UNDERSTANDING HIGHER EDUCATION FINANCE

INTERVIEW WITH CHRISTOPHER M. MULLIN
EXECUTIVE VICE CHANCELLOR, FLORIDA COLLEGE SYSTEM

As part of a project on higher education finance supported by the Bill and Melinda Gates Foundation, Nate Johnson interviewed a number of experts and leaders to gather different perspectives on how major budget choices are made. The interviews have been condensed for publication so that the key insights are available to anyone who is interested.

This interview with Christopher M. Mullin, co-author of Community College Finance: A Guide for Institutional Leaders, addresses tuition and financial aid, who and what can influence tuition rates, and state and local appropriations.

We just wanted to be clear that what you say in this interview doesn't represent the official position of your agency. Is there anything we need to add to that?

No, you're correct. I appreciate the opportunity to share ideas, and have a conversation with you that does not necessarily reflect the positions or ideas of the Florida College System.

Do you think that the tuition itself is still a big issue or do you think it's opaque and hard for students to respond to?

I certainly think that colleges and universities are getting better at helping students understand the aid that might be available to them. I still think that it's a challenge because many students do not receive federal student aid. I do think that those who are made aware of the funding opportunities before them, make more informed decisions, and I think that's improving over time.

I think there can be better tools like the FAFSA4caster provided by the U.S. Department of Education and others to help students make better decisions. I don't get the impression that students at colleges primarily, or other open access institutions, will buy a Peterson's guide and look at the tuition and fees prices and compare institutions and spend a lot of time thinking about it that way.

I think it's more of a network where they learn about the college, and through that network they come to understand many people are able to go to college without taking loans out that or through support through grant dollars. There is a perspective within the community college world which states that students are deciding between either the local college or none at all.

From an institution's point of view, are there market limits or are there just regulatory limits to what tuition rates they can charge, given that the competitors, the for-profit institutions or the open-access, 4-year institutions are generally charging more?

What differs is who gets to set the tuition fee rates. Whereas at private colleges it is the board of trustees or board of regents of that particular institution, there are other entities in some states that set tuition fees for public institutions. Part of it depends on who sets the tuition and fees. In many cases, the governing board, the institutional governing board, can make that decision. One can argue that they are locally placed and have a better understanding of their localized market and in other states, the Legislature might set the tuition fee amounts. In yet other states, there are state systems offices that set the tuition fee rate.

Part of that is different policy sectors have different objectives while a college might think that it's best to raise their prices to increase their revenues, it might be the policy position of a state agency or a Legislature to say that keeping college affordable in terms of sticker prices outweighs any benefit in additional revenue because not everybody fully understands the concept of net price.

You get into conversations about finance issues between governing entities. There's a layer in that conversation as to who really gets to make that decision and that's critical to the determination of tuition and fee prices. Also, in some states and colleges, as I said earlier, there is a local contribution.

Regardless of who has the authority to set tuition, somebody does, whether it's the state or the local governing board, or individual board of trustees, or the college president. You raise your rates too much and people stop coming so you end up with, in some cases, lower revenue. I'm wondering the extent to which you think that is also an issue with community colleges even if the institution or its regulators wanted to raise the rates.

One could imagine that it could be an issue for a segment of the population colleges serve so raising it for students who receive a full grant or the full costs are covered, as we talked about earlier, who literally learn and think about costs from a networking perspective and a localized perspective within our community is one part. There are a good number of students who attend colleges who are academically advanced or whose “Expected Family Contribution” is above that which qualifies them for federal grants, and so what private and some public institutions used is institutional aid dollars to work on this net price and tuition discounting and packaging of aid.

Community colleges don't really have the type of institutional aid that other sectors do, and so their ability to really work in that area is limited by the fact that they don't have that aid to offset for students who don't qualify for a merit-based or state-based scholarship to offset enough of the costs. There's careful consideration that needs to be undertaken when you think about setting tuition and fees as it really impacts those students just above the need threshold for a Pell, as an example. That's the sweet spot of financial aid.

That's still a marginal practice that most community colleges don't do, but you certainly could see them raising tuition and starting to do tuition discounting. It used to be the 4-year public institutions didn't do much of that either, but that has changed and I wonder if community colleges could be next.

As institutions, universities are being held more and more accountable for their graduation rates and other measures. There is some evidence that the size of the entering classes is shrinking. As such, what you have are highly academically advanced students that are looking for alternatives that might want to be in a particular area or near a college to be able to transfer. You'll have the 3.6 grade point average students who 10 years ago might have gotten in to that university who are now looking for an alternative place to go to. There's absolutely an opportunity now for colleges to start serving those populations, and I think some colleges are really looking into finding out how to best engage those populations of really academically advanced and prepared students who can benefit from education that colleges provide.

One reason to have very low tuition or no tuition, as with the movement for free community college tuition now, is just that that is a very clear signal about low cost.

You really start getting into institutional decision-making and program mix. You can't offer high-cost programs if you're also able to offer a subsequent amount of programs at a lesser cost. It gets into how can I, as a leader, look at my program mix on my campus and, by looking at the numbers, make sure that I can offer the programs that need to be offered.

A challenge is that now there have been advances where technology has allowed for the production of more graduates in certain areas. Going back to costs, I think it's always a delicate balance of your program mix, what you can afford to offer, what you can't afford to offer based upon your revenues and how you use institutional revenues.

Let's shift to the other big source of revenue for community colleges and that's state and local appropriations. To what extent do states or local districts fund enrollment in community colleges in a way that is more or less like tuition? Is it just a fixed amount that's negotiated from year to year based on what's available or on cost analysis or something other than an enrollment formula?

For the twenty-five states with a local contribution, I think all of it, no matter how you get to the final numbers, is dependent upon the economy and the revenues coming into that particular governing entity—whether it be a taxing district, a county, or a state itself. In the work that I've done and looked at, there are different ways that the revenue comes in. Sometimes there are taxes on corporations that help fund colleges, so it's more like a percent rate or a millage rate, like in K-12. In some cases, there could be an enrollment-based approach but it's more based upon the revenues of the local area and the traditional millage rate than it is upon the traditional FTE funding perspective.

There are some states, they're becoming fewer and fewer over time, where there's an interplay between local and state funding where you know that the state's contribution to that particular college or grant to the college is dependent upon how much local revenue a college can bring in. This is really common, as we know, in K-12. It was fairly common in colleges, in some respects, but Kansas did away with it about a decade ago, and some other places have had some discussions about that because it always comes down to the big city versus the rural communities in terms of who gets the revenue and who doesn't. While it unifies policy across state and local governments, it also creates tensions among colleges who feel as though that their local revenue should stay local.

So it ends up actually being a disincentive to raise local money if the state's going to offset the amount raised or, if it's a matching amount, then it actually amplifies the inequities among districts within a state.

It has the potential to do that. Ideally, there are funding philosophies that guide practice and many of those were put in place. Over time, those funding philosophies haven't been maintained and upheld to the extent possibly some states would have liked to have them upheld. You see recently some actions happening in some states where people are, or states are thinking of going back to try and get to those philosophical ideas which is to say, if you set a cost of education and everybody agrees to fund a certain percent of it, then that way it's not as contingent upon the other funder from year to year basis, but it is a philosophical agreement. History has taught me that those types of agreements are sometimes hard to maintain.

Dr. Christopher M. Mullin is currently Executive Vice Chancellor of the Florida College System and the author of numerous publications on college finance. He previously served as Assistant Vice Chancellor for Policy and Research for the State University System of Florida Board of Governors as well as Program Director for Policy Analysis at the American Association of Community Colleges.