

Section 5 - Education Issues

Public Support to Students in Private Higher Education Institutions

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PUBLIC SUPPORT TO STUDENTS IN PRIVATE HIGHER EDUCATION INSTITUTIONS

ISSUE STATEMENT

For more than twenty years, the North Carolina General Assembly has appropriated funds to support North Carolina residents who attend private colleges and universities in the State. At present, appropriations for this purpose amount to approximately \$38 million. State support to private higher education is a widely established and accepted practice nationally, based on commonly held beliefs that private higher education provides diversity and capacity in meeting public purposes and that it should not be available solely to those of privileged financial means.

At present, consistent with reviews of its investments in public higher education, the General Assembly needs to reexamine the nature and extent of its support to students in private higher education, to determine how well that investment is meeting priority purposes.

BACKGROUND

Historically, North Carolina has had a strong commitment to providing educational opportunities for its citizens. Until establishment and major expansion of the State's publicly funded systems, this commitment was addressed primarily by the State's private educational institutions. In fact, until 1958, private colleges and universities served more than 50 percent of North Carolina's undergraduate students. Private higher education institutions long have been regarded as valued resources of the State and nurtured accordingly.

Student Enrollments

Exhibit 1 on the following page shows enrollment at North Carolina's public and private higher education institutions by level of instruction and residence status. Today, there are 37 private colleges and universities in North Carolina serving nearly 62,000 students, more than half of whom are North Carolina residents. As illustrated in Exhibit 2, these institutions encompass a broad range of sizes, types, degree programs, and tuition and fee requirements. Each is accredited by the Southern Association of Colleges and Schools (SACS). The combined student bodies of these institutions account for approximately 26 percent of all students enrolled in higher education in North Carolina and 18 percent of all North Carolina residents enrolled in North Carolina institutions.

The remaining 74 percent of all students enrolled in North Carolina and 82 percent of enrolled North Carolina residents attend the State's public institutions---58 community colleges and 16 constituent institutions of The University of North Carolina. Most of the students attending the State's public institutions of higher education are state residents.

EXHIBIT 1					
Enrollment in North Carolina Colleges and Universities Fall 1991					
	Public Institutions		Private Institutions		Total Public and Private
	Number	Percent of Total	Number	Percent of Total	Number
Undergraduate	150,103	74.3	51,959	25.7	202,062
First Professional	2,558	41.9	3,544	58.1	6,102
Graduate	23,220	79.5	5,991	20.5	29,211
Total	175,881	74.1	61,494	25.9	237,375
In-State	153,748	81.9	34,061	18.1	187,809
Out-of-State	22,133	44.7	27,433	55.3	49,566

Source: *Statistical Abstract of Higher Education in North Carolina 1991-92*, The University of North Carolina, April 1992

Overview of Programs for Students in Private Institutions

While the public higher education system has developed and grown rapidly during the past 50 years, the State has continued to value and support private institutions as well. The General Assembly currently supports private higher education through three programs, totalling approximately \$ 38 million:

- Contractual Scholarship Program
- Legislative Tuition Grant Program
- Medical School Aid Program

In addition to these programs, the State provides other need-based and non need-based programs, some of which are available to residents who attend private higher education institutions. These programs were not included in the scope of this analysis.

The historical rationale, program concept, funding criteria, historic and current appropriations, and reporting requirements for the two programs that support undergraduate students, together with a discussion of their combined effects, are summarized below. Following, similar information is provided for the third program, the Medical Student Aid Program.

