The “Other White Meat”:
An In-depth Analysis of the Other Fees

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In a time where the focus of higher education has shifted from keeping current funding sources to finding new or alternative sources of revenues; institutions are starting to discover they will have to change the way they operate in order to survive the ever evolving marketplace (Slaughter and Rhoades, 2004). Public colleges and universities faced with major losses in state support are seeking to generate alternative revenue sources based upon their core educational, research and service functions (Lowry, 2001). Consequently, some public universities are looking to other fees as a potential new revenue source. This manuscript focuses on the exploration of other fees through the lens of academic capitalism, highlighting the policy gap that exists between tuition and fees. Additional examination includes the actual versus perceived costs that students are required to pay to attend; illustrating that all the essential information may not be presented. By investigating other fees the outcome could lead to information about new revenue generating activities and provide feedback that could prove valuable in the financing and policy creation for higher education institutions.
Higher education, as with all areas of education, has its share of trials and tribulations with regards to revenue generation. This is especially salient as institutions think about revenue sources outside the norm of state appropriations and tuition. It is in society’s best interest for higher education to overcome and resolve the funding problems of decreased local and state support and endure the ups and downs of the market, (Ehrenberg, 2006), furthering the knowledge driven economy in which we live. In turn, if the society decides not to further subsidize higher education not only are they are potentially holding back innovations and stifling the community and state’s economy (Ehrenberg, 2002), but it can force financially deprived institutions to secure funding in other manners. “Higher education has gone through hard times before but looking at the economic and political horizon in January of 2009, only the rosiest of optimists can believe that what lies ahead is going to be similar to what we have seen before” (Wellman, 2009, p.5). This manuscript will seek to examine the types of alternative revenue sources institutions are exploring to combat the declining state funds by investigating the use of other fees.

As with other areas of our society it appears that the “tuition bubble” may be beginning to burst (Gillen, 2008). The price of tuition and fees at higher education institutions has been rising at unsustainable rates, when compared to the rate of inflation and even medical care, with increases much as 440% over the past 25 years (Cronin & Horton, 2009). A student’s enrollment response to changes in the price of higher education has increasingly become a concern as “students today are more sensitive to tuition increases or aid cuts than the students who attended college 15 to 25 years ago” (Heller, 2007, p.651). Furthermore, the recent economic downturn has caused many state governments to drastically decrease the amount of appropriations public institutions are receiving, while still attempting to control the price that these institutions can charge (Thompson & Zumeta, 2001). This leaves institutions wondering how to provide high quality
education with drastically decreased revenues streams (Ehrenberg, 2008). It appears that a rocky road may be in store for higher education and to manage the numerous potholes institutions are looking at alternative funding methods in order to make it through the gauntlet.

As a former MBA graduate student at the University of Missouri (UM), I have experienced this road, and its trials, personally. In 2008-09, the College of Business was looking to departmental, or supplemental, fees as a possible way to increase revenue. The administration explored this option as a result of an agreement between the Missouri governor and UM system President not to raise in-state undergraduate tuition if the state would keep appropriations constant. The MBA program was looking to increase fees at the rate of 117% over the current year, taking fees from $34.60 to $75 per credit hour (MU Registrar, 2010). According to the University of Missouri’s office of cashier’s website, other departments (e.g., Law, Nursing and Veterinary Medicine) followed suit and were looking to increase their fees anywhere from 19% to 45% (2010). For example, the Law School increased all student fees from $480.10 to $571.60 per credit hour and the School of Veterinary Medicine increased the nonresident fee from $7,857.60 to $12,857.60.

These large increases in fees caused turmoil as both the student governments and faculty councils brought forth resolutions to challenge those fees. For example, students that were already attending the university, and more specifically the colleges with fee increases, saw a drastic boost in the cost to attend without necessarily seeing a significant return on this new investment. Moreover, the perception was that current policy did not require the administration to report how they were utilizing the existing fees or how they were going to use the newly acquired increase. In the end, the Board of Curators approved the funding requests, creating an
increase not in the sticker price of enrollment—since tuition costs remained static—but in the actual price to attend.

Ultimately, actions like these have caused six out of ten Americans to have the perception “that colleges today are like most businesses and care mainly about the bottom line,” abandoning the idea of accessible public education (Immerwahr, Johnson, Ott, & Rochkind, 2010, p.2). Further, the 2010 Squeeze Play report illustrated that this statistic is up by eight percentage points since 2007 and up five percentage points in the last year alone (Immerwahr, Johnson, Ott, & Rochkind, 2010). However, it appears that it is not only the university that is becoming much more business oriented but also the government policies associated with these institutions. For example, state policies for higher education vary from state to state and are extremely dependent on the “net political benefits” to the politicians that employ them (Lowry, 2001).

