

Asymmetrical Information Market Failure Triggered by the Chicago School's
Profit Motive Paradigm: A Case Study of Virginia's Public Higher Education
Market and Media Identification of Public Value Failure

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ABSTRACT

This paper presents a case study examination of the Commonwealth of Virginia's public higher education market and the use of asymmetrical information flows between providers and consumers by college and university institutions to intentionally create market failures to maximize brand building through increased revenue collections via profit maximization behaviors. Existing economic research in the financial services market hold that asymmetry of information generates inefficient allocation of goods and subsequent identification of market failure conditions. Market failures can lead to tipping points which may result in public values failures as threats to human subsistence (i.e. food, clothing, education) and imperfect public information. Market failures resulting in public values failures warrant government intervention to correct market inefficiency and ensure pareto efficiency in the allocation of goods. Mandatory non-educational fees increase the cost to attend a post-secondary institution which subsequently aid in increased student debt and reduced access and affordability for low income classification groups thus exacerbating societal cleavages identified as public values failures. This research identifies the application of economic and public administration theory to construct a policy recommendation to mitigate asymmetrical information and improve pareto efficiency involving transactions in the public higher education market.

To my parents Dawn and Jerry Davis for providing me the educational opportunities they were never able to have and the lifestyle that they could never afford growing up; my younger brother Kevin and my three younger sisters, Erin, Meaghan and Kelly for giving me something to live for and write for. Without my family and their support I never would have come this far nor produced such a body of research as this.

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Chapter 1

Introduction

The market environment for public higher education has been influenced in recent years by a multitude of external forces that have occurred on the national level. The economic recession of the early 2000's and again in 2008 had a detrimental impact on State's annual budgets; the effects of these recessions created depressed annual income earnings for many individuals, reduced tax revenues collected by State governments, and, as a result, funding priorities have fluctuated over this time period.

The impacts limited the amount of available state funds that were directed to supporting public higher education. With each state receiving less state funds to operate, public higher education institutions turned to tuition and fee increases to both maintain and enhance services and goods provided (i.e. salaries, benefits, amenities, research etc.). Fee and tuition increases led to cost shifting. In short, colleges and universities passed at least some of the economic burden onto students and parents to make up for the shortcomings of state funding.

The cost shift came in the form of tuition and non-educational fees (i.e. athletics, stadiums, convocation centers, athletic facilities and other related endeavors that are not directly related to educational attainment). These increases in tuition and costs translated into students and parents paying more to attend a public higher education institution. To pay for the increases, students and parents turned to borrowing.

The recessionary climate increased at least two things relevant to educational attainment: 1) unemployment and 2) enrollment at public higher education institutions. The economy entered a recession, and as a result unemployed individuals and others that may not have considered college a first option readjusted their expectations and saw higher education as a shelter from the

downturn in the economy. The enrollments of more individuals came at a time when state funding was being reduced to fund public higher education, and yet more individuals were seeking its services.

State funds are reduced, more people are enrolling, and tuition and fees are increasing: these factors led to an increase in the amount of loans being borrowed by individuals (parents and students) to attend, and pay for secondary education. The problem is that years following the recession of 2008 and the subsequent recovery that began in the summer of 2009, there are identified detrimental effects that have occurred regarding increased loan borrowing to pay for higher education. These effects in turn lead to reduced affordability and access to colleges and universities for many individuals.

National attention to the affordability of college

Since the recovery from the 2008 recession, national attention to the affordability of college has increased. During a Senate Committee on making college affordable that took place on July 19th, 2012, Senator Mike Enzi (R-Wyo) observed “there is no doubt that college has become too expensive, and it shows no signs of getting cheaper anytime soon.” (US Senate Committee on Health Education Labor & Pensions, 2012; HELPCCommitteeGOP, 2012). Senator Tom Harkin (D-Iowa), who serves as chair for the Senate Committee, made similar remarks stating that college has increasingly become out of reach for lower income and working families—in particular—as a result of increasing costs (US Senate Committee on Health Education Labor & Pensions, 2012).

The cost of obtaining a four-year degree has more than doubled since 1975 in inflation-adjusted dollars... Universities devote more of their budgets to non-

instructional pursuits than previously, including swollen and well-paid bureaucracies, country club-like recreational facilities... Students are burdened with excessive debt from college training, sometimes larger than can be sustained on their modest post-college incomes (Digest, 2009; Vedder & Denhart, 2010 p. 2-3).

Over the years, this issue has grown more contentious, especially as it relates to rising costs and dwindling affordability. President Obama, in his second State of the Union address, cautioned colleges stating that they must do their part to control costs and warned that the ability to continually subsidize “higher and higher and higher costs for higher education” will not be able to be borne on the backs of the American taxpayer (Field, 2013).

The identification of a national trend of rising higher education costs and reduced affordability harkens to the states as they compose the nation. Therefore, it is the states that are experiencing higher education costs, reduced affordability, and that is creating a national identification of this issue. The issue of costs varies state by state, but as it is an issue shared by many if not all of the states. The research presented examines the issue of costs in one state, *the Commonwealth of Virginia*.

Examining the Commonwealth of Virginia: Are costs really going up?

Tuition in Virginia has increased dramatically in recent history. For example, the State Council of Higher Education in Virginia (SCHEV) reported that the average increase for in-state undergraduate tuition and mandatory fees from the 2009-2010 school year to the 2010-2011 school year was 13.1 percent at public four-year institutions. Similarly, the Joint Legislative Audit and Review Commission (JLARC) reported in its 2012 Review of State Spending that

tuition and fees increased on average \$804 per student or 9.4% between years 2010-2011 to 2011-2012 (JLARC, 2012). How does Virginia's public higher education costs compare to the national level? Where does Virginia rank in terms of costs and affordability?

The JLARC 2012 report reveals that Virginia's average annual in-state tuition and fees at public four-year institutions of higher education was \$9,618 in 2011, ranking as the eleventh highest average in the nation; Virginia was ranked fourteenth in terms of costs in 2010. Virginia jumped 3 spots up the list in just one year. This signals that costs have increased in the Commonwealth of Virginia at a rate faster than other states in just a one year period. Over the year period of 2006-2007 to 2011-2012 (6 years), tuition in Virginia increased by an average of 33%, indicating that increases in costs is not necessarily a recent phenomenon (JLARC, 2012). Costs are going up, but how does that affect affordability? What exactly are these "costs"? What do they represent? And have they all increased at a similar rate?

Costs are going up faster than the rate of inflation: reduces affordability?

Costs among Virginia's public higher education institutions have increased at an alarming rate. When Senators and the President talk about college costs reducing affordability and access for families, the measure used to compare the rate of college costs to other increases of costs to other goods is known as the consumer price index (CPI); this measure is a collection of assorted goods sold in the national economy and tracks the % change of the prices for those selected goods. By doing this, it produces comparison of price changes. When Senators and the President talk about college costs reducing affordability and access to families this is the measure they use to make that determination.

The rate of inflation calculated by the Consumer Price Index (CPI) for the five year period 2006-2007 to 2011-2012 averaged 10.3%; Virginia's tuition increases outpaced the rate of inflation by more than 22%. JLARC argues that costs have increased faster than incomes (JLARC, 2012). The data provided thus far show costs are going up and outpacing the costs of other goods in the economy; but what are these costs?

Definitions of charges and fees at colleges and universities

The State Council of Higher Education for Virginia (SCHEV) (2012) in its 2012-2013 tuition and fees report at Virginia's state supported colleges and universities supplies the following definitions used to represent the different measures of cost:

1. **Tuition and Mandatory E&G Fees:** Charges a student or parent must pay to attend a college or university. These are fees used to support instruction and related education activities classified as instruction, research and public service, academic support, student services, institutional support, and the operation and maintenance of physical plants.
2. **Mandatory Non-E&G Fees:** Charges a student or parent would pay to attend a college or university. These are fees used to support non-instructional activities, such as student health services, athletics, recreational activities, campus transportation, and capital debt service.
3. **Tuition and All Fees:** The total amount of costs a student or parent would pay to attend a college or university. Includes tuition, mandatory E&G fees, and mandatory non-E&G fees.
4. **Room and Board:** Fees for dormitory and dining functions for students choosing to live on campus. Students living off campus are exempt from these charges.

5. **Total Price:** The total charge to students and parents, excluding student financial aid.

This total includes the total of tuition, mandatory fees (educational and non-educational), and room and board (p.2-3).

Changes in costs per category

Reliant upon data provided by JLARC (2012) and SCHEV (2006-12), the previous section *examining the Commonwealth of Virginia; are costs really going up?* Demonstrated that costs for public higher education in Virginia have increased, but they have not increased uniformly across the cost categories identified by SCHEV. Looking at the aggregate, the *average total cost of attendance* at Virginia's public colleges and universities (excluding community colleges) have grown by 208% or \$12,576¹ (SCHEV, 1990-2012)². This costs category is the combination of tuition and all fees (mandatory educational fees and mandatory non-educational fees) plus room and board; together, these fees combined represent the total costs students and parents pay to attend Virginian public higher education institutions. The average rate for tuition and mandatory educational and general fees (E&G) has grown by 270% or \$4,744.³ These costs are the combination of only tuition and mandatory educational fees (technology fee); mandatory non-educational and general fees (athletics, health centers, student groups, entertainment centers), for example, have increased by 262% or \$2,473⁴ as illustrated by figure 1.

