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Affordability in Higher Education: An Evaluation of the Literature

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Introduction

A review of the literature on public higher education and the role of monetary state support suggests a continual decline (Mullin & Honeyman, 2007; PEW, 2019), which has affected overall quality and affordability. Much of the literature comes from books including early reports by non-profits such as the Carnegie Foundation. In these reports (Carnegie Commission, 1971), American higher education is regularly referred to as the envy of the world. Taking a longitudinal view, the picture becomes increasingly concerning for both quality and affordability as state support for higher education declines. While many factors affect the cost of tuition and fees at four-year public institutions, this analysis will focus on state support and funding models, with less acknowledgement of the myriad other factors that contribute significantly to rising costs. Notably, this literature review is also less concerned with outcomes, including admission and completion rates, than with the impact of various state funding models.

In the 1990s, state backing and dollars for supporting higher education began to dwindle as market reforms were implemented and models became increasingly privatized (Enders & Jungbloed, 2007, p. 91). Concurrently, colleges began to implement market reforms to attract more students in a competitive marketplace. At the same time, many colleges experienced aging infrastructures. All these factors placed strain on college budgets and increased tuition and fee costs. Simultaneously, wages for American middle-class families began to stagnate. However, as contemporary authors note (Blumenstyk, Supiano, & Lambert, 2015), the increased burden on families and lack of affordability not only leaves college out of reach for many, but also diminishes the perception of college as a public good and a mechanism for social mobility, thus hampering public support. This reduction in public support creates a chicken-and-egg problem.

Historical Background

A Brief History of Higher Education in the United States

Institutions of higher education were first established in the United States during the Colonial period and since that time, states have provided the majority of the financial support (Blumenstyk, Supiano, & Lambert, 2015; Carnegie Commission, 1971; Enders & Jungbloed, 2007), dating back to the Massachusetts Bay Colony's support of Harvard in 1636 (Carnegie Commission, 1971). During the 1800's, the higher education landscape experienced another shift as Lincoln enacted the Morrill Act establishing Land Grant Institutions in response to the industrial revolution (Millett, 1984; Sommer, 1995, p. 45; Vandenberg-Daves, 2003, p. 57). By the twentieth century, institutions of higher education proliferated with the increasing population and, by mid-century, the influx of returning soldiers from war (Thelin, 2015). These shifts expanded the hodgepodge of administrative and funding models. Meanwhile, the increase of for-profit institutions and other less traditional structures began to call into question the idea of college as a public good, even as it provided more widespread access, and by the early twenty-first century, that influence was being closely scrutinized by lawmakers (Cottom, 2017).

Higher Education as Public Good and the Increasing Influence of Privatization

Higher education is often viewed as a public good, and the inclination to public service, long a feature of public colleges and universities, is one indicator, as noted by Quigley (Gove and Stauffer, 1986, p. 176). Lingenfelter (n.d.), similarly, references their contributions to the public good. However, as Jongbloed (Enders & Jongbloed, 2007) notes, education is not purely a public good, "because [it allows] for a private, as well as a collective, return on investment" (p. 9). This complicated interplay between public and private creates a situation in which public institutions of higher education are influenced by both the public and private sector (market) forces.

Affordability Concerns Historically in Higher Education

Though colleges and universities were not originally conceptualized as education for the masses, concerns about affordability in higher education have existed for some time. As Thelin (2015) recounts, universities a century ago were more likely to be reliant on philanthropy for support, and, therefore, many schools had little conception of their operating expenses or made any effort at financial planning (p. 587). In fact, he notes that the Integrated Postsecondary Education Data System (IPEDS) and its precursor did not exist until 1968 (Thelin, 2015, p. 585). Similarly, Heller (2001) reminds readers, President Truman's Commission on Higher Education tackled the affordability issue in 1947, bringing forth recommendations that the first two years of college be made freely available, a proposal that has no doubt, come under renewed consideration with contemporary calls for "free" community college (p. 1).

