**ENOHE 2014: Parallel Session 4a**

17 May 2014

Warsaw, Poland

**Funding Higher Education in the USA**

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American higher education is a complicated system. Wikipedia describes American higher education as an “optional final stage of formal learning that occurs after secondary education”.[[1]](#endnote-1)

Before I go any further, here are a few words and phrases from the US: “tuition” is the money charged for instruction by a college or university; “colleges and universities” are used interchangeably, “faculty” are academic staff, who conduct research and teach; “undergraduate” refer to programs leading to the bachelor’s degree; and “graduate” refers to a master’s or doctoral degree.

American higher education is **decentralized**, **varied** and **competitive**. There are more than 4000 public and private institutions of higher education in the USA. Other than military service academies, the US federal government owns no colleges or universities. The US government has nothing to do with the admission of students, the stipulations or standards for degrees, the appointment or terms and conditions of faculty employment, the selection of governing boards or chief executive officers, or anything else about how institutions are governed or run. However, while the US federal government does not directly regulate universities, it can create conditions for institutions that receive federal funds.

There are 2-year institutions that award associate’s degrees, and 4-year institutions that grant bachelor’s, master’s or doctoral degrees. Most are non-profit, and some are for-profit. Public universities are operated and administered solely by the individual states and territories. For example, the state of California alone has 3 public higher education systems: University of California (10 campuses), California State University (23 campuses), California Community Colleges System (112 campuses). Private universities may be secular, religious education, non-denominational, or affiliated with a religious institution.

With rare exception, all institutions of higher education in the USA charge tuition.

Students may apply to many colleges, although they must submit an application to each. The American degree is given primarily by the accumulation of credits in some sort of acceptable pattern of (1) general education, (2) a major program, and (3) free electives. If a student loses interest or is dissatisfied, she may take those credits to another institution which may accept some, most, or all of them and permit the student to continue toward a degree. [[2]](#endnote-2)

**Funding Higher Education**

There are five income streams: tuition and fees; government appropriations; private gifts and grants; endowment income and investment returns; and sales and services. This pattern was established early on, with some funding coming from a colony or government, supplemented by an endowment from benefactors or alumni. Tuition was very low and scholarships were few.

1. Tuition and fees (which includes federal, state, and private student aid received by students). Parents have always been expected to pay tuition fees in the private non-profit higher educational sector, and this cultural convention continues to be generally accepted.
2. Federal, state and local government appropriations, grants, and contracts. Public universities often have much lower tuition than private universities because funds are provided by state governments and residents of the state that supports the university. Students from that state are called “in-state students” and typically pay lower tuition than non-residents.[[3]](#endnote-3)
3. Private gifts, grants, and contracts
4. Endowment income and investment returns (income from assets including dividends, interest earnings, royalties, rent, gains and losses, etc.)
5. Sales and services, such as educational activities, hospitals, sports teams, and other auxiliary enterprises.

Annual undergraduate tuition varies widely from state to state, and from institution to institution. Listed tuition prices generally reflect the upper limit that a student may be charged with regards to tuition. A student that has applied for institution-based funding will know his net tuition upon receipt of a financial aid package. The US government maintains an online “Budget Calculator” to help students determine the actual expenses: <http://www2.ed.gov/offices/OSFAP/DirectLoan/BudgetCalc/budget.html>

Student financial aid or support is available from a wide variety of sources including the US federal government, individual states, directly from colleges and universities, as well as from numerous other public and private agencies and organizations. All forms of college aid fall into four basic categories:

* Grants. Gift aid from grants does not have to be repaid and is generally awarded based at least partially on financial need.
* Work Study. A federally funded source of financial assistance used to offset financial education costs. Students earn money by working and attending school. The money does not have to be repaid.
* Loans. Funds that are borrowed and must be repaid with interest are loans. Generally speaking, educational loans have far more favorable terms and interest rates than private consumer loans.
* Scholarships. Offered by schools, local/community organizations, private institutions and trusts, scholarships do not have to be repaid and are generally awarded based on some specific criteria. [[4]](#endnote-4)

**Discussion**

There are several potential impacts on students:

* Those students who can take qualifying courses while in secondary school may transfer in as much as the equivalent of 1 year of university, shortening the time and money that would otherwise be required to complete their undergraduate degree.
* Students may extend the time needed to complete a degree by taking a less expensive associate’s degree at a community college and transferring to a 4-year college to complete their bachelor’s degree.
* Students may seek paid work while attending college, and perform less well than they might have if they only focused on their education.
* Students may opt to remain at home rather than attend college in another part of the country.
* Students may interrupt or delay the completion of their undergraduate degrees.
* Students may delay or not pursue a graduate degree.
* Some may forego higher education entirely.
* Students may accumulate debt that will make purchasing a home difficult if not unlikely.

American colleges and universities are being measured on their performance, including factors such as:

* persistence and retention
* graduation: proportion of entrants getting degrees
* transfer rates from community colleges to four-year colleges
* job placement rates for graduates
* average starting salaries
* rates of passage on professional licensure exams
* satisfaction of students and others with a higher education institution

We ombuds can expect an increasing number of queries from students and their families with concerns about a university’s quality, consistency, transparency and responsiveness. They question the quality of education, degree completion requirements, and the availability of courses. They expect course catalog descriptions to accurately describe courses being offered, and instructors to describe their intentions and expectations in course syllabi. They expect universities to be straightforward and responsive in all things academic and administrative. They expect procedures to dispute grades, to complain about a faculty member’s performance or behaviour, or to dispute an office’s performance, but they want the university to deal with problems informally and at the first sign of trouble.

**Changes ahead**

At the University of Denver, the Strategic Issues Panel has been examining the forces reshaping the environment of higher education, including technology, demographic changes, shifting values, costs that consistently outstrip inflation, growing price resistance from parents and students, competition from non-traditional schools, the potential for increased governmental involvement and other forces. The panel suggests that the impact of disruptive changes that lie on the educational horizon is likely to be profound.[[5]](#endnote-5)

1. http://en.wikipedia.org/wiki/Higher\_education [↑](#endnote-ref-1)
2. <http://gse.buffalo.edu/org/inthigheredfinance/files/Recent_Publications/USHigherEdfor%20InternationalStudentsScholars2014.pdf> [↑](#endnote-ref-2)
3. Some states have entered into tuition exchange or reciprocity agreements, where students of the participating states may enroll in programs outside of their home state at resident tuition rates. [↑](#endnote-ref-3)
4. <http://www.usa.gov/topics/education-training/education/higher/financing.shtml> [↑](#endnote-ref-4)
5. <http://www.du.edu/issues/paneltopics/highereducation/> [↑](#endnote-ref-5)