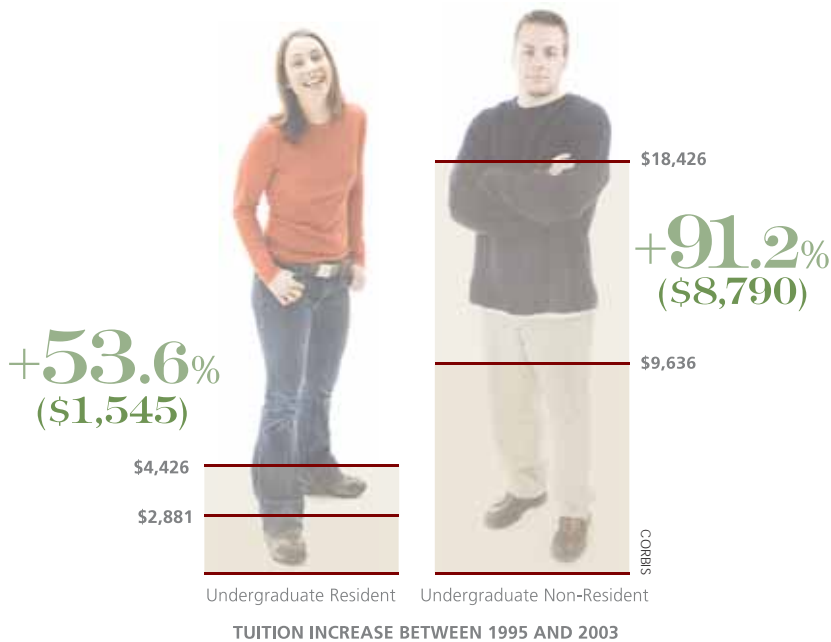
What Wiley means is that the *cost* of running a university, measured, for instance, by UW-Madison’s expenditures, is distinct from tuition, or the *price* that students and their families actually pay.

The *cost* of education rises for a variety of reasons, some of which are predictable (such as employee salaries), while others (such as health insurance rates and utility costs) are more volatile and more difficult to anticipate.

The *price* is calculated each year by Harris’s office, which recommends tuition for all of the UW System schools. Essentially, she and her staff take a look at the budgets put together by each university each March, compare them to the legislative budget — the state’s contribution as set by the legislature and the governor — and the amount of money available from other sources. What’s left over is divided by the number of students expected to enroll, and that’s the price of tuition. In practice, it’s more complicated (involving, among other things, comparisons to peer universities to make sure the UW’s prices are more or less in line with its competitors), but that’s the basic process.

“We try to keep tuition adjusted to reality,” says Harris. “We only raise it to reflect the needs of the university.”

And the needs of the university are growing. Since 1995, inflation (as measured by the consumer price index) has averaged about 2.43 percent a year. During the same time, a period of great expansion in UW-Madison’s research and huge hikes in health insurance and utility costs, the university’s expenditures increased at a rate of about 5.5 percent a year — twice the rate of inflation, but far short of the average rise in resident tuition, which has gone up at about 8.9 percent per year. So the *price* of education is rising far faster than its *cost*.



Before 2003, UW-Madison’s tuition hikes were directed primarily at out-of-state students. But the UW soon found it was pricing itself out of its market. Since 2003, both resident and non-resident tuition have gone up equally.

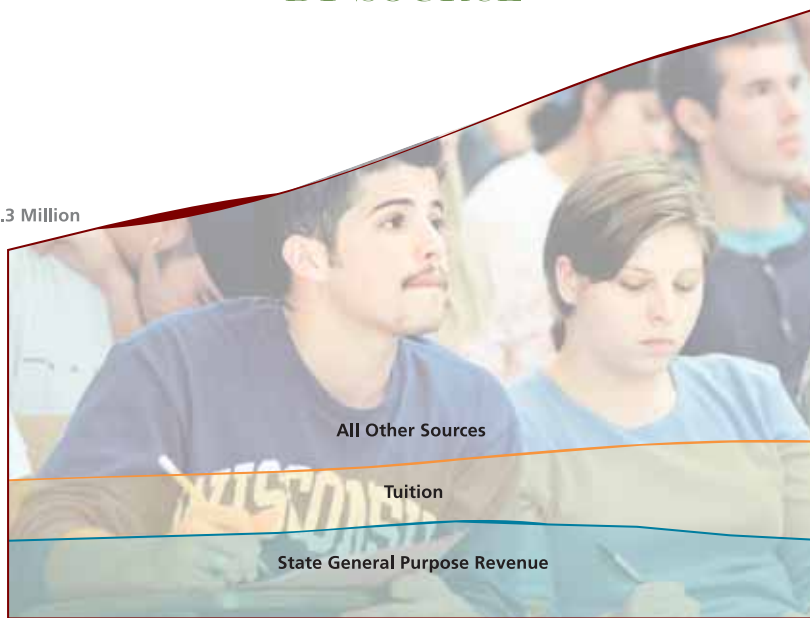
One reason for this lies in that traditional 65/35 ratio that Harris mentioned. The important word is *traditional*. Traditions aren’t laws, and so they’re easy to change or even ignore. Over time, the ratio of state-to-student share has changed significantly. From 1995 to 2005, as UW-Madison’s budget expanded, the state’s contribution in