EXHIBIT 2

State of North Carolina Selected Characteristics of Private Colleges and Universities

COLLEGE/ UNIVERSITY	TYPE	UNDERGRAD ENROLLMENT	NUMBER OF DEGREE PROG	TUITION & FEES
Barbara-Scotia	4 yr/co-ed	605	16	\$4,200
Barton	4 yr/co-ed	1,703	43	\$6,720
Belmont Abbey	4 yr/co-ed	1,016	20	\$7,974
Bennett	4 yr/women's	568	27	\$5,725
Brevard	2 yr/co-ed	784	1	\$5,830
Campbell	4 yr/co-ed	1,983	59	\$7,550
Catawba	4 yr/co-ed	936	40	\$8,130
Chowan	4 yr/co-ed	740	24	\$6,280
Davidson	4 yr/co-ed	1,555	27	\$14,820
Duke	4 yr/co-ed	6,159	42	\$16,121
Elon	4 yr/co-ed	3,086	41	\$8,110
Gardner-Webb	4 yr/co-ed	1,884	37	\$7,180
Greensboro	4 yr/co-ed	1,035	34	\$7,240
Guilford	4 yr/co-ed	1,738	36	\$11,400
High Point	4 yr/co-ed	2,308	41	\$7,250
Johnson C. Smith	4 yr/co-ed	1,256	36	\$6,138
Lees-McRae	4 yr/co-ed	785	23	\$6,898
Lenoir-Rhyne	4 yr/co-ed	1,522	59	\$9,500
Livingstone	4 yr/co-ed	615	21	\$5,200
Louisburg	2 yr/co-ed	720	3	\$6,044
Mars Hill	4 yr/co-ed	1,323	45	\$7,000
Meredith	4 yr/women's	2,174	34	\$6,020
Methodist	4 yr/co-ed	1,293	47	\$8,250
Montreat-Anderson	4 yr/co-ed	398	13	\$6,512
Mount Olive	4 yr/co-ed	806	15	\$7,100
N. C. Wesleyan	4 yr/co-ed	771	21	\$7,550
Peace	2 yr/women's	460	3	\$4,890
Pfeiffer	4 yr/co-ed	832	29	\$7,730
Queens	4 yr/co-ed	1,364	33	\$9,850
St. Andrews	4 yr/co-ed	631	53	\$9,410
Saint Augustine's	4 yr/co-ed	1,907	32	\$5,755
Saint Mary's	2 yr/women's	288	1	\$6,350
Salem	4 yr/women's	655	31	\$9,230
Shaw	4 yr/co-ed	2,147	30	\$5,272
Wake Forest	4 yr/co-ed	3,764	38	\$12,000
Warren Wilson	4 yr/co-ed	499	29	\$12,217
Wingate	4 yr/co-ed	1,472	39	\$6,740
Low		288	1	\$4,200
High		6,159	59	\$16,121
Mean		1,400	30	\$7,843
Median		3,224	30	\$10,161

Source: North Carolina's 37 Independent Colleges and Universities Handbook 1992-1993

Contractual Scholarship Program

The Contractual Scholarship Program was initiated in 1971 in response to (1) decreasing enrollment in private institutions, presumably due to relatively high tuition and fees, and (2) increasing realization that public higher education facilities were nearing capacity.

Program Concept. The Program provides need-based scholarships to North Carolina citizens who attend private colleges or universities in the State as undergraduates.

Funding Criteria. The Program provides funds to institutions on a per full-time equivalent (FTE) student basis. The institutions, in turn, award scholarships only to students with demonstrable financial need. Therefore, actual award amounts to students are higher than the per FTE appropriation. Student minimum qualifying criteria are based on the standard Congressional financial need analysis methodology; however, the amount of assistance provided to each student is at the discretion of the individual institution under its financial aid policy. According to the president of the North Carolina Association of Independent Colleges and Universities, member institutions have agreed informally to limit individual grants to an amount equivalent to the State's average per FTE "subsidy" in the UNC system. "Average annual subsidy" of North Carolina resident students attending The University of North Carolina constituent institutions (except UNC Health Programs and the School of the Arts) was \$6,573 in FY 1992-1993, excluding financial aid funding.¹

Historic and Current Appropriations. The initial appropriation was \$200 per FTE student for FY 1972-73. The original law appropriated \$575,000, and another \$450,000 as an incentive to schools to increase the number of North Carolina students. The appropriation has been increased sporadically over the years to its recent level of \$450 per FTE student. However, as a result of recent revenue shortfalls and resulting budget cuts, actual allocations were reduced to \$437 per FTE in FY 1990-91 and \$419 per FTE in FY 1991-92. In FY 1991-92, the General Assembly appropriated \$10,783,420 to private colleges and universities for the Program; a total of 7,922 students qualified for assistance and received average grants of \$1,361.