¹ Calculations are produced utilizing the following formula $(p2-p1)/p1$. The initial year figure is p1 and the subsequent year figure is p2. This formula calculates the percentage rate of change between the initial and subsequent figure reported.

² These calculations are derived from the State Council of Higher Education for Virginia's annual tuition and fee reports which are released annually after summer; these reports provide a breakdown of each of the classified cost categories charged at Virginia's state supported four year public institutions (SCHEV, 1990-2012).

³ See footnote 1 for formula used to calculate figure.

⁴ See footnote 1 for formula used to calculate figure.

Figure 1 illustrates that over the years, the varying costs categories for attending college within Virginia have all experienced significant growth. This finding parallels national trends. The College Board in its 2012 report on trends in college pricing confirms that published college prices are rising more rapidly than the prices of other goods and services, and increasing costs is part of a trend that has continued for the past 30 years. Perhaps most alarmingly, mandatory tuition and fees that students must pay have increased substantially. If you consider this growth in conjunction with the rise in the cost of supplementary expenses (textbooks, supplies, etc.) associated with going to college (College Board Report, 2012, p.28), the financial burden placed upon students and their families is far from trivial. Clearly college cost is a national issue, but it is also a state by state issue as well.

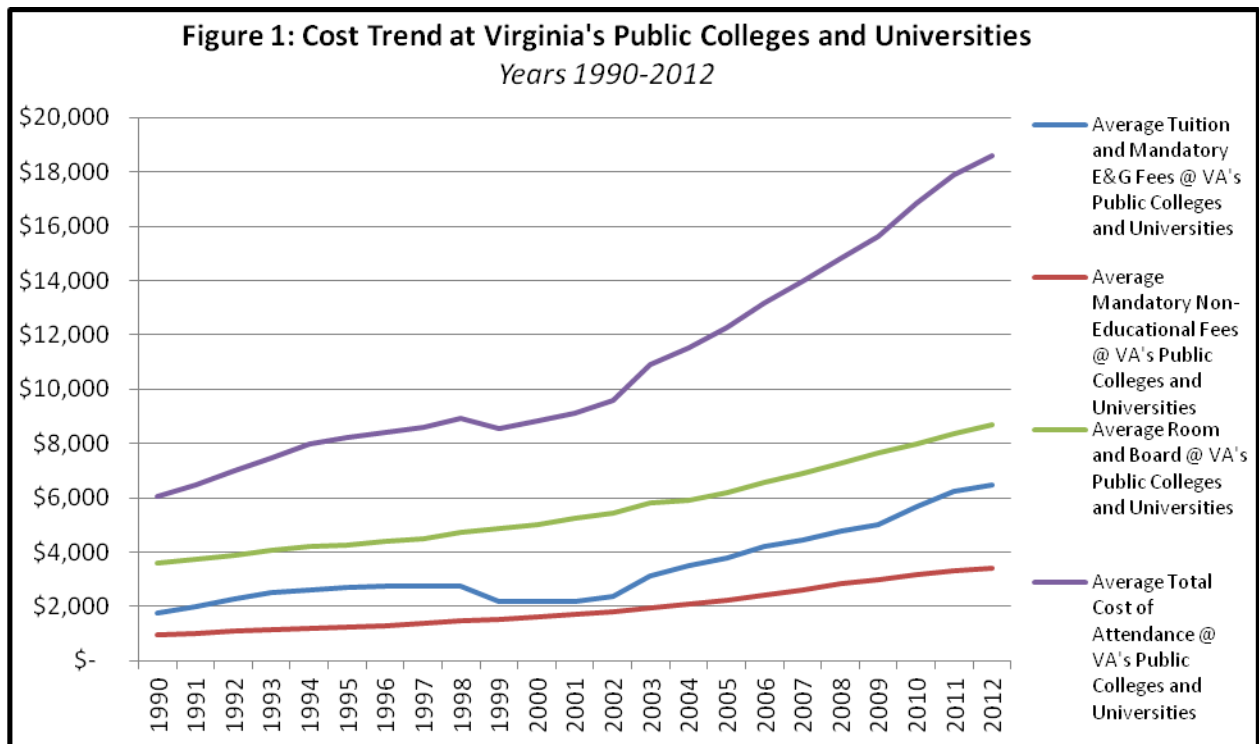


Figure 1: Cost trend at Virginias' public colleges and universities, inflation adjusted. This figure illustrates the rate of growth in each of the associated measures used to delianate total cost of attendance for one full academic year (SCHEV, 1990-2012). Calculations performed by author.

How does household income relate to college affordability and access?

In examining the Commonwealth of Virginia, it has been shown that the cost of attending one of the state's public higher education institutions have experienced significant increases. These increases have outpaced the rate of inflation. Household incomes have struggled to keep up with the rise in college costs.

Have incomes increased to offset the increases in tuition and fees? The answer is “sort of” as incomes vary by different quintile classifications and income groups have experienced different growth rates. Comparatively, however, as costs have increased, those costs have grown at a rate that is greater than household earnings. In sum, households are paying more to send their children to college, but their incomes have not increased to compensate those increases. In turn, this leads to reduced affordability and access.

Data pulled from the U.S. Census Bureau's annual American Community Survey database shows the median household income for the state of Virginia experienced a decline in year 2008 as a result of the economic recession; however, it seems it began to recover following 2009 once the recession had officially ended (U.S. Census, 2013a). However, when examining the household income by quintile⁵, the picture is a bit different, especially income groups represented by the lower quintile classification. The quintile group classifications are as follows:

⁵ Quintile refers to a group classification. Each quintile represents a group based upon the income reported.

Year	Median Household Income-Virginia	Mean Household Income of Quintiles				
		Lowest	Second	Third	Fourth	Highest
2006	\$ 48,451.00	\$ 13,458	\$ 34,797	\$ 56,550	\$ 86,876	\$ 187,139
2007	\$ 59,562.00	\$ 14,037	\$ 36,412	\$ 59,645	\$ 91,637	\$ 196,822
2008	\$ 61,223.00	\$ 14,348	\$ 37,405	\$ 61,570	\$ 95,560	\$ 205,928
2009	\$ 59,330.00	\$ 13,956	\$ 36,536	\$ 59,840	\$ 93,165	\$ 198,450
2010	\$ 60,674.00	\$ 13,916	\$ 36,344	\$ 60,662	\$ 95,513	\$ 201,605
2011	\$ 61,882.00	\$ 13,913	\$ 36,996	\$ 62,262	\$ 97,558	\$ 209,473

Table 1: Mean household income of quintiles. This table shows the quintile classifications for household income in Virginia (U.S. Census, 2013b). Calculations performed by the author.

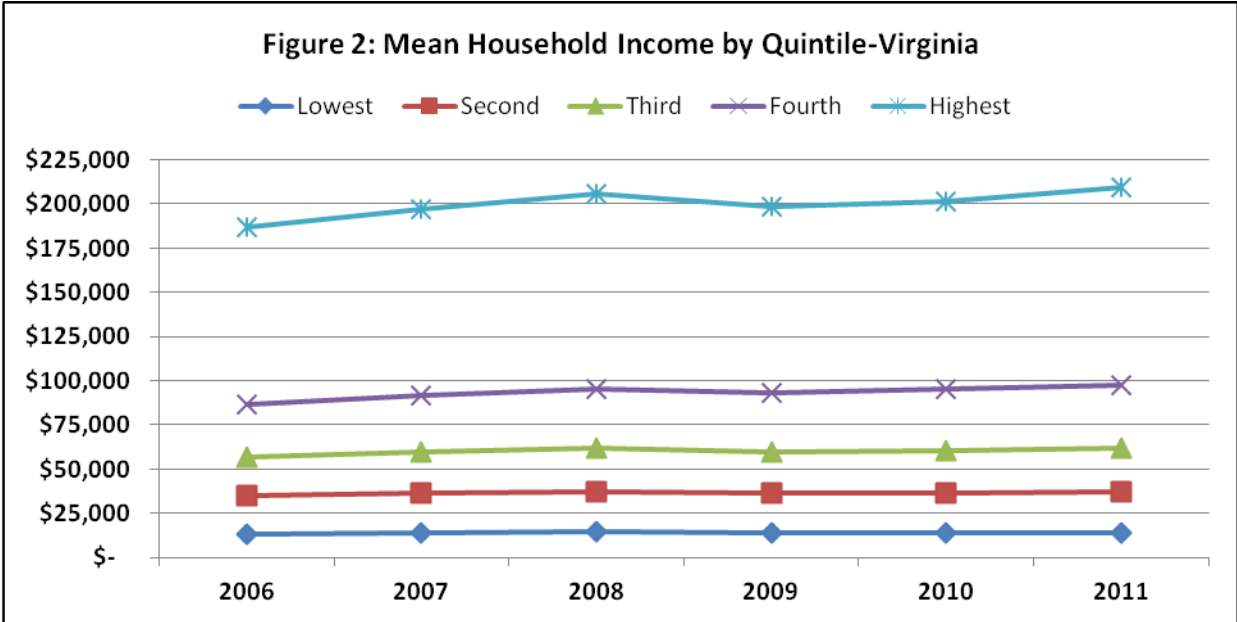


Figure 2: Mean household income by quintile-Virginia. Figure illustrates the trend changes over the annual progression of mean household income in Virginia (U.S. Census, 2013b). Calculations performed by author.