Operating in a business heavy manner can create an environment that focuses on education’s economic role, leaving behind the core values on which they were founded (Rhoades & Slaughter, 2004). This dilemma has administrators continually looking for ways to increase revenue without going beyond the current tuition levels, perpetuating negative feelings among their current and potential students. Consequently, some public universities may begin looking to other fees as a potential new revenue source.

This manuscript presents an argument that, within the theoretical framework of academic capitalism (Slaughter & Rhoades, 2004), identifies the benefits and unintended costs of implementing other fees as a revenue generating activity. It illustrates a policy gap with regards to other fees as many institutions have policies that control tuition rates but fail to include how institutions should go about tracking other fees and will bring to light the actual cost versus the perceived cost of tuition that students are currently paying. This analysis will contribute to higher
education by shedding light on the market behaviors of institutions with regard to new and/or alternative revenue sources. Through this analysis, higher education administrators will better understand how they can cooperate and create integrated transparency while at the same time operating in a manner that maintains the highest quality possible and remaining competitive in the ever-changing market. This discussion on other fees will hopefully generate an environment where students can make informed decisions about what institutions they can truly afford.

The following analysis will begin by examining the theoretical and practical arguments of implementing other fees through the lenses of academic capitalism. Following the theoretical argument, a literature review will be presented in order to show, not only the research gap but, the policy gap that exists between tuition and other fees. Finally, this manuscript will explore the implications and significance of other fees at higher education institutions and possible new research and policy areas to investigate.

**Academic Capitalism**

In a time where the focus of higher education has shifted from maintaining current funding sources, to finding new sources of revenue, institutions are starting to discover they will have to change the way they operate in order to survive the ever-evolving marketplace (Slaughter & Rhoades, 2004). Beyond internal economic issues, most public colleges and universities are facing major losses in state support (Figure 1). In 2009, state tax appropriations per full time enrollment (FTE) for students at public colleges and universities were 12 percent lower in constant dollars than 10 years ago (Public Higher Education Forum, 2010). These decreases have caused universities to generate alternative revenue based upon their core educational, research, and service functions (Slaughter & Rhodes, 2004).
The Integrated Postsecondary Education Data System (IPEDS), which is one of the primary sources for data at postsecondary institutions in the United States, defines fees as a “fixed sum charged to students for items not covered by tuition and required of such a large proportion of all students that the student who does not pay the charge is an exception” (Integrated Postsecondary Education Data System, 2010). This definition can lead to problematic results because it can create inconsistent measurements between institutions. For example, in the state of California, they refer to tuition as “fees,” which can cause confusion among the various community members from regions that make a distinction between the two. Students that come from a different state may not realize the actual cost to attend if they are used to the word tuition as opposed to fees.

For the purposes of this analysis other fees will encompass fees that may not be required of a majority of students, such as departmental fees, and generally do not appear in the listed tuition. Developing the definition in this sense will allow for a closer examination of the specific fees that might have reduced oversight compared to those required university wide. The use of other fees in this capacity allows for departments to generate revenue without the oversight of the larger centralized administration controlling the increases and decreases each department receives. In the following, other fees will be explored within the theoretical framework of academic capitalism unveiling the pros and cons of implementing them within the higher education marketplace.

As one thinks of the concept of market many ideas come to mind as it is a term that is prevalent in our daily lives, yet few take the time to truly understand what it means. For this analysis, it simply refers to the group of consumers, or students, that are interested in the product, or idea, and has the resources to purchase the product, such as a college education (Internet
Center for Management and Business Administration, 2010). In higher education this refers to attracting students, to any given campus, by promoting their attributes in such a way that causes the student to apply and then enroll at that institution and thus purchase their education. The actual marketing of the product will generally start with the population as a whole and narrow based on the goal of the organization selling that product (ICMBA, 2010). The use of the word market is a key component to the theory of academic capitalism and provides a foundation for the theory to be built upon.

Slaughter and Rhoades (2004) define Academic capitalism as “the involvement of colleges and faculty in market-like behaviors” (p. 11) and is “the pursuit of market and market-like activities to generate external revenues” (p. 37). Academic capitalism refers to the growing trend whereby universities derive supplementary income from other sources, becoming a key feature of higher education in the United States (Kezar, Lester, Carducci, Gallant, & McGavin, 2007). Interestingly, academic capitalism involves the pursuit not of mass markets, but of various privileged niche student markets or a subset of the larger market, effectively changing one of the basic functions of most higher education public institutions (Slaughter & Rhoades, 2004).