Reporting Requirements. Private colleges and universities are required to provide annual reports to the State on the number of North Carolina resident FTE students enrolled and total scholarship funds awarded.

Legislative Tuition Grant Program

The General Assembly initiated the Legislative Tuition Grant Program in 1975 in response to (1) continued limitation in public higher education facility capacity, and (2) recognition that the State provides substantial subsidies to offset the cost of educating students in the public sector.

Program Concept. This Program is not need-based. It provides a designated amount of money toward the cost of tuition and fees for each North Carolinian who is a full-time student pursuing a baccalaureate degree for the first time at a private college in the State.

¹North Carolina General Assembly Fiscal Research Division.

Funding Criteria. Each enrolled North Carolina student receives a grant of the same amount, without regard to financial need. The North Carolina State Education Assistance Authority administers the Legislative Tuition Grant Program. Program regulations, adopted in August 1975 (and amended several times since), govern operation of the Program. Regulations establish definitions, terms of participation, eligibility, procedures, method of payment, refund policy, residence requirements, and rules for program integrity.

Historic and Current Appropriations. The first appropriation in FY 1975-76 was \$4.2 million, and the per capita grant was \$200 per student. Since then, the Legislative Tuition Grant Program has increased in per capita funding each fiscal year through FY 1989-90. Currently, it is authorized at \$1,150 per student. However, due to recent budget constraints, the General Assembly has been unable to provide the authorized appropriation and has reduced the actual amounts allocated to \$1,116 in FY 1990-91 and \$1,095 in FY 1991-92. In FY 1991-92, the General Assembly allocated a total of \$24,131,454 in Legislative Tuition Grant Program funds; a total of 26,001 students benefited from grants.

Reporting Requirements. Annually, the chief executive officer of each institution designates a campus official to administer the Program. This official serves as liaison between the institution and the Authority and is delegated program administration and reporting responsibilities.

Combined Effects of Contractual Scholarship and Legislative Tuition Grant Programs

Together, the Contractual Scholarship and Legislative Tuition Grant programs account for nearly 93 percent of North Carolina's total appropriations of \$38 million in the three specific aid programs to students attending private higher education institutions. Exhibit 3 presents an overview of the financial activity of these two undergraduate aid programs during the past ten years. In FY 1991-92, this amount was equal to approximately 20 percent of the average tuition and fees of private senior institutions and approximately 24 percent of the average subsidy to North Carolina residents who attend public universities.

In summary, in FY 1991-1992, 7,922 students were recipients of contractual scholarships and 26,001 students were recipients of legislative tuition grants. For students eligible to receive both, the combined Contractual Scholarship and Legislative Tuition Grant program appropriations provided an average of \$2,289 per FTE student.²

Medical Student Aid Program

The State initiated the Medical Student Aid Program in 1969, to address the shortage of medical doctors, particularly family practitioners, in North Carolina.

²For clarification, contractual scholarship recipients are a sub-set of the 26,001 legislative tuition grant recipients. Only students with demonstrated financial need receive both forms of assistance.

EXHIBIT 3

State of North Carolina Contractual Scholarship and Legislative Tuition Grant Programs

