

# Approaches to Cost-Sharing Europe & Elsewhere

Public / Private Financing of higher  
Education: A Social Balance  
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# Hazards of Generalization: Countries vary so greatly in:

1. Per-capita GDP
2. Rate of Growth of GDP
3. Capacity, cost-effectiveness, and progress-ivity of additional taxation
4. Rate of Growth of population
5. % completing secondary school
6. Capacity and diversity of post-secondary options

## Variations continued ...

### 7. Nature of “low socio-economic class”:

- Low income, unskilled worker or small farmer, but with intact family, dominant language, and culturally accepted values
- Low or no income, broken family, uneducated, non-dominant language, likelihood of addiction, criminal record, and / or mental distress, generally unemployable

## Variations continued ...

### 8. Dominant socio-political orientation:

- High value on community, social welfare, entitlements, and strong governmental regulation of economy and income distribution
- High value on individual, competition, private enterprise, and limited government

## Variations continued ...

### 9. Political and cultural acceptability of:

- Tuition fees
- Private higher education
- Parental financial responsibility for post-secondary education of children
- ❖ Students seen as financially dependent children or as independent (if impecunious) young adults

# Financial Problems of Higher Education Worldwide

1. Trajectory of costs (per-student and total) increasing faster than inflation and faster than available revenues (at least public)
2. Austerity: overcrowding, loss of quality, erosion of physical plants, loss of faculty & low faculty morale
3. Diminishing priority of H. Ed. Relative to other public needs
4. Diminished confidence of governments in higher education (especially in faculty & management)

# Cost-Sharing

As fact: That cost are shared among:

1. Governments [taxpayers]
2. Parents (tuition fees and/or food & lodging)
3. Students (loans or earnings)
4. Philanthropists (current or endowments)
  - Business [?]
  - Governments via state assets [?]

# Cost-sharing

As policy shift: from Governments or taxpayers to parents & students:

1. Beginning of tuition fees
2. Increasing tuition fees more than share borne by taxpayers
3. Instituting other fees
4. Reducing subsidies for food & lodging
5. Freezing or reduce grants & other subsidies
6. Implementing better loan recovery

# Rationale [s] for cost-sharing

1. Equity
2. Efficiency of market
  - ✓ On part of colleges and universities
  - ✓ On part of students & parents
3. Need for revenue (less contestable)

# Advantages over other forms of revenue supplementation

1. Large and continuing revenue potential
2. Does not divert faculty from core mission
3. Does not add significant expense
4. Revenue side adjustments easier on universities than cost-side solutions
5. Supported by economic theory:  
Equity, Efficiency, Commitment, and  
Need for Revenue

# Resistance to cost-sharing from:

- Denial of need for revenue (e.g. just tax more, cut *waste*, find oil, ” or elevate priority of higher education to top)
- Belief that all resources (including *produced wealth*) belong to the state
- Belief that at least top students should be educated at taxpayer expense
- Fear of students & political opposition
- Realpolitics: strategic advocacy

## Cost-Sharing is not (contrary to some claims):

- A denial of public benefits
- A call for full cost recovery via fees
- A denial of the need for more public revenues on continuing basis
- An elevation of market over academic values
- Oblivious to need for expanded access

# Low-Income Countries: The *Perfect Financial Storm*

- ✓ Low GDP per capita and low rate of growth
- ✓ low tax capacity: Marginal taxation cost-ineffective, regressive, can harm economy
- ✓ Substantively & politically compelling queue of competing needs ahead of universities
- ✓ Rapid increase in birth rate & h.s. completion  
→ very rapid growth of higher ed. aspirants
- ✓ Culture of entitlement & fear of student movements: resistance to cost-sharing
- ✓ Limited capacity for targeting or for lending

# US in contrast: A Comparative Financial Advantage

- ✓ Additional and progressive tax capacity
- ✓ Substantial tuition- and donor-dependent private sector
- ✓ Acceptance of appropriateness of tuition fees and philanthropy in public sector
- ✓ Substantial and diversified H. Ed. Capacity including strong non-university sectors
- ✓ Near saturation of participation [?]
- ✓ Well-developed systems for grants and loans

# US: Access for the Tax Dollar

- Financial Assistance [\$134 Billion 2005-06]
- Ability to *target* assistance (on decline)
- Institutional Assistance: fee discounting
- Abundant loans, minimally subsidized
- Ability to tap private capital markets
- Competition: “client seeking”
- Recognition of link between privilege and measured academic readiness
- Recognition that “race & ethnicity matter”

## EU and Elsewhere: Critical Variations in Cost-Sharing [8]

1. How is the sharing of a portion of the costs of instruction (i.e. tuition fees) to relate to the sharing of currently governmentally- or university-borne cost of student maintenance or living (i.e. fees for food and lodging, or lesser subsidies for families with children as students)?

## Critical Variations ...

2. If there is to be cost-sharing to cover some of the costs of instruction (i.e. tuition fees) shall it be:
  - ✓ up front – from parents (at least from those who can pay), or
  - ✓ deferred (via loans or “graduate taxes) -- from students?

### 3. If there is to be a student share (loan), shall it be:

- Acknowledged as loan, or disguised
- Pass through student's hands or not
- Repayment obligation to be fixed or income contingent
- Repayments highly or minimally subsidized
- Treated as a public expenditure or as an asset drawing on capital market

## Critical Variations ...

4. For Tuition Fees: What should be the approximate percent of undergraduate operating costs to be covered at the outset?

- ✓ No tuition fee      0 %
- ✓ Nominal              > 10%
- ✓ Low                    10-20%
- ✓ Moderate             20-35%

## Critical Variations ...

5. For Tuition Fees: How, and/or should they vary – that is, by:
  - ✓ The academic ability of entering student such as in dual track tuition fees?
  - ✓ Cost of academic program?
  - ✓ Market value of program?
  - ✓ Expected earnings of graduates?
  - ✓ Level [Baccalaureate, masters, etc]?

## Critical Variations ...

6. How should tuition Fees increase over time? That is:

- A. Not at all (or as little as possible)?
- B. With the rate of inflation?
- C. With the rate of increase of underlying per-student operating costs?
- D. Whatever it takes to fill the gap from declining tax revenues?
- E. Whatever is politically acceptable?

## Critical Variations ...

7. For Tuition Fees (and however they are to vary), by whose / what authority are they to be set and increased?
  - ✓ The government (annually)
  - ✓ The university management or board
  - ✓ Some public entity (e.g. a higher education council) with delegated authority for setting tuition fees

## Critical Variations ...

8. For any an officially expected parental contribution, how should it be means-tested?

- A. Income, assets, and other declarations of “means,
- B. Categorical criteria (occupation, region, secondary school etc.)
- C. Both income and categorical “checks”
- D. Above -- combined with academic merit

# Summary: Finance and Access Worldwide Trends Elsewhere

1. Greater acceptance of cost-sharing
2. Greater acceptance of expected parental contribution
3. More widespread use of student loans
4. More sector diversification (esp. US)
5. More growth of private sector
6. More privatization of public sector

## For More Information:

- For additional information, country studies, and papers on international comparative tuition and financial assistance policies, visit the Website of the International Comparative Higher Education Finance and Accessibility Project:
- <http://www.gse.buffalo.edu/org/IntHigherEdFinance>

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