Table 1 and Figure 2 illustrates that the median household income in Virginia showed a relatively high aggregated average income of \$60,000+ with the exception of the decrease experienced as a result of the economic recession in 2008; when looking at the household income by quintile classification, however, there is significant difference among the income

classifications. The lowest income quintile groups (designated as the lowest and second) saw the least amount of change in overall income; followed by the third quintile, the fourth quintile, and finally the highest quintile respectively (U.S Census, 2013b.). The lowest and second quintile groups illustrate household income remained relatively stagnant from 2006 to 2011. Lower income groups have seen income earnings stagnate or decrease. Most importantly, this group makes up the largest share of college enrollments.

To briefly summarize the argument so far, this research has shown that increasing costs to attend public higher education reduces access and affordability by individuals and families; while the evidence presented shows that increasing costs of attendance affects everyone, the data has also identified that lower income groups (groups who's reported annual income falls below the reported median annual income) have experienced a disproportional impact as a result of their reported income earnings remaining relatively stagnant or experienced a decrease over the course of the 2006-2012 year period. Lower income groups are unable to match the increases in costs. The question then becomes what proportion of the total in-state enrollment among public higher education institutions are actually from these identified lower income groups?

The greatest increases in enrollment have occurred among the lowest income groups. Between years 2006-2011, those income groups which fall below the median household income threshold not only make up the majority share of the total enrollment, but also account for the greatest percentage increase in terms of change in enrollment at Virginia's higher education institutions. Moreover, enrollments among Virginia's colleges and universities, those income groups classified as below the median household income *make up more than 50% of the total population of enrollments* (SCHEV, 2013c, emphasis added).

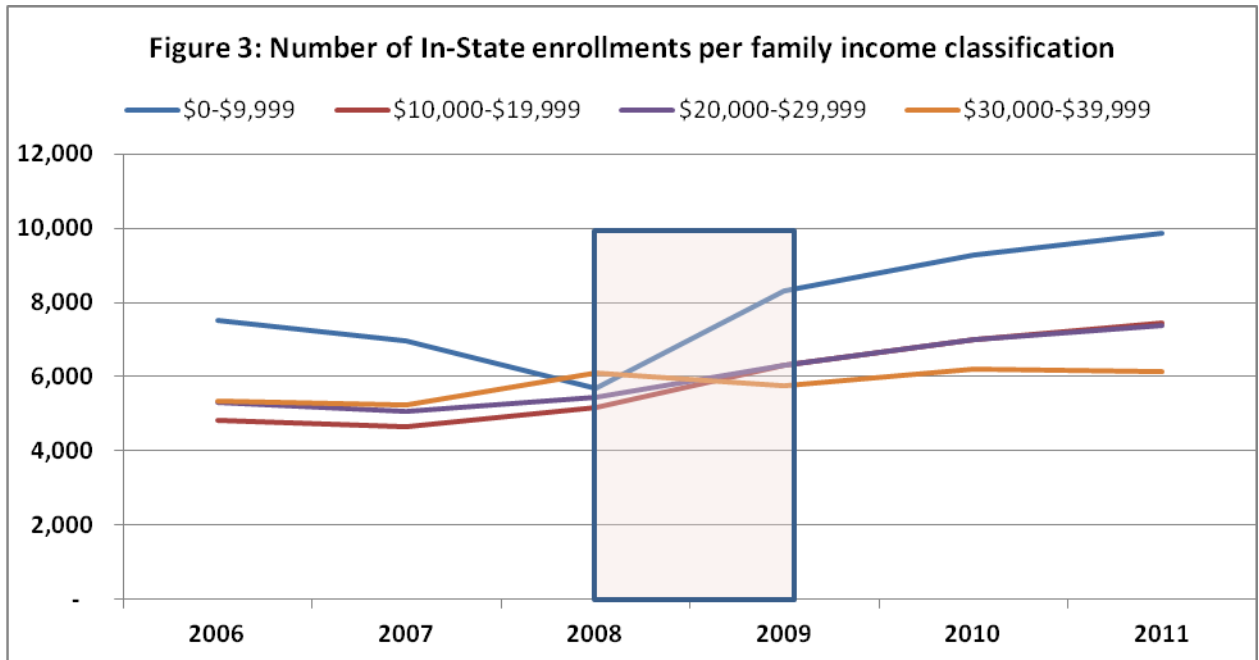


Figure 3: Number of in-state enrollments per family income classification. Figure illustrates the in-state enrollment as broken down into those income classifications which fall below the median household income average (SCHEV, 2013c). Calculations performed by the author.

The data illustrated in Figure 3 shows that lower income groups are enrolling in greater numbers to attend public higher education institutions. These enrollments are occurring at a time when costs of attendance are increasing and when household earnings have remained flat or decreased throughout the six year period. Importantly, the proportional share of income that is accounted for in terms of mandatory costs reflects that those income groups that are among the lower quintile classifications are disproportionately affected by changes in costs. As Table 2 illustrates, all income classification groups by quintile are being affected by rising mandatory costs of attendance. However, a close examination of the third column of Table 2 shows that low income residents are paying substantially higher percentages of their income relative to the cost of attendance (SCHEV, 2013c).

	Mean Household Income of Lowest Quintile-Virginia	Mandatory Cost of Attendance (Average)	% Share of Income Relative to Cost of Attendance
2006	\$ 13,458	\$ 6,631	49%
2007	\$ 14,037	\$ 7,083	50%
2008	\$ 14,348	\$ 7,582	53%
2009	\$ 13,956	\$ 7,984	57%
2010	\$ 13,916	\$ 8,630	62%
2011	\$ 13,913	\$ 9,334	67%
	Mean Household Income of Second Quintile-Virginia	Mandatory Cost of Attendance (Average)	% Share of Income Relative to Cost of Attendance
2006	\$ 34,797	\$ 6,631	19%
2007	\$ 36,412	\$ 7,083	19%
2008	\$ 37,405	\$ 7,582	20%
2009	\$ 36,536	\$ 7,984	22%
2010	\$ 36,344	\$ 8,630	24%
2011	\$ 36,996	\$ 9,334	25%
	Mean Household Income of Third Quintile-Virginia	Mandatory Cost of Attendance (Average)	% Share of Income Relative to Cost of Attendance
2006	\$ 56,550	\$ 6,631	12%
2007	\$ 59,645	\$ 7,083	12%
2008	\$ 61,570	\$ 7,582	12%
2009	\$ 59,840	\$ 7,984	13%
2010	\$ 60,662	\$ 8,630	14%
2011	\$ 62,262	\$ 9,334	15%

Table 2: Share of income relative to cost of attendance. This figure illustrates the mean household income per designated quintile classification in comparison to the proportion that mandatory costs at Virginia's higher education institutions comprise of that quintile's income (U.S. Census Bureau, 2013b; SCHEV, 2006-2012). Calculations performed by author.

More specifically, Table 2 shows that when costs of attendance rise, it seems to have a more significant impact on those lower income classified groups than those income groups at the higher levels. Costs equate for more than 60% among the lowest quintile's income; for the second quintile group those costs account for more than 20% of household income reported in

year 2011. Each quintile group has experienced a larger proportional share of their income being accounted for when examining costs of attendance each annual year (U.S. Census Bureau, 2013b; SCHEV, 2006-2012). Lower income groups are experiencing a greater share of the cost burden. Costs are increasing, more lower income individuals are enrolling in public higher education, lower income earnings are stagnate and costs are increasingly taking up a larger proportional share of earned income among those lower income quintile groups.

Rising costs of college has attracted national attention

President Barack Obama and Republican Senator Mike Enzi (R-Wyo) and Democrat Senator Tom Harkin (D-Iowa) commented that increasing costs of attending public higher education is an issue that merits attention. The examination of the Commonwealth of Virginia served as a case model to show that costs are indeed increasing and increasing at a significant rate. In addition detailing cost trends, it was also identified that these increase in costs are leading individuals being unable to afford public higher education. Some recent findings by the Pew Research Center help make this point.

The Pew survey examined individual concerns regarding the cost pressures placed on students and families by increasing costs of higher education (Pew Research Center, 2011). The conclusion of the Pew Research (2011) reinforced statements made by Senators and the President, confirming that there is growing public concern about the affordability of public higher education. The opinion of the general public is that “an equal share of the public would prefer that the bulk of the cost of a college education be borne by the federal government, state governments, private endowments or some combination” (Pew Research Center, 2012 para.13). Despite the public desire to have the costs of attendance associated with higher education to be

covered or paid for by the government, the reality is quite different. The reality represents that individuals have taken on the majority share of the cost burden associated in public higher education. As a result, these increases in costs have impacted low income groups in their ability to afford public higher education.⁶ Low income groups are disproportionately affected by the increasing costs associated with tuition and fees (e.g., mandatory costs of attendance). Income groups which fall below the reported median household income, at least in Virginia, have seen their proportional share of earned income going to mandatory costs at public higher education institutions. This supports the observation that there are perceived threats to public higher education affordability that has manifested as a result of a cost shift, as in *who pays the majority share to attend public higher education?*⁷

To illustrate this cost shift, it is beneficial to examine what is called the state share and family share of public higher education. The state share consists of state tax appropriations that support or benefit higher education; Family Share is the gross amount of tuition and fees, less state and institutional financial aid, tuition waivers or discounts. This is a measure of the resources available through tuition and fees to support instruction and related operations at public higher education institutions (IPEDS, 2012).