PROGRAM	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92
CONTRACTUAL SCHOLARSHIPS										
Max. amount/student: auth.	\$200	\$200	\$200	\$300	\$300	\$350	\$400	\$450	\$450	\$450
Max. amount/student: actual	\$200	\$200	\$200	\$300	\$300	\$350	\$400	\$450	\$437	\$419
General fund appropriation	\$4,990,000	\$4,752,000	\$4,752,000	\$7,128,000	\$7,128,000	\$8,316,000	\$9,504,000	\$11,576,700	\$10,938,293	\$10,783,420
Number of recipients	6,857	6,643	6,218	7,346	6,546	7,283	7,502	7,919	7,823	7,922
General fund expenditures	\$4,675,000	\$4,638,850	\$4,723,600	\$6,955,200	\$6,922,425	\$8,276,699	\$10,008,960	\$11,490,300	\$11,201,947	\$10,783,727
Average/recipient	\$682	\$698	\$760	\$947	\$1,058	\$1,136	\$1,334	\$1,451	\$1,432	\$1,361
LEGISLATIVE TUITION GRANTS										
Max. amount/student: auth.	\$650	\$750	\$850	\$950	\$1,000	\$1,050	\$1,100	\$1,150	\$1,150	\$1,150
Max. amount/student: actual	\$650	\$750	\$850	\$950	\$1,000	\$1,050	\$1,100	\$1,150	\$1,116	\$1,095
General fund appropriation	\$15,210,000	\$17,457,000	\$18,122,000	\$19,829,000	\$20,929,000	\$22,038,200	\$23,296,619	\$25,739,300	\$24,565,931	\$24,218,108
Number of recipients	23,977	23,624	24,076	23,583	23,469	24,148	25,166	25,977	25,681	26,001
General fund expenditures	\$14,062,083	\$15,879,575	\$18,070,197	\$19,458,154	\$20,446,727	\$21,950,199	\$23,920,918	\$25,712,815	\$24,890,189	\$24,131,454
Average/recipient *	\$586	\$672	\$751	\$825	\$871	\$909	\$951	\$990	\$969	\$928

* The average grant is less than the actual maximum amount per student because grants are prorated for students who are enrolled for only one semester and/or who attend off-campus courses

Source: N. C. General Assembly Fiscal Research Division

Program Concept. The Medical Student Aid Program supports medical education at private medical schools in North Carolina. The Program is designed to encourage the Bowman Gray School of Medicine of Wake Forest University and the Duke University School of Medicine to increase numbers of North Carolinians in the medical schools by providing grants for each resident enrolled.

Funding Criteria. The Board of Governors of The University of North Carolina pays capitation grants to the two medical schools for each North Carolina resident enrolled as a full-time student studying for the M.D. degree. Under current agreements, Bowman Gray receives annual capitation payments of \$8,000 per student for enrolling 65 North Carolinians (60 percent) in each class and Duke receives \$5,000 for each of the first 30 North Carolinian students enrolled annually and \$6,000 for each additional student enrolled.

Current Appropriations. Exhibit 4, on the following page, shows total enrollment and capitation payments for FY 1991-92. A specified amount of each capitation grant (\$1,000 of each grant to Bowman Gray and \$500 of each grant to Duke) is designated to be placed in a fund to provide financial aid to North Carolina students with financial need.

EXHIBIT 4			
State of North Carolina			
Projected Enrollment and Capitation Grant Funding to Private Medical Schools			
FY 1992-93			
	Wake Forest Bowman Gray	Duke Univ	Total/ Average
Enrollment of North Carolina students	263	135	398
Payments to institutions	\$2,104,000	\$693,000	\$2,797,000
Per capita payment	\$8,000	\$5,133	\$7,028

Source: 1991-93 Budget Request, Board of Governors of the University of North Carolina