Defining Affordability

Drawing on these historical concerns, Rivlin (Furniss & Gardner, 1979) discusses how the lack of affordability undermines the myth of equality. As Blumenstyk, Supiano, & Lambert (2015) contend, "[a]ffordability at public colleges depends on two factors: the price, which is itself partly a function of state support, and students' ability to pay it." Thus, affordability, as operationalized here, deals strictly with increases in the real costs of tuition and fees contrasted against median earnings. Both cost and income are factors over which the state has considerable control. Heller (2001) extends this definition by arguing that the ability to pay has been a major determinant of affordability (p. 16-17). Affordability is increasingly a concern for all stakeholders across the higher education arena.

State Budget Models

Introduction

State budget models are complex drivers of college pricing, and hence, affordability. As the Carnegie Commission (1971) reports, states have been the primary mechanism of support for higher education and they advise that states should continue to fill this role in terms of funding and oversight, noting that this is preferable to a national model, as used by some other countries (p. 1). While the amount of appropriations is the primary factor, Delaney and Doyle (2018) through their study, make a convincing case that the predictability of funding also matters to institutions (2007). Other authors (Lingenfelter, n.d.) evaluate the growth in advisory boards and other governing bodies, whether regulatory or advisory in nature, compared with those noted in the Carnegie Commission's Report (1971).

Types

Because there is no federal model, budget appropriations from the states have been traditionally based on what institutions can extract out of their respective state legislatures in the form of direct expenditures. Given the increased interest in, and reliance on, market reforms (Enders & Jongbloed, 2007; Sommer, 1995, p. 77), a trend which Schuetze and Mendiola (2012) note has taken root internationally, states have increased oversight and control. Therefore, a continual expansion of state boards and systems can be observed in the literature, whether regulatory or advisory, and these bodies shape nearly every aspect of the modern university, most notably, funding (Lingenfelter, n.d.).

Performance Budgeting

In contrast to direct expenditures, many current state models focus on performance budgeting, which is predicated on outcomes; however, as Englert notes, universities have long tried to resist this focus on outcomes citing the need for autonomy and diversity (Gove & Stauffer, 1986, p. 111). Performance budgeting often goes together with increased assessment and regulation, which can actually increase costs.

The Role of Advisory Bodies

As Lingenfelter (n.d.) notes, all states except Michigan, have state advisory bodies, which in some ways moderate the interaction between states' public universities and their legislatures. State advisory bodies may be either weak or strong and are generally classified as advisory or regulatory (Carnegie Commission, 1971, p. 100). The Carnegie Commission (1971) also reports that many state advisory or regulatory bodies (23) are constitutionally enshrined, and offer staggered terms, meaning that elections or appointments of board members are for a longer period than for most public offices. Forty states confer corporate powers on their highest educational boards. Many are given the power to appoint treasurers, which is a rare condition in other state agencies. Some regulations are in place, though, and state-supported institutions governed, however loosely, by these boards do not have the same level of independence that exists in many private institutions (Carnegie Commission, 1971, p. 100).

The Case of North Carolina and Virginia

In examining the role of state budget models and regulatory bodies, the distinction between the neighboring states of Virginia and North Carolina provides an interesting area for analysis. Both states have long histories with regard to higher education, with North Carolina chartering the University of North Carolina at Chapel Hill in 1789 and Virginia establishing the University of Virginia in the early 1800s. Virginia's body is more advisory in nature and is based on an advisory council model as opposed to a strong state system model. North Carolina's regulatory and systematic approach has allowed it to create The NC Promise Tuition Plan, limiting tuition at certain campuses to $500 per semester for in-state students (The University of North Carolina System, 2020). One advantage of the state system model established by North Carolina appears to be that the enhanced control leads to better across the board application of policies, while Virginia's model seems more poised for flexibility. Virginia Code § 23.1-200 describes SCHEV's purpose and obligations to include, Boards of Visitors Orientation, Communications, Legislative Affairs, Grant and External Program Administration, Institutional Performance Review, and Statewide Strategic Planning (State Council of Higher Education in Virginia, 2020). There is currently little literature comparing state systems such as these, and this suggests a gap in the literature that might offer avenues for fruitful exploration. Regulatory and advisory bodies, for all their power, are not the only factors affecting cost, however.