⁶ Responses measured showed that while the majority of those surveyed saw college as a solid investment for their future -86%, 57% and 75% of respondents stated that higher education does not provide the best value for the money spent i.e. they feel they do not get what they pay for and that college is becoming a luxury that only a few can afford (Pew Research Center, 2011).

⁷ Harvard University researcher Thomas Kane conducted a study examining the impact of costs on “students from low income families” (Oliff et al, 2013 pg 14) in 1995 that revealed that those state’s which had the largest increases in mandatory costs of attendance among its colleges and universities led to “wider gaps between high and low income youth” (Kane, 1995 pg 25) in the 1980’s and early 1990’s. The author’s research correlates with these findings as costs increases impact lower income socioeconomic classification of groups disproportionately. Evidence provided by Georgetown University scholar Anthony Carnavale in 2008 concluded that increasing costs of attendance among public higher education institutions led to widening the gaps between low income students and high income student’s i.e. socioeconomic group classifications (Carnavale, 2008 pg 57). “Just 9 percent of students from the poorest families complete a degree -- meaning less than a third who ever enroll make it to commencement. By comparison, 54 percent of the most wealthy students earn a diploma, meaning they have about a two-thirds success rate” (Weissmann, 2013 para 4).

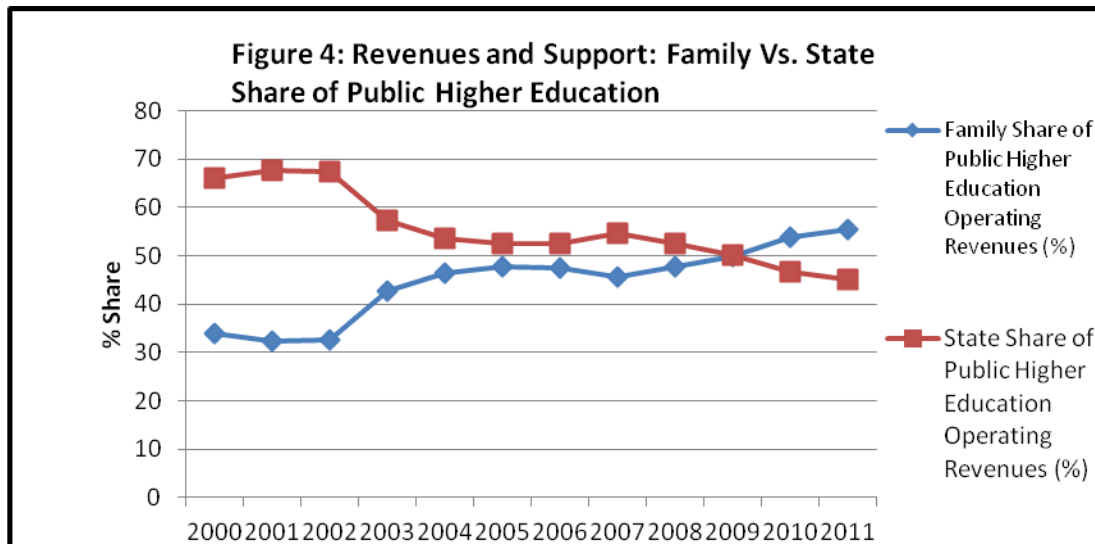


Figure 4: Revenues and support: family vs. state share of public higher education. Family share vs. state share of public higher education. This figure illustrates the percentage share in which a student pays, and what the state pays. The state share is the proportion of cost which is subsidized through appropriations, whereas the student share (family share) is the proportion of cost paid through tuition and fees (IPEDS, 2012).

The concerns of the public seem to mirror those concerns represented by politicians in regard to the rising costs of public higher education. The public perspective, according to the respondent result of the Pew research (2011) solidifies the identification of the cost shifting behaviors taking place in public higher education. Cost shifting occurs when the cost burden (who pays) is shifted (parents and students are paying more to attend public higher education) as a result of the funding nature in the public higher education market.

The 2000-2011 year period data shows that a shift has occurred in the financing share of the operational cost of higher education, one in which families and students will have to foot a greater portion of the bill. This has become the new normal according to associated data collection compiled throughout the context of this research.

How are parents and students managing cost increases?

As cost have risen each year, in tandem, so has the number of Virginia residents that are classified as “with need” for financial assistance to attend one of Virginia’s public four year

institutions. The State Council of Higher Education for Virginia provides a look into the evolving trends in higher education at the Virginia level. There have been significant increases in the trend relating to the number of students classified as being “with need” (SCHEV, 2013c).

With need classification entails that a student, based upon their reported income will need some form of financial support in order to afford the costs of attendance. The number of Virginia resident students classified as “with need” has grown by 253% or 76,535 from year 1992 to 2012. More Virginia residents are going to college, especially those students from lower income representative groups (SCHEV, 2013c).

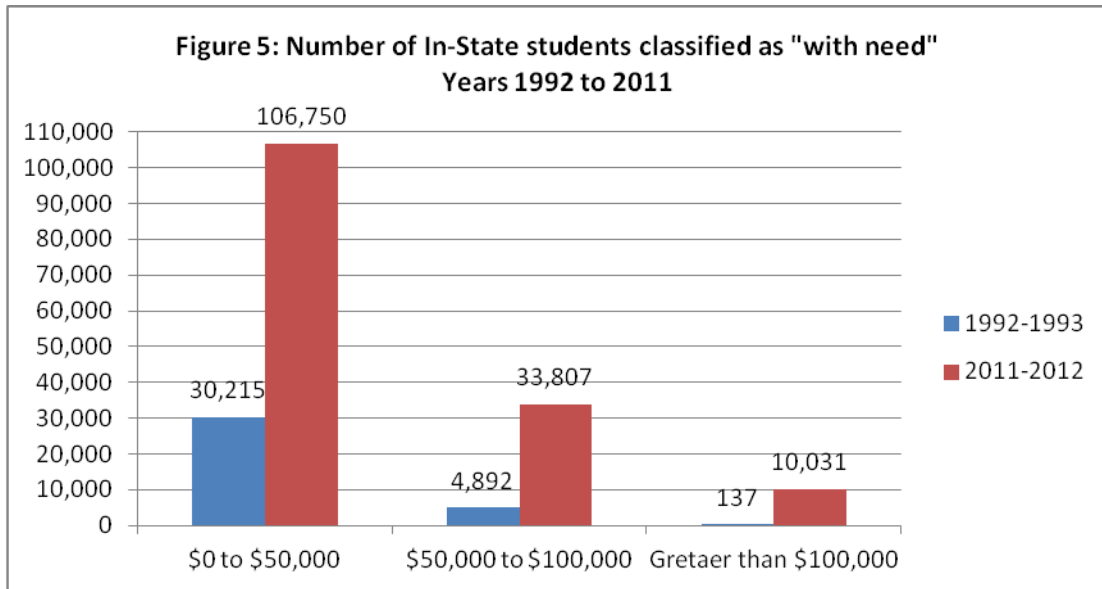


Figure 5: Number of in-state students classified as “with need” years 1999 to 2011. Illustrates the number of students designated as “with need” in meeting financial costs of attendance among Virginia’s colleges and universities (SCHEV, 2013c). Calculations performed by the author.

As Figure 3 showed, low income classifications of individuals have increased in terms of enrollment and this data correlates with the presented data represented in figure 5 shows that the number of students classified as with need have increased as well. The majority of increases have

occurred among those income classifications designated as falling below the reported median household income (SCHEV, 2013c).

The findings thus far show the costs burden has shifted from the state to the individual and as a result individuals must pay more to attend public higher education in Virginia. Despite this cost shift, individuals from lower income classifications have increased in enrollment, while lower income classifications have seen their reported income earnings stagnate or decline. So how are these individuals paying for attendance at public higher education institutions as costs to attend them are increasing? The solution appears to be loans.

Borrowing to pay for college

The type of financial aid that is available to students comes in the form of three main classifications: Loans (private and federal), scholarships (money provided by the institution directly to the student or some other organization) and other aid (grants, work study, and other forms of aid). However, loans make up the majority proportional share in meeting the costs of public higher education (SCHEV, 2013; SCHEV, 2013a).

Among public state supported four year institutions, Virginia graduates from the class of 2011 carried \$22,655 in student loan debt (average) and from fiscal year 2006 (pre-recession) to fiscal year 2011, the average amount of debt held by graduates in Virginia increased by 30.5%. Debt held by students from Virginia public state supported four year institutions saw the amount of debt burden increase. Virginia's percentage of graduates finishing with some form of debt obligation was 56% of total graduates from the class of 2011 among all public colleges and universities in Virginia; this includes both federal and private loan obligations (College Insight, 2013). The amount of loan borrowers has increased by 27.2% over the same six year period

(SCHEV, 2013a). What this shows is more students attending public higher education institutions are borrowing loans each year to afford access to public higher education.