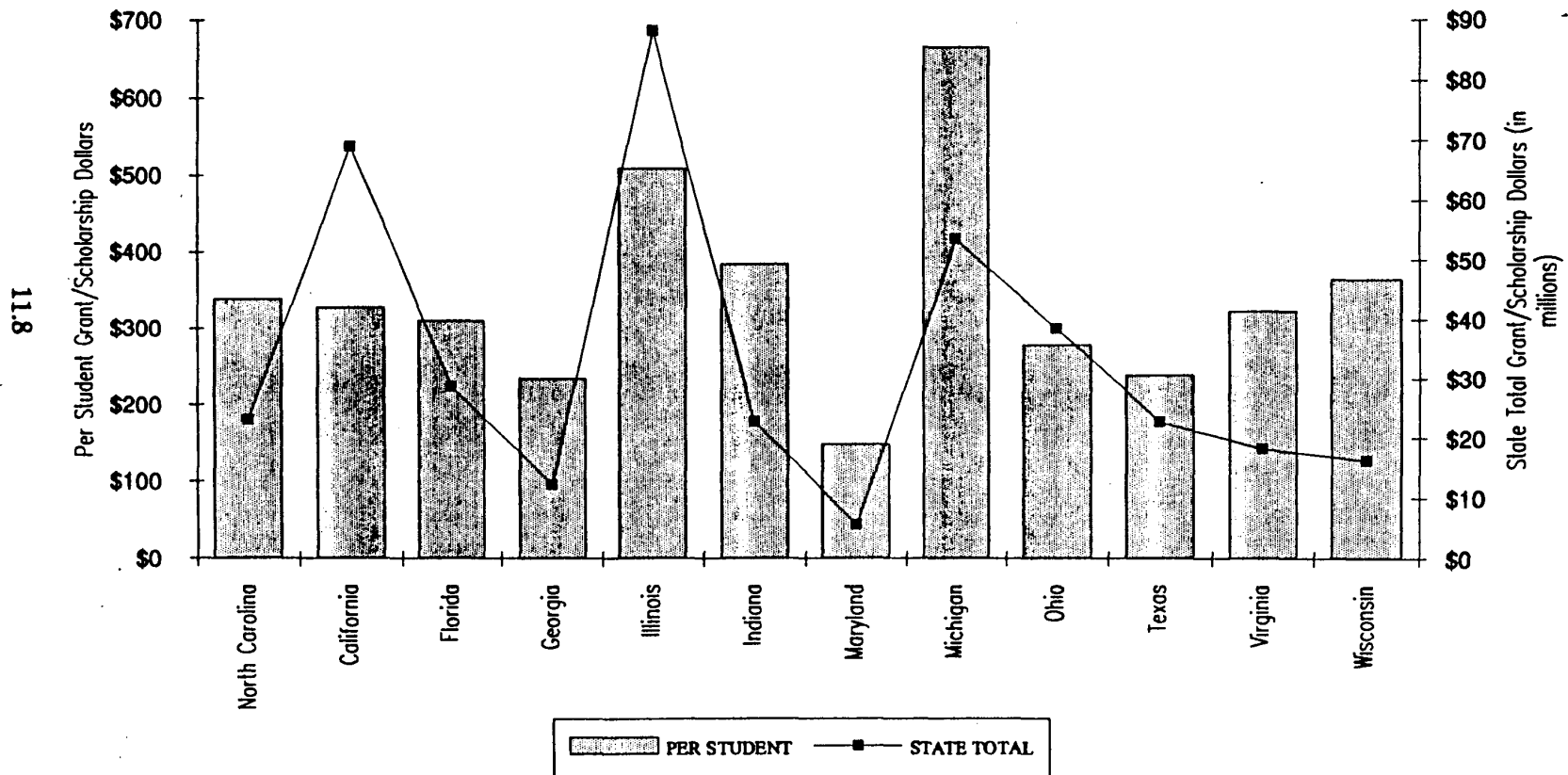
FINDINGS

Finding 1: The level of North Carolina's support of private higher education is comparable to those of states with strong public university systems.

Exhibit 5 presents available data on the level of state support for private education for North Carolina and selected peer states for FY 1991-92. (All the peer states have strong public university systems.) The Pennsylvania Higher Education Assistance Agency developed the data by combining the data from a survey it conducted with one conducted by the National Association of State Scholarship and Grant Programs. The funding levels included for North Carolina do not include the

EXHIBIT 5

State of North Carolina State Grant/Scholarship Dollars Per Private College Undergraduate Student and Total North Carolina and Peer States FY 1991-1992



Sources: Association of State Grants and Scholarship Programs
The Chronicle of Higher Education Almanac, August 28, 1991

full \$35 million in funding for the Contractual Scholarship and Legislative Tuition Grants programs because of differences in how programs are classified in these studies and exclusion of aid to two-year private colleges.³

According to these available data, North Carolina's level of per capita grants is comparable to those of six peer states: California, Florida, Indiana, Ohio, Virginia, and Wisconsin fund private institution student aid at comparable per capita levels. Illinois and Michigan have significantly higher per capita funding levels. Other states, such as Texas, have noticeably lower levels of per FTE funding. Although these data do not serve for precise comparison, they indicate that North Carolina is within the range of peer states.

