

# Case Study

## The Financial Conundrum: Sacrificing Affordability

*This case is provided as a tool to foster discussion of governance issues related to budget management.*

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James Ikan, chair of the Northern State Community College Board of Trustees, reflected on the important role the community college had played in its community's transformation from a semi-rural, economically depressed area into a booming region. The college's role in preparing students for the state university, its stellar reputation in occupational training, and its ties to business and industry were all instrumental in recruiting major companies to move into the region during the 1980s and 1990s. The prosperous region also became increasingly diverse, as families from other parts of the state moved to the area.

From the beginning, NSCC was conceived as a partnership between the state and local communities. They agreed to a three-legged approach to provide stable funding for the college, dividing the budget into thirds among the state, the counties NSCC served, and student tuition and fees. However, from the beginning, the state never contributed its promised 33 percent, instead providing funding in the low 20 percent range. Then the economic downturn forced the state to reduce its contribution further, ultimately falling to 12 percent. During the second year, local support fell to 24 percent. With only 36 percent of NSCC's budget funded by state and local sources, the administration recommended a significant increase in tuition to make up for the budget deficit.

Ikan worried about what a tuition increase of more than 30 percent would mean for students already under financial strain. Affordability was one of the fundamental principles underpinning the mission of the college. As part of a family with a long history of public education advocacy, Ikan wondered if he would be remembered as the one who "closed the door" to affordable public education. Though many students would receive federal financial aid to cover the tuition increase, they might not have the resources to cover such expenses as textbooks, transportation, and daycare.

Local newspapers prominently covered the pending resolution to raise tuition. The college's president, James Pride, was quoted as saying that NSCC was becoming a "privately funded" college and should no longer be held to state requirements. The quote received nationwide press coverage, and the president was invited to speak about the privatization of public higher education throughout the country.

The only solution that Pride had proposed to the board was to raise tuition and use all of the reserve to fill the gap. Ikan wished

that the board had asked the administration to consider other alternatives, as trustees were clearly divided on the issue of raising tuition. Three had already indicated they would not support the resolution, and two others had suggested other alternatives, such as administrative cuts. As Ikan drove into the parking lot of the school, he saw a group of more than 100 individuals carrying signs opposing the tuition increase.

He was haunted by doubt. Was it fair to expect students to carry the burden without having the college make other reductions and adjustments to its budget? Had the board done all of its homework? Were there other options? Was the board ready to address this issue? Was security prepared to handle the large group of demonstrators? How would their presence change the dynamics of the board meeting? Would it undermine the administration if the resolution were to be defeated?

### DISCUSSION GUIDE

Questions, information, and topics for study that could assist the board in understanding the implications of increasing tuition include:

1. What strategies need to be put in place to minimize students, parents, and politicians' anxiety over tuition increases?
2. What is the plan? What needs to be considered before raising tuition, freezing discretionary spending, reducing all budgets by a percentage, freezing hiring, and relying more on adjuncts and part-time workers? What are the implications for each of these strategies? Are there investments in projects that should be diverted to other priorities?
3. What cost-cutting measures are being considered and implemented? Can the college increase productivity while maintaining quality?
4. Does the college promote a culture of accountability and performance? What is keeping the college from eliminating outdated and weak programs?
5. Is there a way of ensuring that poor students and those in the margins don't get left out? Are all students eligible for financial aid applying to receive assistance?



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