

# FEE MANAGEMENT

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## **DESCRIPTION**

California lacks a consistent fee policy for postsecondary education. Typically, changes to student fee levels have been influenced more by the availability of state funds in any given year rather than through an established policy. During good economic times, student fees have been reduced, and during bad economic times student fee levels have been drastically increased. In short, students are not being treated equitably. Alternative fee policy options include:

- Implementing high student fee charges, while providing high financial aid for low income students,
- Setting student fees as a percent of educational costs and then annually adjusting the fee level based upon changes in the CPI;
- Charging differential fees based on various factors (including level of instruction, type of course, and units completed).

## **CURRENT EXAMPLES**

- Regarding the high fee/high aid model, New Jersey has traditionally operated under the principle that the most effective and efficient use of state support for higher education is a policy of high tuition and high financial aid. New Jersey consistently ranks among the top five states nationally in undergraduate tuition rates and the availability of need based financial aid. According to the National Center for Public Policy and Higher Education, in the Center's biennial state-by-state report card, New Jersey is a "top performer in the percent of students who go on to college immediately after high school, ... still makes among the nation's highest investments in providing need-based financial aid to low-income families, ... and a good proportion of first-time, full-time college students earn their degrees within five years of finishing high school."
- Utah imposes a surcharge upon undergraduate students who repeat a course.
- Several state legislatures, including California's, have considered implementing a higher fee for students after the students have completed more than 130 units of undergraduate study. (130 units is the maximum total typically required for an undergraduate degree.)

## **STATE POLICY PRIORITIES TRADE-OFF**

- An explicit fee policy would better promote state objectives and make it easier for students, their families, and the segments to plan effectively.

- Fees that are set too low may improperly encourage some students to attend state public universities when other options might be more appropriate (such as attending private universities).
- If fees are set too high, it is possible that access to higher education could be restricted for qualified students who do not have the financial means to pay the higher fees. The availability of financial aid, however, can ensure that a student's financial circumstances do not limit his or her educational opportunities.
- Differential fees (whereby students would be charged more after they have completed 130 units) could encourage students to complete their degrees in a more timely manner.
- Fee levels as a fixed percentage of educational cost recognize that students receive direct benefits (including higher salaries and life-time earnings) from their education and therefore should pay a set portion of the cost for that education.

### **GENERAL FUND IMPACT**

- Essentially, additional revenue from student fee increases should backfill General Fund reductions for the state's higher education segments. In effect, fee revenue would substitute General Fund support, thus reducing General Fund expenses while still providing programmatic support.
- Estimated General Fund savings would largely depend on (1) the specific fee policy that is enacted and (2) whether the policy is gradually implemented over a number of years (to avoid sudden "sticker shock"). For example, setting UC and CSU systemwide education fees at 30 percent of education costs could result in additional fee revenue of roughly \$200 million.

### **TECHNICAL FEASIBILITY**

The Legislature would need to make policy decisions regarding the mechanics of a statewide fee policy. For example, issues that would need to be resolved include:

- What is the appropriate share of the cost of education that a student should be expected to pay? California students pay a smaller share of the costs of their education than do students in almost every other state. (This is particularly true for community college students and state university students.)
- Should the fee methodology be in statute?
- Under a "high fee/high aid" model, how high should the fee level be set? In other words, what would be considered high?
- How would the state define the "cost of education?" What percentage of educational costs should students pay?

- After determining the basis for student fee levels, should fees be adjusted annually? If so, on what basis?