The following more specific findings are based on extensive document review and on interviews with individuals representing the public and private higher education sectors.

Finding 2: The historical justifications for state aid to students in private higher education institutions are still valid.

Historically, North Carolina's rationale for supporting students in private higher education with public funds was related to three factors:

- **Tradition.** The long-standing tradition of the role of private colleges in meeting state higher education goals.
- **Capacity.** Ability of private institutions to serve students who could not be accommodated in public facilities without significant expansion of public capacity, presumably at greater cost.
- **Cost.** The cost-effectiveness of subsidizing students in private colleges and universities as compared to appropriations provided to support students at public institutions.

This three-point rationale remains relatively unchanged from inception of the two undergraduate programs to the present, as discussed below:

- **Tradition.** Interviewees report that the citizens of North Carolina continue to regard private colleges and universities as valuable resources in achieving State educational objectives. These objectives, as spelled out in the legislation that created a unified public university system, are "to foster the development of a well-planned and coordinated system of higher education, to improve the quality of education, to extend its benefits, and to encourage an economical

³This study was unable to identify national studies in which criteria and definitions were comparable to those used for this analysis. Therefore, it is necessary to interpret the comparative data only in a general way; they are not conclusive with respect to North Carolina's standing vis-a-vis peers.

use of the State's resources."⁴ North Carolina's public policy reflects the continuing desire of both the public and private sectors to offer students choice, thereby encouraging enrollment diversity within private institutions and reducing the potential to create a system of "haves" and "have-nots." The desire to protect and perpetuate this "dual system" model for higher education is consistent with national sentiment.

- **Capacity.** Comparative "instructional facility capacity" between public and private institutions has remained relatively similar during the past twenty years. As illustrated in Exhibit 6, private institutions continue to have more available instructional facility capacity than public institutions.⁵ Capacity is important because, when enrollments increase more than marginally, the State incurs major capital costs for expansion of UNC system facilities. Hypothetically, if all 26,000 North Carolina residents who currently attend private colleges and universities were shifted to the public university system, the public system's facilities would need to be increased significantly. Therefore, "instructional facility capacity" of private higher education serves, however indirectly, as both a safety valve and a brake with respect to capital facility expenditures for UNC.
- **Cost.** The State subsidizes public higher education by approximately \$6,600 per FTE student annually; State appropriations to support students in the private sector average about \$1,600 per FTE annually. The ratio of public to private support has remained relatively constant for the past several years.

Finding 3: The original critical needs to which the Medical Student Aid Program responds have largely been met.

The State justified grants to private medical schools in order to achieve two related objectives (1) expand medical education opportunities to North Carolinians, and (2) increase the number of physicians serving the State's population. In the nearly 30 years since inception of this Program, there have been material changes in public institution capacity and in the growth of the State's complement of MDs.