The average amount of debt per student among Virginia's institutions has increased 35% from year 2006 to 2011. Not only has the number of in-state students whom rely on borrowing as a need to cover the costs of attendance, but as well so has the amount borrowed per student increased (SCHEV, 2013a). The average loan amount borrowed accounted for 49% of the lowest quintile income in year 2006 and 65% in year 2011; for the second quintile group loan amounts accounted for 19% of household income in year 2006 and 24% in year 2011. Each quintile group experienced a larger share of their income being accounted for, but lower income quintile groups had a more significant impact (U.S. Census Bureau, 2013b; SCHEV, 2006-2012).

In summary; the data represents that as loans comprise the majority share of total financial aid used by students to cover cost, increasing costs pushed the borrowed loan amount per borrower higher. Enrollments of individuals from lower income quintile classification groups during a period of cost shifting correlates with the increased loan borrowers and the amount of loans being borrowed per borrower; costs have gone up, income for lower income groups has remained stagnant or decreased, and individuals have turned to loans to finance the cost.

Borrowing creates default rates disproportionately affecting low income groups

Loan borrowing has become the means in which to cope which costs increases. Though loan borrowing may be one of the many options available to finance the costs of higher education, there are risks associated with this option, and recent research identifies that those risks may be growing. The Federal Reserve Bank of New York (2012) released a quarterly report in November looking at household debt and credit debt. Among the debt categories reported (car

loans, credit card, mortgage, and student debt) all had followed a pattern of reduction except for student debt, which has actually seen a trending increase over a four year period. The report highlights the growing concern of not only the increased loan borrowing taking place within the higher education market, but as well that increased loan borrowing is giving way to increased rates of loan defaults which disproportionately impacts low income quintile groups. Defaulting on a student loan occurs when a “student does not make a payment on a federal loan after at least 270 days” (TICAS, 2012b). Defaulting on a federal student loan adds steep cost onto the original loan amount and can have impactful negative detriment to the borrower's credit score as well as being disqualified for federal employment, wage garnishments, and the inability to receive social security and Medicare benefits (TICAS, 2012b, what is the cohort default rate? para 3; U.S. Department of Education, 2012; TICAS, 2012b).

The report highlights increased borrowing is taking place within the higher education market, and increased borrowing is giving way to increased rates of loan default for individuals. Thus far, this research has shown that low income groups have increased their college enrollment numbers; they are also heavily reliant on loans and student debt to finance public higher education costs.

Loan default rates in Virginia

Though the default rates among college borrowers from Virginia’s institutions are below the national average (TICAS, 2012b), it is important to note that two institutions in particular are not only well above the Virginia average, but are also above the national average. The two institutions of mention are Norfolk State University and Virginia State University. Both are

predominantly African American public state supported four year higher education institutions. These institutions comprise the highest rate of default among all of the Virginia institutions.

The number of students at Norfolk State that relied on loans to finance their higher educational costs comprised an annual average of 89% for the period 2006-2011; at Virginia State that average was 94%. Effectively, nearly all of the students at both institutions are reliant on loans (SCHEV 2013a, 2013b). Moreover, the default rate at Norfolk State was 13.10% (reported year 2010), while the default rate for Virginia State 13.60%. Both figures signal problematic default rates for low income minority students.⁸

Public higher education institutions which serve a majority share of a targeted disadvantaged population in terms of socioeconomic demographics seem to experience significant cost impacts in terms of total costs, amount borrowed, and the rate of default. So as mentioned earlier, while all income groups seem to be affected by the changes in the increasing rates of costs, it is those income groups that fall below the median household income which feels significant costs pressures the most.⁹

⁸ The default rate at Norfolk State was 13.10% (reported year 2010); 13.10% of the enrollment of students borrowing loans equates to 572 students from the cohort year of 2006-2007. 572 students who started in the year 2006-2007 and graduated in 2009-2010 had defaulted by year 2011. For Virginia State the default rate was 13.60%; that translates to 477 undergraduate students who fell into default in year 2010-2011 (TICAS, 2012b).

⁹ It is important to note that these default rates only apply to those individuals for the given graduating year and not a cumulative year over year comparison. There is a limitation as to the extent and quality of data that can be currently derived to impute such calculations as "total default rate" per institution for example. Currently the U.S. Department of Education only releases data that is related to that current year and does not provide a cumulative overview of defaults that may begin in one year and continue on to the next year i.e. does a student who defaults in 2009, still in default in 2010; this is a limitation of static data collection and does not give a holistic view of the actual default burden on students among VA's varying institutions. So while the default rate by cohort may seem negligible, it is not a full picture of the total default rate occurring among student borrowers. In addition, the cohort default rate does not take into consideration the default rate of borrowers who drop out of college, or part time students or transfer students. The cohort default rate is limited to only tracking students who, for example, enter college in year 2009 and then graduate four years later in 2013; if a student transfers in, drops out, or is part time they are excluded from that cohort calculation which could account for such a negligible default rate for any given year (Rampell, 2013; U.S Department of Education, 2012).

Costs have been identified and supported by data as a problem, but what is driving costs?

Senators, the President of the United States, and the general public have identified college access and affordability as an issue that requires attention and resolution. The problem (apart from affordability) has been identifying what are the causes for the increases in costs. Or more directly, what is driving these rising cost?

State government funding has decreased; as a result costs have gone up; however, this represents only one portion of the discussion that relates to costs. There has been relatively minimal discussion by government representatives and the public regarding the complimentary non-educational portion of costs which drive mandatory costs among colleges and universities;¹⁰ These spending endeavors are what are known as mandatory non-educational fees which are defined as “mandatory student charges used to support non-instructional activities, such as student health services, athletics, recreational activities, campus transportation, and capital debt service” (SCHEV, 2012 pg 2-3). Mandatory non-educational fees are not trivial. As a percentage of costs, these fees constitute 34.5% of Virginia higher education student costs in 2012. Some institution’s portion of costs is even higher, with non-educational fees representing 40% and up (SCHEV, 2012).

These “complimentary” costs have seen significant increases in growth; from 1990 to 2012 the mandatory non-educational fee average among all of Virginia’s public four year institutions has increased 226% (SCHEV, 1990-2012). The average rate of charge assessed by all

¹⁰ Existing research by the Delta Cost Project at the American Institutes for Research, which does detailed research on college costs and spending, identified that most of the rise in cost among colleges and universities is driven directly by a rise in spending. Spending on student services, counseling, recreation and other non-educational related endeavors that are provided at Virginia’s public higher education institutions increased at a faster rate than spending on instruction (Trends in College Spending 1999-2009; Delta Cost Project, 2011). This research is in line with the identification that mandatory non-educational fees play a role in affecting the rate of costs an individual will have to pay to attend a public higher education institution

institutions in year 2012 was \$3,418 or 34.5% of the total mandatory cost to attend one of Virginia's public four year state supported institutions (SCHEV, 1990-2012).¹¹ However, it is not just the mandatory non-educational fees themselves, but it is a lack of information about the fees provided to consumers (students and parents) by providers (colleges and universities) that may account for why costs are increasing.

Purpose of Study

The purpose of this thesis is to provide an analysis of Virginia's state supported public four year institutions (colleges and universities) concerning the processes utilized to share related cost information. Particular attention is directed toward examining mandatory non-educational fees and their relation to the market exchange concepts of provider and consumer. Providers in this research are designated as the colleges and universities (i.e. institutions), while consumers are students, parents, and the general public (i.e. taxpayers who support and purchase educational services from providers).

In the service of this purpose, several questions are addressed:

1. What are the management processes that drive these institutions to
 - a. 1) Make the collection of costs difficult to attain?
 - b. 2) When information is actually obtained regarding these fees, why is it hard to understand?

¹¹ A white paper issued by Bain & Company reveals that mandatory costs of attendance at higher education institutions is consuming more than 40% of the median household income. A decade earlier it only amounted to roughly 23%. College costs are increasing while household incomes are declining; in particular, the incomes of the lower socioeconomic group classifications are experiencing significant reductions and stagnant wage growth in the face of rising college costs (Deneen, & Dretler, 2012).

2. Does the increase in costs associated with mandatory attendance at public state supported institutions have detrimental economic and normative effects for the public and state?
3. Does existing market failure and public failure theory aid in explaining the need to address the concerns of increasing costs and access to higher education among state supported public four year institutions in the Commonwealth of Virginia?
4. What role has the media played in constructing a college cost narrative?
 - a. How does this narrative portray the effects of asymmetrical information and recommending government intervention?
5. What remedies, if any, have been offered?

Proposed Theoretical Reasoning: What is the argument?

One plausible rationale for the rising costs of higher education at Virginia's public state supported four year institutions is the result of asymmetrical flows of information between providers and consumers regarding mandatory non-educational fees. Asymmetry of information occurs when information between individuals in a market transaction is not shared; one individual holds more information than the other (Stiglitz, 2001). Asymmetry of information is one of the identified triggers that can create a market failure. Use of Asymmetry of information is a management process technique employed by the profit maximizing management process known as the self-opportunism model of management, also referred to as the Chicago paradigm (Shareef, 2008). It is a type of management process that advocates limiting information intentionally between providers and consumers under the premise it can increase profit/enhancement for the organization (i.e. economic efficiencies in public organizations) (Stiglitz, 2001; Shareef, 2008).