The theory of academic capitalism states that institutional priorities will look to build institutions that not only draw students to them but generate revenue in order to improve their overall operations (Slaughter & Rhoades, 2004). By focusing on other fees as a new revenue source, institutions are aligning with this concept of academic capitalism. They are doing this by using the niche marketing concept through departmental fees to capitalize on the price that students are willing to spend. In turn, institutions are then generating enough money to continue
improving the quality of their department, attracting even more students to their school and thus perpetuating the academic capitalist mindset.

The American people are more likely to be in support of institutions exploring alternative revenue sources, through the use of academic capitalism, since they are the ones that are driving this economic shift from external funding to more internal solutions taking the burden off of tax payer dollars (Slaughter & Rhoades, 2004). It would seem then that American taxpayers would want these institutions to invest in activities that promote economic development without so much reliance on state appropriations. Investing in these activities, schools are less reliant on tax dollars and are promoting cost-effective growth within the community and state in which they reside. In the public’s mind, a majority believe that “colleges could take a lot more students without lowering quality or raising prices” as well as “colleges could spend less and still maintain a high quality of education” (Immerwahr, Johnson, Ott, & Rochkind, 2010, p.2). If the research were to ignore this idea of economic development, institutions would not have a reasonable case to increase fees as they would first need to operate efficiently before people would buy into the idea of increasing any fees.

By applying the theory of academic capitalism to understanding institutional revenue generation, one can understand the financial successes and pitfalls of higher education. As universities are looking at other fees to potentially bring in new revenue sources, by using this niche marketing perspective, they need to keep in mind the mission of their institutions and determine whether or not the principles of academic capitalism and fee increases align with that mission. Academic capitalism, on the surface, seems like a risk-free activity. However, it may have costs that many institutions did not see at first glance.
The Lack of Separation between Tuition and Fees

In most public institutions, the main sources of general revenues are state and local appropriations, tuition, and fees (Wellman, 2009). The 2009 Digest of Education Statistics Annual Report found that the aforementioned revenue sources constituted close to 70% of total costs to attend a public institution, where tuition and fees made up only 26% of the cost for private schools. However, since the mid 1960’s, state appropriations have decreased at public research universities, creating a funding crisis at a majority of institutions (Jones & Wellman, 2010). One major change in the dominant revenue pattern, which occurred between 1995 and 2006, was the ever increasing reliance on tuition and fees as a primary source of revenue as state funding per student declined (IPEDS, 2010).

Upon further examination, the data show that the greatest increases in tuition are occurring in the public research sector, and the smallest among public community colleges (Digest of Education Statistics, 2009). However, despite the cuts in state appropriations, more than 54% of consumers believe that colleges could spend less while still maintaining a high quality of education (Immerwahr, Johnson, Ott, & Rochkind, 2010). This belief then makes raising tuition a difficult task for an institution to justify. Thus, institutions have begun exploring and using other fees to generate revenue. Throughout this section the current research will be examined in an effort to illustrate the policy gap that is occurring with regards to the use of other fees as a new revenue source.

Institutions in this changing economic and political time are looking at tuition and fees as the obvious choice to increase revenues and overcome the large decreases in state appropriations (Jones & Wellman, 2010). Between 2002 and 2005, state appropriations decreased approximately $1,500 per FTE student at public research universities, about $1,000 per FTE
student at public master’s institutions, and $500 per FTE student at public community colleges (Digest of Education Statistics, 2009). Conversely, between 2002 and 2005, net tuition and fees revenue increased by an average of $383 per student in public research universities, $313 in public master’s institutions, and $124 in public community colleges (Figure 2). Between fiscal year (FY) 1980 and FY 2010, tuition and fees at public four-year institutions grew about 325 percent in inflation-adjusted dollars (Public Higher Education Forum, 2010). This time frame did witness some economic recoveries in state appropriations, yet the declines were far more significant in the long run, making for substantial losses to these higher education institutions (Cheslock & Gianneshci, 2008). From this research is it evident that as state appropriations go down, tuition and fees go up.