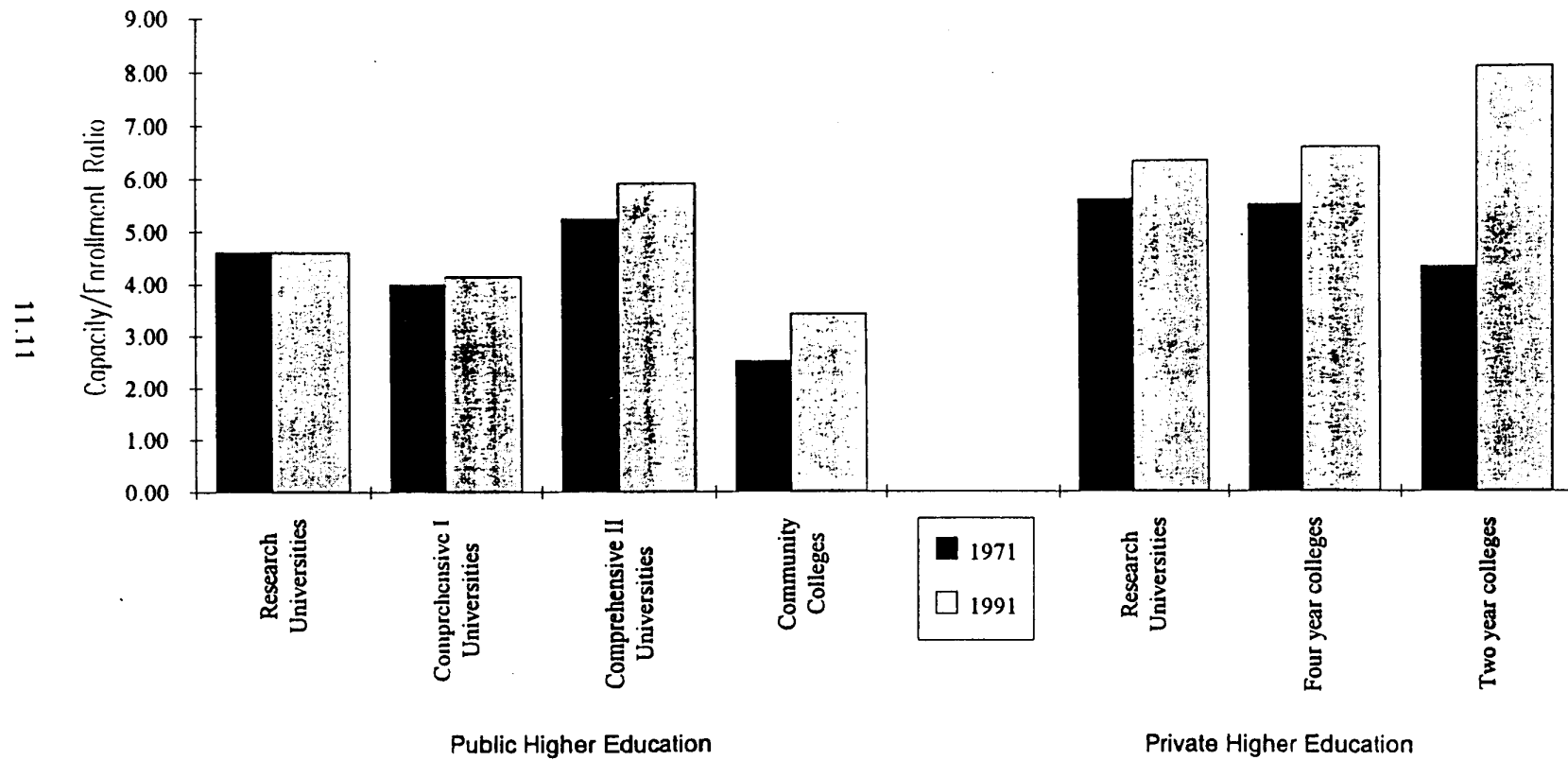
First, when the Medical Student Aid Program was created, there was a single publicly-funded medical school in North Carolina. The situation changed in the mid-1980s when the General Assembly funded a second medical school at East Carolina University, thereby expanding public medical education opportunities.

⁴Session laws 1971, Chapter 1244, 116(11)

⁵North Carolina estimates "instructional facility capacity" by calculating the ratio of the amount of instructional and library space to total student clock hours per term; a relatively low ratio generally indicates a high level of space utilization.

EXHIBIT 6

Capacity/Enrollment Ratio—Public and Private Higher Education Institutions 1971 and 1991



Note: Capacity/Enrollment Ratio= (amount of instructional and library space)/(total student clock hours per term)

Source: NC Facilities Inventory and Utilization Study 1974, 1991