The Chicago Paradigm

This research proposes that the profit maximizing management process addressed as the Chicago Paradigm is a potential explanation for the rising costs driven—in part—by mandatory non-educational fees utilized by Virginia’s public higher education institutions. It is argued that a plausible case can be made that the Chicago Paradigm management style is either knowingly or by happenstance being used by college administrative entities to maximize profits and /or enhancements (i.e. economic efficiencies) for their representative institution. Mandatory non-educational fees, in particular, are a revenue source that is not controlled by the state, and are managed autonomously by the institutions directly; as such, the rate by which these fees are charged have little oversight or control by a central governing authority.

Non-educational fees are a means by which to maximize profit at institutions

Mandatory non-educational fees are used to collect revenues which in turn fund non-educational endeavors such as high end dining facilities, recreational centers (e.g., rock walls, zero-entry swimming pools, movie theaters) athletics (e.g., sports teams, equipment, stadiums, arenas) and entertainment venues such as convocation centers, music concerts, and other amenities that vary among the public higher education institutions. The fees used to fund these endeavors, however, have increased at a rate that has outpaced the rate changes in family income levels, and add to the mandatory costs of attendance which has aided in driving public higher education costs up. Increases in the mandatory non-educational fees have led students and parents to borrow more (in greater numbers) and borrow increasing amounts to meet the price of higher education.

Socialize cost and privatize benefit

The Chicago School paradigm contends that profit maximization can be achieved by privatizing profit by socializing costs (Shareef, 2008). One way in which to privatize profit and socialize costs is to create a market failure. Creating market failure has economic benefit to the individual, firm, or institution that creates the failure, but imposes costs to the society at large as a result.

Market failures can be intentionally created to maximize profit

One way in which to create a market failure is by limiting the amount of information being shared between individuals in a transaction. This is known as asymmetrical information sharing, and occurs when one individual in a transaction intentionally holds information from another individual in a transaction. Hoarding information leads to a competitive advantage and incentivizes an individual to do so. Creating asymmetrical information sharing allows the individual the advantage in the transaction taking place, and may reap greater benefit from the transaction at the cost and detrimental imposition on the other individual in the transaction (Stiglitz, 2001)¹².

Market failures can lead to tipping points causing detrimental public value failures

The detrimental effects that may occur as a result from triggering an asymmetrical information induced market failure is known as public values failure (Bozeman, 2002, 2007); these detrimental effects that may result from market failure would be the socializing cost aspect of the Chicago paradigm. Two identified triggers of public values failure are threats to the right to subsistence (Bozeman, 2002 pg 150) and dehumanization/victimization of the poor (Shareef, 2008).

¹² Economist Joseph E. Stiglitz won the Nobel Prize in Economics for his research that found asymmetrical information present in transactions led to the creation and identification of market failures.

Greenstone and Looney (2012) have identified public value failures that are occurring in public higher education as a result of rising costs, and are as follows: students and parents have identified public higher education as a definitive need to live in the modern world; they have increasingly begun enrolling in higher numbers to attend public higher education colleges and universities. A college degree has been identified as an essential public need in order to live in today's world (Greenstone & Looney, 2012). To that end, the evolution of the economy and required labor has driven lower income groups, in particular, to enroll in public higher education institutions (Greenstone & Looney, 2012). Lower income groups however have seen their annual income earnings stagnate and decrease over the years as public higher education costs have seen dramatic increases. As costs have increased greater than the rate of inflation, and greater than annual changes in household earnings, students and parents have had to turn to significant loan borrowing to meet those increasing costs of attendance.

Loan borrowing comes with risk and impacts low income groups the hardest. Defaulting on student loans can limit an individual's ability to find employment, reduce government provided social benefit services such as Social Security and Medicare (Lewin, 2012). Dependency on loan borrowing to afford rising college costs has led individuals to make detrimental economic as well normative sacrifices (Kamenetz, 2006; Pew Research, 2011). These sacrifices include purchasing a house, starting a family, or taking any job, which can depress income earnings for years to come (Pew Research, 2011; Stone, Horn & Zukin, 2012); Kamenetz, 2006, SHRM, 2010; Dotson, 2012; Lewin, 2012).

Aggregated, identified detrimental economic and normative effects result in public values failure. The identification of public value failures lead to a tipping point¹³; *that* point at which market failure leads to public values failure. To understand the concept of a tipping point, Jerry McManus (2012) uses the visualization of a forest fire to conceptualize the idea. McManus (2012) states that a forest fire does not result because the density of the forest is increased, rather, the increase in the density of the forest increases the chances of a forest fire occurring and its level of severity. Lamberson and Page (2012) set tipping points as “changes in variables that set the stage for large changes to the system strikes us as particularly important” (p. 26). In this case, the costs of higher education is changing the environment; costs are going up and some are rethink the value of college due to costs and the detrimental effects that are associated with student debt.

These tips are defined as contextual tips as they result from changes in the environment; one change occurs in a characteristic in the environment which then results in the entirety of the environment changing as a result (Lamberson & Page, 2012). Mcmanus (2012) uses a forest fire as an example to conceptualize tipping points that occurred in the global financial collapse of 2008. The forest was the financial environment (i.e. economy/financial market) and the sub-prime mortgage collapse was the spark that set the fire. Because the environment (financial market) had become so dense (interrelated with other financial sectors like banking and insurance), it was more susceptible to catch fire (collapse) and spread (global). One characteristic (i.e. variable) change eventually led to a large scale dramatic environment change. The variable was the sub-prime mortgage market and the environment was the entire financial market

¹³ See Lamberson & Page’s (2012) working paper titled *Tipping Points* for a more in depth discussion of tipping points and how they are identified and applied.

(Lamberson, & Page, 2012). These dramatic environmental change effects are acceptable under the Chicago paradigm that advocates utilization of market failures to increase profit maximization. The detrimental costs which result from the environmental change fall to society (individuals), while the benefits (increased revenues for the institution) are privatized (Shareef, 2008).

A case can be made that the public higher education market has reached a situation where market failure has occurred and has led to a public values failure tipping point. One such occurrence of an identification of a market failure reaching a tipping point triggering a public values failure is highlighted by a Moody's (2013) investor report which reads that a negative outlook has been placed on the higher education market:

behind the negative outlook is that price sensitivity continues to suppress the growth in revenue from net tuition. Moody's says all but the most elite universities face diminished student demand and increased price sensitivity. Reasons include the prolonged period of depressed family income and household net worth (para. 5)

Moody's (2013) argues that the ability of colleges to continue to finance growth through increasing dependence and reliance on tuition and fees has reached its limit. The reliance on tuition and fees to operate higher education has led to significant increases in student loan borrowing and associated debt that is as well a factor in the negative outlook for higher education;

The rising burden of loans on students and increase in student loan defaults is also negatively impacting universities, leading more people to question the value of a college degree. Most universities remain well below the threshold for being cut

off from federal aid because of the rate of students default, says Moody's... universities that serve low income populations have very high default rates. Additional risks to the sector include negative accreditation actions, which increased by almost 50% from 2009 through 2011 (para 8).

The tipping point has led families and students to rethink the value of college and the significant costs associated with attendance, and forgoing college all together (Kamentez, 2006). This is where the tipping point occurs, as soon as a market failure is no longer just a market failure and leads to reverberations that have associated detrimental normative impacts upon the societal whole. The tipping points in this case deals with economic and normative connotations.

The economic effects deal with the identification that costs are increasing and individuals have to borrow more. Borrowing has been identified to impact lower income classification groups more heavily due to the rate of costs consuming a larger share of earned income among lower income groups; individuals have turned to loan borrowing to afford access to public higher education as costs outpace ability to pay out of pocket. Borrowing is not without consequence as the findings section of this research will present evidence that identifies detrimental impacts associated with loan borrowing and student debt.

The detrimental normative effects which are presented in this research are known as *public values failures* (Bozemann 2002, 2007). These normative detriments which affect individuals and the societal whole stem from the financial impacts associated with both increasing college costs and increased student debt and loan borrowing. Costs have reduced access and affordability of individuals to pay out of pocket without steep costs to their ability to afford living standards such as subsistence needs (i.e. food, shelter etc.) to attend public higher education institutions. Public higher education has been identified in this research as a requisite

requirement for individuals to attain in order to *live* in the modern economy. Employment opportunities increasingly require a higher degree of secondary higher education credentials; in order to secure these developing employment opportunities, individuals have increasingly turned to public higher education to attain those requisite credentials. In particular, individuals from low income group classifications have increasingly sought public higher education opportunities due to the result that many jobs which did not require higher education, but paid relatively well (i.e. monetary compensation) have eroded over time in tandem with the evolving global economy.

The tipping point which Moody's (2013) highlights relatively well in its report, is that increasing costs have detrimental impacts upon individuals, in particular among low income group classifications. Access and affordability have been reduced and borrowing has increased in order to gain access to public higher education. Higher education has been identified as a *societal need to live* in the modern economy. Without public higher education, individuals will face difficulty in securing employment opportunities which afford subsistence attainment (i.e. food, water, shelter, health care etc.).