Additional research argues that “globally, fees and tuition are growing as an important source of income for most universities, with potentially significant influence on the market for students and the behavior of institutions” (Douglass & Keeling, 2008, p.1). Douglass and Keeling (2008) took their examination of the trends in institutional financing one step further investigating four factors that are contributing to a shift in the public university paradigm: 1) governments can no longer afford to be the primary source of revenue leading to market-related solutions, 2) fee income will need to be an increasingly large component of the funding to replace declining taxpayer subsidization, 3) higher education’s responsibility is to provide both private and social benefits and more robust need-based financial aid programs, and 4) tax policies will mitigate economic barriers to public university education. This being said, the world of higher education revenue generation is continually changing to accommodate the varied interests of key stakeholders involved in decision making processes (Lowry, 2001). Tuition and fees...
fees are among the main sources of revenue that institutions will need to utilize in order to remain viable.

Additional research argues for the importance of increasing tuition and fees in order to maintain quality. Ehrenberg (2008) states that “in the higher education market, posted price (tuition and fees) is taken by many to be an indicator of quality; if an institution lets its tuition fall relative to its competitors it runs the risk of being perceived as an inferior institution” (p.10). Higher education institutions generally stress the need for additional monetary resources in order to provide and maintain quality and most notably, instruction (Vedder, 2004). However, the National Center for Education Statistics (2002) discovered that the real spending on student for instruction only rose by 21 percent from 1976-1977 to 1999-2000 where all other spending on students increased by 51 percent. This begs the question, what portion of tuition is actually covering educational instruction and what part of tuition and/or fees are covering the other costs associated with a student’s education?

Most of the existing research relates to tuition and required fees as one entity, not necessarily looking at tuition and fees separately (National Center for Education Statistics, 2010). The majority of the data focus on these key operating statistics, such as the information collected by the College Board (2009) and Delta Cost Project (2010). These studies have helped organize the overwhelming amount of information that one can find about the costs of college, yet does not provide an accurate picture of the true cost of attending college (Weisbrod, Ballou, & Asch, 2008). Tuition and fees are not broken down in line by line format and are generally averaged, making it difficult for a potential student to determine the actual cost of attendance and determine which numbers will increase and which will remain constant.
Further, among public institutions, sticker prices routinely increased less than gross tuition revenues (Wellman, 2010). This happens because more public institutions are using differential pricing or price discrimination, charging different rates to various students based on some key demographic variable, to capture greater increases in tuition and fees from students in an effort to increase financial support (Weisbrod, Ballou, & Asch, 2008). According to the Delta Cost Project (2010), these higher tuitions can come from out-of-state students or from professional schools such as business, law, and engineering where full-cost pricing is increasingly common. Additionally, institutions are also turning to user fees to fund many functions (e.g., departmental, technology fees), which have become a significant source of revenue. At public universities, total fees have been rising faster than tuition in percentage terms, and now are equal to as much as 40 percent of tuition at some institutions such as the University of Oregon and State University of New York at Binghamton (Weisbrod, Ballou, & Asch, 2008). In the end, if students are only exposed to the ‘sticker’ price of the institution, it understates the true impact of price increases in what they pay to attend (Wellman, 2010).

Implications of the Argument

The problems related to locating, and then acquiring, sufficient funding sources at public institutions has become more important in recent years. The government and surrounding communities want to know now more than ever, how their money is being spent and what the results of their investment are. Most institutions are citing the decrease in government funds as the reason they must raise tuition and required fees to maintain quality and remain competitive in the higher education marketplace (Public Higher Education Forum, 2010). Some institutions are taking advantage of the situation, with the most recent example being the California system, as they are looking to increase tuition and fees 32% for the upcoming school year, creating a
difficult transition for their current and incoming student body (Blood, 2009). This type of drastic increase brings even more attention to the cost of public higher education as key stakeholders are asking a lot of questions about these increases and why some fees are controlled and some are not. In this section the implications for individual students and future research will be examined with regards to increasing other fees.

The lack of differentiating between tuition and fees relates back to what types of other fee policies, especially at the departmental and organizational levels, have institutions adapted in an effort to control this funding method, in turn becoming more entrepreneurial. As accountability continues to remain a hot button issue, this aspect of missing information about other fees will surface as the key stakeholders will want answers. Overall, universities need to combat these issues before they arise and answer the question: to what extent does this increase in other fees have on the actual cost of higher education to the student?

