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The Problem With In-State Tuition

By Roger Pielke Jr.

This past April, the Colorado House Education Committee rejected a bill that would have granted the children of undocumented state residents in-state university tuition. The issue pitted those who support educational opportunity for all young Colorado residents against those more concerned about the implications of legal citizenship for the receipt of state benefits. Both parties have valid concerns, yet there were, and still are, larger issues at stake.

Specifically, why does in-state tuition exist at all? Does it serve the state's larger goals?

At the University of Colorado at Boulder, where I am a professor, the distinction between in-state and out-of-state tuition categories is as familiar, and is as taken for granted, as the difference between engineering and law. It should be, having existed across the nation for generations. The subsidy of tuition for residents is supposed to facilitate state economic growth, based on the idea that high-school students and their parents choose colleges based largely on cost.

But do state tuition subsidies still make sense? No, and in fact, they may actually be harming our institutions by contributing to the budgetary problems of universities, diminishing the academic quality of the undergraduate population, and, ultimately, failing to contribute to state economic growth.

Consider, by way of comparison, university athletic programs. At my institution, we want to field nationally competitive teams, which requires attracting talented players and coaching staff. So the best athletes get scholarships, and the best coaches can demand, and get, obscenely high salaries. But while necessary, such financial enticements are not entirely sufficient for Colorado's athletic success. Other factors are important, too, including athletics facilities, the university's record of performance, and a proven ability to train athletes who can go on to great successes in their future careers, both on and off the field.

We might think of the academic side of the university in the same way. Attracting the best professors and students requires

competitively priced tuition. But it also requires having the best facilities (for example, research labs), the best research performance (including notable publications, support for start-ups, and participation in important public debates), and a proven ability to develop and train students for successful careers in our complex 21st-century world.

While my university's administrators like to assert that our peer public institutions are the University of California at Berkeley and the University of Virginia, and express ambitions to be the public academic counterpart of Stanford and Harvard Universities, the harsh reality is that Colorado-Boulder has become better known for its ranking on "party school" lists and as the home to an unauthorized cannabis festival.

Make no mistake, there is true excellence at my university. Nationally, it receives the most federal research money in (non-oceanic) environmental research, is home to four Nobel Prize winners, and produces research publications that are among the most referenced in the world. But I am concerned that the financial stress on the institution is reaching a breaking point and the areas of true excellence are increasingly at risk. Our faculty salaries are well below the national average, a situation that has gotten worse following several years of no raises. Facilities are aging and overused, affecting everything from classroom space to quality laboratories, while classes are getting larger, taught by a faculty that has for too long been asked to do more with less. The inevitable result of these trends is a decline in performance, which is arguably already under way.

Tuition reform holds the prospect of helping to fix many of these issues. Consider again my university: Of Colorado-Boulder's approximately 26,000 undergraduates, two-thirds are Colorado residents who will pay about \$7,700 in tuition for the 2011-12 school year. The other third—out-of-state residents—will pay about \$29,000 per year. The result is that almost two-thirds of the university's total tuition revenue comes from one-third of its students. Thus, the financial viability of the institution depends upon securing a large proportion of nonresidents, which creates incentives to favor their admission. That is contrary to the very purpose of in-state tuition, which is to favor Colorado residents.

The same total revenue could be raised with a flat tuition rate of about \$14,000, which would instantly make Colorado extremely competitive nationally and internationally, and immediately increase the quality of the student body by increasing the size of the applicant pool.

Under current law, the state of Colorado is largely powerless to remedy the institution's dire fiscal situation because of a constitutional amendment that drastically limited the ability of the state to increase its spending, while other legislation required increases in areas other than higher education. The result has been a serious squeeze on university budgets. So perhaps it's time for the legislature to recognize that higher education takes place in a national and global market, consider allowing the university to capitalize on its merits, and turn a vicious cycle of decline into a virtuous circle of excellence. It could do that by simply eliminating the outdated distinction between in-state and out-of-state tuition and allow the university to charge what the market will bear.

To the extent that the university is perceived to provide an excellent education, it will be able to sustain higher tuition fees. In turn, higher tuition will enable higher faculty salaries, investments in campus infrastructure, and access to other resources in support of teaching and research that are presently out of reach. A market-based tuition would enhance accountability, create direct incentives for better performance, and, in alignment with superior performance and increased revenues, allow the university to reverse its current decline. If the state legislature still wishes to continue the tradition of subsidizing college education for state residents, it could do so through scholarship funds based on residency, with subsidies given directly to students, not the university.

For too long, the discussion of higher education in Colorado and nationally has been constrained by a vision of the university that is increasingly outdated. If we want to foster state goals of business development, an educated work force, and quality economic growth, we need policies that are in line with both the realities of the modern academic market and the role of government in higher education. In that context, we must be willing to change with the times in order to continue fostering the excellence that characterizes the American research university.

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