This research posits that market failures can lead to tipping points which create public values failure. The tipping point is when public values failures occur; when an individual is unable to attend college stemming from ability to afford the costs of attendance, this can result in that individual going without gainful employment. Modern employment increasingly requires higher educational credentialing attainment (i.e. post-secondary degree); without this credentialing and the employment prospects that may come with it, may in turn reduce the ability of an individual to attain subsistence (money is needed to afford perceived necessities to live) (Rawls, 1971; Bozeman, 2007). This is the tipping point when the threat to attainment of that subsistence is identified. The tipping point is also created as a result of the borrowing and the

debt itself; as costs increase and as loans comprise a larger share of the funding to meet increasing costs, individuals become burdened with high levels of debt which require repayment. The costs of repayment may in turn reduce an individual's ability to afford or meet subsistence. When threats to subsistence result, a tipping point has been reached and public values failures result (Bozeman, 2007). The identification of these failures is examined more in depth later in this research.

Information is limited about non-educational fees in pursuit of profit at societal expense

It is hypothesized that college administrators are limiting the amount of information they provide consumers in regard to mandatory non-educational fees at public higher education institutions to intentionally create market failure. Subsequently, market failure leads to tipping points in which public values failure occurs. The rationale for creating a market failure in the public higher education market is to maximize profit through revenue generation for the respective college or university. College administrators are employing the Chicago paradigm approach to privatize benefit (higher mandatory non-educational fees generates more revenue for the institution) and socialize costs (Shareef, 2008) (student and parents turn to loan borrowing in increasing amounts to afford increases in mandatory non-educational fees).

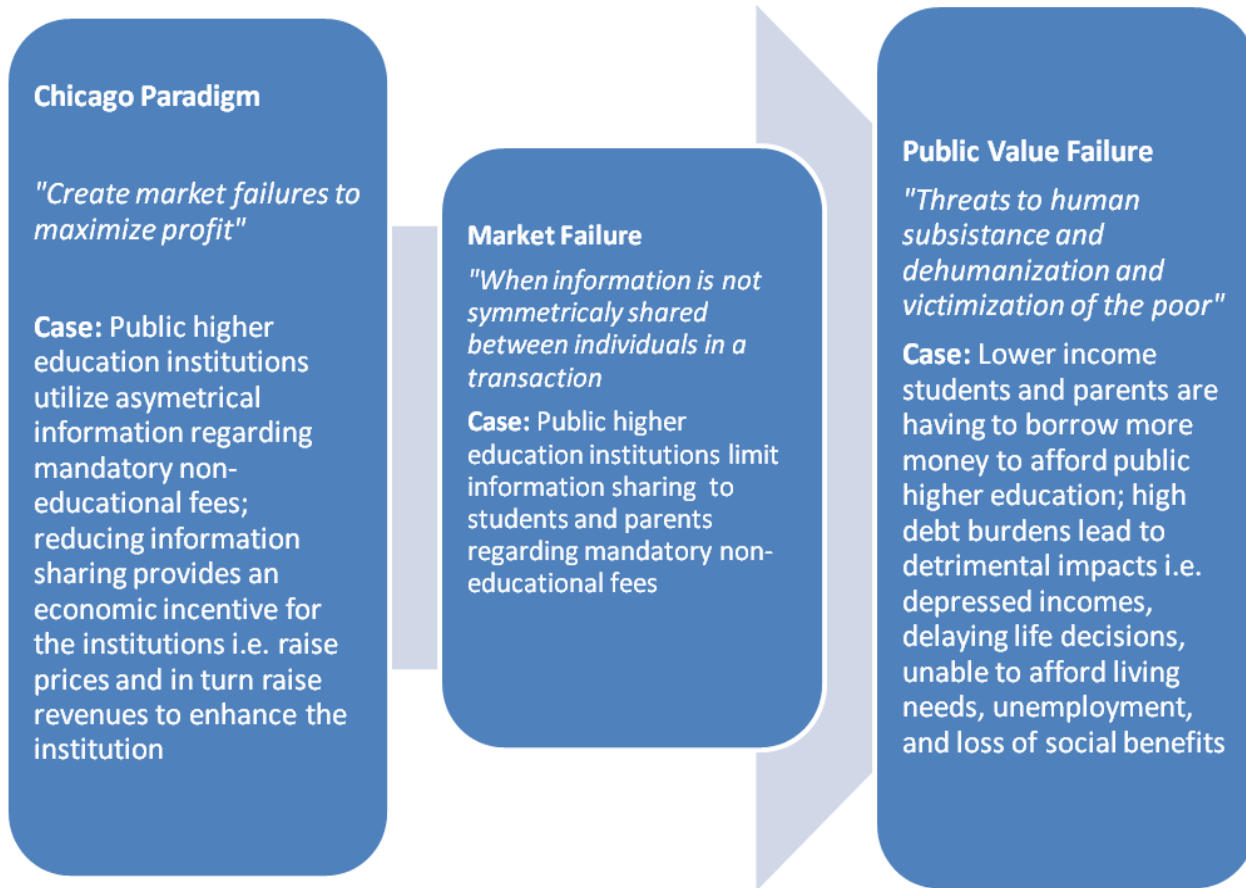


Figure 6: Profit maximization flow chart. Created by author.

Diagram 1 outlines the proposed flow of identified theoretical propositions presented in this research. The Chicago paradigm encourages the development of market failures in pursuit of profit maximization, market failure, then results in the creation of public values failure. The case of this research is to propose that each of these identified theories are motivated or linked by the other. Market failure is linked to public values failure, the Chicago paradigm is linked to market failure and public values failure is linked to media narratives. This is a visual aid to assist in understanding how the theories are linked.

Identifying market failure and public values failure in public higher education

Under the research question of this research, it is proposed that the media serves as the identifier to account for the presence of market failures leading to public values failure. The

media has created a narrative which identifies the existence of market failures and public values failures under their respective theoretical definitions. The media has identified the use of asymmetrical information and has reported that institutions of higher education are engaged in unethical management practices for doing so. This is accomplished by the media crafting a negative image construction for public higher education institutions through a narrative that details that information is not being shared with parents and students. This non-sharing element violates two highly valued principles of media elites: altruistic democracy and responsible capitalism (Chen & Meindl, 1991).

The narrative defines the image construction of institutions, how the media wants the public to view institutions that fail to serve what is held to be the best interests of the public; the media expresses that college costs should be shared with students and parents. When institutions are identified as not sharing that information, the media runs stories and reporting that paints the institutions as participating in bad behavior that violates the public's interests. This concept is known as altruistic democracy (Chen & Meindl, 1991); it accounts for the media's actions in constructing a negative image of public higher education institutions. The altruistic democracy and responsible capitalism concept developed by Chen and Meindl (1991) outlines a responsibility the media holds in ensuring the interests of the public is maintained. When an organization or institution operates in a behavior that is perceived to cause harm to the public, the media, under a sense of democratic justice will develop a negative image of that organization or institution that is causing harm. The goal of constructing a negative image is that the media will influence how the public then perceives that organization or institution. In turn, this will create external pressure for that organization or institution to alter its public damaging behavior(s) (Chen & Meindl, 1991).

The public values failures that have resulted from market failure behaviors have also been identified by the media to draw attention and focus to the issue surrounding mandatory non-educational fees. The premise of the media producing a narrative of public higher education institutions as villains, and students and parents as victims is to generate voluntary market correction, or government intervention to mitigate the market failure and subsequent public value failures.

The role of the media in this research is to serve as evidence in order to strengthen the proposed theoretical assumptions presented in this research. The existence of market failure leading to public values failure has been identified; however, empirical evidence of said behaviors and relationships are needed to substantiate the claims and clarify the relationships.

Summary

Costs at Virginia's public higher education institutions have experienced substantial cost increases. Increases in costs have occurred at a rate which is outpacing the rate of inflation and the rate of growth in household incomes. As costs continue to increase, income groups which fall below the reported median household income level are disproportionately affected as college costs account for a larger share of their income resulting in reduced or burdened affordability.

Increases in costs have correlated along with more college loan borrowers, and the amount being borrowed per borrower. This increase in the rate of borrowing and increased student debt holdings correlates with an increasing share of low income to upper lower income individuals going to college. In addition, with enrollment increases among these designated income groups, they also account for the majority share of total enrollment among Virginia's public state supported four year colleges and universities.

Despite the increases in cost, the notion that an individual must attend college is still a strong sentiment and seen as a requisite need for an individual to pursue. In order to meet this perceived need, students and parents have taken on larger amounts of debt to finance college costs. These costs are not without detriment; young college graduates have been hit with record level levels of unemployment and under employment (The Associated Press, 2012). Graduates even though they have a college education are not guaranteed a job or a salary that matches what they study or what they were led to believe they would earn in terms of wages (Stone, Horn, & Zukin, 2012). Parents who borrowed to send their kids to college are now the highest growing debt burdened generation due to college costs next to college graduates themselves (Lewin, 2012). The costs of student borrowing is also keeping graduates from getting employment as their debt to credit ratio is viewed as “risky” to employers (SHRM, 2010; Dotson, 2012).