Other Factors Affecting Cost

Though not the primary focus of this review, several other factors figure prominently in determining the cost of tuition and fees for public institutions of higher education. For ease of discussion, these factors can be loosely classified into two categories: policy factors and external realities. Though all factors are influenced by policy, and in some ways included under the umbrella of the trend toward privatization noted by several authors (Schuetze & Mendiola, 2012), these external realities are inseparably intertwined with state support as drivers of cost for students, who, in the increasingly privatized model have become "customers" according to Mendiola (p. 8) and Wolter (p.129) (as qtd. in Schuetze & Mendiola, 2012).

Policy Factors

Increased state regulation and the interference of advisory and regulatory bodies as noted above, is one prominent factor in establishing and limiting tuition and fees. Organizations like the State Higher Education Officers' Association (SHEEO) and National Association of College and University Business Officers (NACUBO) are looking into ways to drive down prices and make higher education more affordable and taking those recommendations back to their institutions and legislatures.

Federal Funding and Financial Aid

Much has been written about the impact of subsidized federal loans on the overall cost of college. PEW Research (2019) notes that prior to the Great Recession state per student funding was almost 140% greater than that of the federal government, and more recently state funding has dropped considerably to only 12% above federal levels in 2015.While some researchers acknowledge that increased federal dollars in the form of both research funding and increased federal loans directly to students (primarily through the Pell grant program) has helped to save the states money, others argue that the reverse is true and that the increase in federal spending has only caused college costs to increase (Finifter, Baldwin, & Thelin, 1991). Specifically, some theorists still adhere to the Bennett Hypothesis and its accusation that federal student aid policies help make college price inflation possible (Robinson, 2017).

Shift in Prioritization of Academic Programs to STEM Fields

In addition to the general increase in the costs of goods and services through inflation, campuses have sought to improve their graduates' scientific and technical skills to be more competitive and to meet the demands of employers. Millett (1984) notes that government tends to be "predisposed" toward Science, Technology, Engineering, and Medicine (STEM) fields as far back as the early 1980's, a tendency that has only grown with the proliferation of technology and the need for everyone to have basic computer and technical skills. Research laboratories, modern computing facilities, engineering and medicine facilities cost significant money to build and maintain. Moreover, this emphasis on shifting to STEM-related fields means other disciplines may have experienced decreased budgets as colleges and universities allocate additional funding for more technical fields.

External Realities

In addition to these issues of policy, the external realities of the higher education world also play a significant role in increasing costs. These constitute a "secondary source of threats" to the higher education mission (Gitlow & Gitlow, 2014, p. 149).

Market Competition

Public universities do not exist in a vacuum. As Doyle notes, even if higher education were entirely privately controlled, it would still be of interest to policymakers, as it is one of the primary means through which wealth is allocated and redistributed (Finifter, Baldwin, & Thelin, 1991, p. 49). Increased emphasis on the costs associated with higher education leads consumers to choose the best possible value, which may mean choosing a more expensive option at the outset if they believe the return on investment will be higher. Thus, private colleges and universities with more prestigious reputations are often students' first choice.

Infrastructure Maintenance and Improvement

As a corollary to this increased competition, another issue facing colleges is aging infrastructure that requires improvement. A 2017 article in the *Chronicle of Higher Education* noted that many colleges are experiencing aging facilities with significant maintenance costs and no good way to bear the brunt of these costs. This is an often-overlooked area that contributes to rising state costs. Unfortunately, as Gardner (2017) notes, "philanthropy is not a good solution to long-term maintenance issues" as most philanthropists want to see the fruits of their labors and seldom want to contribute to projects that are less shiny and new, such as the replacement of a failing HVAC unit or the installation of more environmentally friendly toilets. Here too, public/private partnerships are often seen as the solution to this problem, increasing the trend toward privatization and marketization, which has been noted throughout the literature as having the potential to solve myriad problems.