general-purpose revenue (money that isn’t earmarked for a specific program and goes to meet ongoing expenses such as salaries, benefits, and building upkeep) decreased. In 1996 it was \$256.9 million; in 2006 it was \$255.1 million. During the same period, tuition receipts more than doubled from \$156.6 million to \$314.1 million.

UW-MADISON REVENUE BY SOURCE

\$2,118.1 Million

\$1,129.3 Million



1996-2006

UW-Madison's budget has grown considerably over the last decade, but much of this is due to increases in research, which are generally funded by private and federal grants. The cost of instruction has grown more slowly, but state general program revenue has been stagnant, decreasing from \$256.9 million in the 1995-96 academic year to \$255.1 million in 2005-06. Consequently, tuition has taken on a larger role. The university's tuition receipts more than doubled in the same period, from \$156.6 million to \$314.1 million.

"Basically," says Harris, "the traditional ratio has gone out the window. Students currently pay for more than half of their education."

Still, it's tempting to ask: what's wrong with that? If students are the chief beneficiaries of their own education, shouldn't they pay a good share of its cost? After all, that's the way it works at private universities, and they operate fairly successfully, with healthy budgets and applicant pools.

"On the surface, the private school comparison looks very good for us," says Wiley. "Say I sent my daughter to Princeton. You look at their tuition, and you'd think we could double or even triple ours and still be a good deal compared to them."

This year, tuition at Princeton is \$33,000. Add in room and board and other associated costs of attendance,

and the price rises to \$45,500. The UW's numbers appear minuscule by comparison. But Wiley did not send his daughter to Princeton — she's a junior at the UW. Still, it might have been cheaper if he had.

"What makes the private school model an inappropriate comparison for the UW is that privates engage in price discrimination," Wiley says. "They have a publicly stated tuition, but they discount heavily to students with lower incomes. Don't look at how much they charge. Look how much actual income they're getting from students."

In 2004-05, Princeton collected a total of \$199 million in student fees, but it also paid out \$126 million in student aid. According to its admissions materials, it will give out some \$20 million in grants to this year's freshman class. Not every student will get a grant — those from wealthier families will pay full price

— but the average size of a grant for those freshmen who receive one will be \$30,000. For a low-income student, that cuts the cost of attending Princeton to \$15,500 — less than the \$17,280 that the UW estimates it will cost an in-state student to attend Madison.

"The Ivy League schools really know how to reach out to poor kids," says Goldrick-Rab, herself an Ivy League product. She received her doctorate from the University of Pennsylvania, where tuition this year will be \$34,156, but the school boasts that it "meets 100 percent of a student's demonstrated financial need."

"At many Ivies — as well as some public flagships, such as the University of North Carolina-Chapel Hill — they've begun to make a commitment to building up need-based financial aid," Goldrick-Rab says. "It's included in alumni giving campaigns. They try to appeal to donors' social conscience." In contrast, she says, UW-Madison places much less emphasis on raising money to give to poorer students. "The need-based financial aid budget here is so small that it doesn't even begin to meet that demand."

Wiley argues that, in recent years, the university and the state have tried to increase financial aid to match increases in tuition, but he agrees that the amount of financial aid the UW offers — a total of \$68.8 million last year, compared with \$314.1 million collected in tuition receipts — is a far smaller share than would be found at a private university. "Virtually all the tuition money we take in stays with the university," he says. "We can do very little in the way of discounting."