This manuscript demonstrated, through a thorough examination of the theoretical framework of academic capitalism, the positive and negative aspects of developing and implementing other fees into the structure of an organization by examining previous scholarly work and highlighting the literature and policy gap that exists. If key stakeholders are able to inspect these other fees, the hope is that institutions will do what is in the best interest of the university and its students by acknowledging the use of academic capitalism in their institutions, combating the flaws while at the same time showcasing the valuable aspects. Additionally, this will allow institutions to generate new revenue sources that mimic market behavior and allow them to survive. By providing the information upfront, universities could potentially face less opposing behaviors than the institutions that have already implemented these other fees with less
transparency. Institutions need to create policy that is clear in the way the fees will be collected, used, and ultimately increased.

With the public crying out for more information and accountability, many legislators and university administrators have attempted to create policies that make sure tuition and required fees remain low. For example, in the state of Missouri, legislators passed Senate Bill 389, which capped tuition increases by the Consumer Price Index (CPI), creating an element of control on the cost of tuition and required fees at public institutions. This has led to pressure, on the part of the institution, to come up with alternative ways of raising tuition, without directly affecting the budget line item marked as tuition. Ultimately, universities have turned to the non-required other fees to make up that difference, and “legislators appear to act as watchdogs over tuition charged by these schools while giving them largely free reign over the additional fees they add on” (Weisbord, Ballou, & Asch, 2008, p.79). This method of increasing revenue appears to be one of the newest answers offered by administrators in higher education, as they are trying to fill the gap between resources and increasingly expensive commitments without going against state policy.

As one further delves into the arena of public policy, investigating fees of any type, on the surface, seems like an objective task. However, due to the impact of our own individual experiences, each person comes to a different conclusion about what they believe to be a reasonable fee. It is important for policy makers to realize that unless other fees are examined, some institutions may take advantage of the fact that there is no limit to how much they can raise these fees. In the end, these are pieces, not the key, to solving the bigger puzzle of financing higher education. Higher education leaders need to find ways to discuss their priorities in a
reasonable manner so that they can come up with solutions that are sensible and realistic (Immerwahr, Johnson & Gasbarra, 2008).

**Significance of the Argument for Higher Education**

This method of using other fees helps not only to keep university administrators out of the red, but they are able to pick and choose the fees that could easily be distributed across all of campus. However, this method creates a gap in information about what the perceived cost vs. the actual cost of enrolling is for a potential student at their chosen college. Institutions, in creating this information gap, have students and parents bewildered as they receive their bill each semester to find a new fee they must pay. When these individuals are not receiving all of the pertinent information up front, they are not given the opportunity to determine if the end result is actually worth the investment. This, in turn, makes for inefficient and potentially inequitable fee based system.

As key stakeholders are looking to control tuition increases, the logical next step for institutions to investigate are the other fees on their campus, helping to fill in the ever decreasing state appropriation gap. However, research on tuition and other fees yields a lack of information in regards to the other fee portion of the tuition bill that the students of the institution are receiving. This leads to critical questions that need to be explored to understand other fee structures at any given institution. For instance, when students enroll in an institution and/or department are students told about these fees upfront or are institutions giving them the “sticker” price? If they are told about the fees what kind of information are they given, if any, about how those fees are being used to further their educational development? By exploring these types of questions the results could lead to information about new revenue generating activities and provide feedback on what students feel is a good investment of their money.
Conclusion: The Balancing Act

As the market driven economy continues to dominate our society, it seems that universities may need to figure out a balance because, as Stimpson (2006) illustrates, the corporate university can cause more problems than solutions if not carefully balanced. By focusing solely on the profitability side, rather than the knowledge side, of higher education, the institutions are putting the core mission of the university on the back burner, fostering an environment that is centered on making money more so than instilling academic values to the students. If we can find a balance, our society benefits by having successful graduates that will not only improve the local and state productivity, but also increase the quality and salary of workforce (Paulsen & Toutkoushian, 2006).

In the end, the types of strategies that institutions are employing to increase revenue streams need to examine both the tangible and intangible benefits and costs before implementation occurs. The core mission should be at the front of every issue so that the institution will be able to stand behind every decision it makes, remembering that the mission of an institution is ultimately what the school’s reputation is anchored to (Weisbrod, Ballou, & Asch, 2008). If they lose that anchor then they may lose everything higher education has come to represent.
Figure 1. Percent Change in Appropriations for Higher Education, 1960–2006

From Jones, D. & Wellman, J. (2010, May/June). Breaking Bad Habits: Navigating the Financial Crisis. retrieved 08/01/2010, from Change Magazine Web Site:
http://www.changemag.org/Archives/Back%20Issues/May-June%202010/breaking-bad-full.html
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