Increased Administrative Costs

Problems that have begun to present themselves as a result of cuts in state funding and an increasingly diverse constituency for higher education are examined by scholars such as Mullin & Honeyman (2007), who note:

> During the first half of the 20th century, higher education was funded based on allowable tuition and simple allocations of state aid that were based primarily on budget requests from individual institutions. *This relative simplicity was the result of uniform programmatic offerings across institutions and a nondiverse student population.* But as

> the number of institutions increased and student populations grew, and as program offerings expanded and diversified, many states began to implement formulas to address the funding needs of higher education (p.113, *emphasis mine*).

Mullin & Honeyman's argument was reinforced by a recent *Inside Higher Ed* editorial, in which Rodriguez (2020) asserts that colleges are dealing with an entirely new host of issues from addiction and mental health, to homelessness and food insecurity. Rodriguez (2020) argues that the resources institutions have enlisted to help ameliorate these concerns have led to administrative bloat and higher prices, but she contends that they are necessary because of other policy failures.

Discussion

The Importance of a College Education

While public support for higher education is near all-time lows, the importance of a college education is clearly demonstrable, not only in terms of overall life success, but also in terms of wages (U.S. Department of Education, n.d.). At the same time, it is true that even with increased federal funding, the average Pell Grant recipient can cover only about 30% of their education costs from the Pell Grant alone (U.S. Department of Education, n.d.).

Current and Emerging Crises

As a result of a confluence of factors, many public institutions of higher education face a number of crises that will be exacerbated by income inequality. These include continual escalation of costs, stagnation of wages for the middle class, and enrollment declines brought about by population decreases and declining popular support for public investment in colleges and universities. Mitchell, Leachman, and Saenz (2019) succinctly summarize their findings, “Deep state cuts in funding for higher education over the last decade have contributed to rapid, significant tuition increases and pushed more of the costs of college to students, making it harder for them to enroll and graduate,” and they note, as Rivlin did in 1978, the disproportionate impact that such cuts have had on students of color (Gove & Stauffer, 1979). Mitchell, Leachman, and Saenz (2019) also note that state funding for institutions has not rebounded from pre-recession (2008) levels.

Enrollment Declines

Due to gaps in affordability and declining popular support, as well as overall population declines, fewer students are entering college. Rivlin (1979) noted that this was a “demographic certainty” and that enrollment rates would continue to decline (Gove & Stauffer, 1979, p. 14). Of course, since that time, birthrates have continued to fall, creating even fewer potential consumers of a college education for the foreseeable future. Moreover, in addition to falling birthrates, there is an increased reluctance, particularly among conservatives, to see value in the college experience, which some see as less valuable than trades and others view as having the potential for indoctrination of neoliberal ideologies (Kelderman, 2020). Ng and McGinnis Johnson (2020), in their study of the influence of student loan debt on public service motivation (PSM) observed that students are more aware of the negative impact of debt on future earnings (p. 297). Thus, students may be reluctant to take on high amounts of debt unless they feel that the payoff will be worth the risk. More applicable to the discussion of college costs, Gardner suggests that both public and private institutions will see a decline in net revenues (2020).

Wage Stagnation

As a recent analysis shows, the average net price now makes up a greater proportion of the median household income for state residents for nearly 80% of public flagships than it did five years earlier (Blumenstyk, Supiano, & Lambert, 2015; Palmer, 2019). Moreover, as median household incomes fall, the proportion relative to cost decreases affordability (U.S. Census Bureau, 2020).

Conclusion

This literature review has sought to analyze the factors whose complex interplay has influenced the affordability of higher education from the mid-twentieth century to the present. Of course, the impact of the Covid-19 pandemic and the resulting fallout may wreak havoc on an industry that is already poised to suffer losses (Blumenstyk, Supiano, & Lambert, 2015; Gardner, 2020), but the extent to which it will do so has yet to be determined. While Keppo (2009) argues that in a revenue sense, higher education has been a growth industry in recent years, he speculates that either it is an industry whose bubble is about to bust or it has historically been underpriced. Much of the literature suggests the latter is true (Furniss & Gardner, 1979).

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