Compounding this disparity is a growing trend at the UW and other public universities: the push to increase merit scholarships at the expense of those based on financial need. Merit-based awards — those that offer aid to students who demonstrate scholastic excellence, either through grades, test scores, or some other achievement — made up more than half of the scholarships and grants listed on UW-Madison's financial

aid Web site last summer. Fewer than a third say that they consider need.

Again, one could ask, what's wrong with that? If scholarships and grants are recast as rewards for talent rather than aid for the needy, won't that attract the brightest students, rather than the poorest? Surely that must be in the university's best interest.

Not so, argues Goldrick-Rab, who feels that merit aid often offers discounted tuition to the wrong people. "The trouble with merit-based aid is that it tends to give money to the students who need it least," she says.

Most of the criteria used to judge academic merit — PSAT scores, for instance, in the case of National Merit Scholarships — concentrate in wealthy communities. Wealthy families tend to live in areas with well-funded schools, which can attract better teachers and prepare their students to do well on standardized tests. If these students are also given the lion's share of financial aid, then students from poorer communities — inner cities and rural areas, where the schools offer less chance for them to demonstrate their academic excellence — will have a reduced ability to attend universities, even the land-grant institutions that were originally intended to help them.

"These kids have poorer grades not because they're less smart, but because there are fewer resources available in their high schools," Goldrick-Rab says. "We need to encourage the [UW] Foundation and our alumni who give to it to make [need-based aid] a priority. We talk about the importance of making the UW affordable, but the money isn't backing it up."

Additionally, she feels that the UW needs to do a better job of communicating the importance and availability of financial aid to students from poor backgrounds. "Too often, low-income kids and their families develop the belief that college isn't affordable and isn't possible for them," she says. "So they do not prepare academically, do not visit campuses, do not fill out applications. Thus, they never end up in the pool applying for admission and aid. I think the UW

THE INDENTURED STUDENT

College isn't an expenditure, we're told; it's an investment. On average, according to the Census Bureau, those holding a bachelor's degree will make \$23,000 per year more than their counterparts with just a high school diploma. And according to the *Wall Street Journal*, they can expect to make half a million dollars more during the course of their careers.

Deidra Tuxen '03 bought into that — and she still does. But she also knows that, when the degree comes on borrowed money, the promised financial boost can be elusive.

By the time Tuxen graduated, she had earned dean's list honors and a degree in psychology and Italian. But she'd also acquired a burden of debt — nearly \$19,000 in student loans, along with thousands more in credit card debt, the means of funding housing, food, and books. Her savings were gone, and in the years since, her earnings have barely covered expenses.

"I'm not really satisfied with my career path," she says. It's not that she couldn't find a job after graduation. She currently has three and puts in sixty-five hours a week. She coaches volleyball at Madison's La Follette High School, works as a retail clerk, and is a full-time "medical program assistant associate" for the UW Hospital. "I'm stuck in a position in which a bachelor's degree doesn't really help me," she says. "People with less education, with only a high school diploma, make a lot more money than I do. I'm mad about that."

And so Tuxen faces a dilemma: to pay off her education, she feels she needs to first earn a higher degree — preferably a doctorate in psychology. But financing graduate school will mean borrowing even more money. "I'm applying for every grant and fellowship I can find," she says. "I can defer my student loans and sell my car. But that still leaves me with \$300 to \$400 a month in payments. I have no idea where that's going to come from."

— J.A.

should take an active role in making college a real possibility for low-income families via need-based aid and should communicate that possibility to low-income families via a comprehensive early outreach program."

What she would like to see state universities do is promote socioeconomic diversity with the same attention that they give to ethnic diversity. Through efforts such as Plan 2008, a ten-year program to increase the number of students from underrepresented ethnic groups, UW-Madison has devoted money and administrative attention to its racial make-up. "But diversity is about more than just black and white," says Goldrick-Rab. "It's about getting different ideas in the same place. And it's just as important that those ideas come from different social and economic classes, as

well as races and ethnicities. We've given a lot of cash to Plan 2008, and I think that's good. But we should cast diversity as a much broader issue."

Ultimately, the question of accessibility is about the UW's core mission. If the price of education is keeping out Wisconsin's industrial classes, then the university's purpose is changing. This is why Wiley hopes that the state of Wisconsin commits to its Covenant — or some program to tame the rising price of higher education.

"As a concept, it's a good one," he says. "I'm just not sure where the money is going to come from." If that money doesn't turn up, and all the UW can take in are the state's wealthy, asks Wiley, then "where does everyone else go?"

John Allen is associate editor of *On Wisconsin Magazine*.