One of the areas of contentious growth has been in mandatory non-educational fees; these fees can account for a large share of the total costs of attendance and yet not serve an educational objective. These fees have increased at an astonishing rate alongside tuition and educational fees over the years. I propose a theoretical argument to account for the rising increase of these fees that has subsequently resulted in higher educational costs and the loans used by students to pay them. Increases in higher education costs, in particular mandatory non-educational fees, are the effects of profit maximizing process behaviors such as the generation of asymmetrical information flows that generate market failure and, later, public value failure as well.

The solutions offered have focused on funding as the answer to the costs and debt problem; however, Virginia has a historically large amount of money invested in its public higher education programs. Despite this large investment, costs are continuing to go up and more

money does not seem to be the practical solution that will solve the problem given the economic and social context. This research argues that a market failure has occurred in the public higher education market that accounts for at least part of the cost increases. Students have borrowed increasing amounts to meet these costs. As a result, public value failure has resulted from the detrimental impacts of student borrowing and debt. Public values failure and market failure may be mitigated by correcting market distorted forces through government intervention via proposed policy prescriptions. The policy prescription which is the goal of this research will target asymmetrical information flows that exist between provider and consumer. Improving information sharing will result in efficient market transactions and hypothetically mitigate public values failure¹⁴.

¹⁴ Limitations; as stated, the researcher is a former and current student at two of the fifteen total institutions examined for the purpose of this research. The researcher having paid the mandatory non-educational and general fee at two of the total fifteen institutions utilized for examination throughout the course and purpose of this research may as a result have a predisposed position towards the fees. The findings and recommendations put forth by the researcher are the results of empirical findings and theoretical based arguments which could be subject to researcher bias. See Appendix V for definition of terms

Chapter 2

Literature Review

This chapter describes and explains the proposed theories presented in the research proposal. The examination of the market failure theory details relevant definitions and explores its potential application in the context of the proposed research. More succinctly, the question is asked, *how does market failure theory apply to the public higher education market in relationship to mandatory non-educational fees?* This chapter then discusses asymmetric information, as proposed by Nobel Laureate Joseph Stiglitz research, which holds that the identified trigger *asymmetrical information* creates market failure. The approach is to first define asymmetric information, particularly in terms of how it constitutes a market failure. Next, the relationship between asymmetric information and mandatory non-educational fees in public higher education is examined through integration of complimentary existing research findings regarding the higher education market and costs

The fourth portion of this section will examine the public administrative theory known as public values failure developed by Barry Bozeman. Defining public values failure and exploring the linkages between market failures creating tipping points in which public values failure may result. Once the concepts of the theory have been explained, the application of the theory's framework will be applied to the public higher education market and how mandatory non educational fees result in the identification of presumed public values failures. Particular attention is given to threats to human subsistence and dehumanization and victimization of the poor, as these are the primary consequences of market failure in public higher education. The final section of this chapter discusses the Chicago paradigm of management, summarizing its

development and its relationship with market failures creating public values failures in public higher education.

What is market failure? Defining and understanding the theory

Bator (1958) and Samuelson (1954) developed the market-failure model. Market failure is the result of the market failing to achieve a desired market efficiency regarding allocation of goods and services, when efficiency is not achieved, a market failure results.¹⁵ More specifically, when pareto efficiency is not met (i.e. efficiency) market failure is presumed to follow under the findings of the research by Bator (1958) and Samuelson (1954). Pareto efficiency holds that “the potential to make someone better off without making anyone else worse off” (Triest, 2011, p. 10). In examining pareto efficiency in the case of the Commonwealth of Virginia’s public higher education market, pareto efficiency relates to the conceptualization that lack of information between producers and consumers leads to and creates inefficiencies in the market (Greenwald & Stiglitz, 1986). These inefficiencies are exemplified by increasing costs, student debt and default rates on borrowing which are results of inefficient market exchanges.

Information sharing between providers and consumers in a market has an effect on macroeconomic performance according to the empirical research by Jappelli and Pagano (1999); their research “found that macro economic performance was positively affected by the presence of” (Kallberg & Udell, 2003 para. 47) information sharing (i.e. symmetrical information). Pagano and Japelli (1993) identified in their research that information sharing (i.e. symmetrical information) between providers and consumers improved market efficiency allocation in the financial loan market. The more information and the level of information that was shared

¹⁵ Efficiency is defined as Pareto-efficient, where “goods are distributed in such a way that no one could be better off without making anyone else worse off” (Weimer & Vining, 2011).

between a lender and a borrower “improved the borrower pool, reduced loan interest rates and decreased loan defaults” (Kallberg & Udell, 2003 para. 11) The research findings produced evidence that market pareto inefficiencies (i.e. reduced borrower pool, high interests rates and higher loan defaults) resulted when information asymmetry was present between providers and consumers.

Padilla and Pagano (1997) identified that information sharing mitigated moral hazard problems (Kallberg & Udell, 2003) ; a moral hazard is an incentive to take risk as those risk will be shifted to another individual in a given transaction (i.e. a car salesman who sales a car with no warranty to a consumer; the salesman knows the car will breakdown, but does not disclose that information to the consumer as the contract they enter into for the given transaction absolves the salesman of any costs that may result by selling a broken car) (Shareef, 2008). Padilla and Pagano’s (1997) research discovered that information sharing affected borrower behavior, that in the absence of symmetrical information sharing between providers and consumers, which creates asymmetrical information, incentivized behaviors of lenders to act in ways which made them better off at the expense of borrowers’ (i.e. the opposite of pareto efficiency). Lenders who withheld information were granted market power over borrowers, which as the research has proposed creates market failures (Kallberg & Udell, 2003).

Bator and Samuelson outline a list of criteria that can be identified to explain why a market may not be allocating goods and services efficiently. For the context of the research being presented, one of those criteria will be examined. Donahue (1981) provides an excellent definition and explanation of one of the many causal triggers which can account for identified market failure to occur

Market failure occurs when prices lie—that is, when the prices of goods and services give false signals about their real value, confounding the communication between consumers and producers (p. 18).

Market failures that result in “when prices lie” may result from identified information deficits (North, & Thomas, 1973). Information deficits are asymmetrical flows of information between providers and consumers by which information is hoarded in a market transaction that results in the creation of a market failure (Stiglitz, 2001). Information deficits occur when one party holds greater information over the other party involved in the transaction. Nobel Laureate Economist Joseph Stiglitz labeled these *information deficits* as *asymmetrical information* occurrences (Stiglitz, 2001). Prices of goods or services in a transaction, that occurs in the market acts as a conveyor of information; prices provide a value in which individuals can use to determine the worth of that good or service being purchased or sold. When information is distorted in the transaction, this can as well distort the value of the good or service (i.e. price). This is what is meant by a *when prices lie* occurrence in a market.

Stiglitz (2001) research demonstrated that when a lack of information is present in a given market exchange, this results in an information deficit and subsequently results in market failure. Market failure can occur as a result of lack of information as it is a major contributor in establishing the principle of equilibrium and efficiency within the market. Samuelson (1954) and Bator (1958) constructed a framework that placed emphasis on the importance of information in a market exchange to ensure efficiency. Stiglitz (2001) analysis re-enforced that imperfect information within the market, even if it is just a little, has adverse effects upon the market creating distortions that lead to market failures.

Though market failures are perceived to be “Bad”, there is an incentive to create them

In 1975, Stiglitz outlined what would become his Nobel winning argument in regard to information economics and the important role of information to ensure an efficient market exchange. He also identified that due to the importance of information, there existed incentives on behalf of individuals in a market transaction to distort or control information in order to reap benefits (Stiglitz, 2001). In *The theory of screening, education and the distribution of income*, Stiglitz identified that “there are incentives on the part of individuals for information not to be revealed, for secrecy, or, in modern parlance, for a lack of transparency” (Stiglitz, 2001 p. 478-479).

Creating asymmetries and imperfections of information problems, [is] partly in an attempt to exploit market power. Managers of firms attempt to entrench themselves, increasing their bargaining power...and one of the ways that they do this is to take actions which increase information asymmetries...Doing so effectively reduces competition in the market [and provides a competitive advantage for the information holder] (Edlin, & Stiglitz, 1995, p.490).

Stiglitz identified intentional use of imperfect information via asymmetrical information sharing provided a self-benefit for an organization or individual to intentionally withhold information (benefit hoarding, information deficits, asymmetry of information) from others in a transaction. The incentive being a self-interested motivation in which the individual holding greater information than information held by another individual within a market exchange would lead to a beneficial outcome to the individual, or organization. Therefore, withholding information even

though it would trigger a market failure was worth doing as it would benefit the *information hoarder* in the transaction taking place (Stiglitz, 2001).

Has asymmetry been identified in the higher education market?

It has been identified that market failures can result from lack of information between individuals engaged in a transaction in a given market. The market being discussed in the context of this research has been the public higher education market. The analysis thus far has focused on asymmetry of information creating market failures in general. Briefly recapping, Stiglitz (2001) shows that the use of asymmetry information can lead to a competitive advantage in a market transaction; therefore, Stiglitz (2001) has concluded that an incentive is present among individuals to intentionally withhold information in the pursuit of benefits. The proposed research has laid out that asymmetry of information is present in the Commonwealth of Virginia's public higher education market and these findings will be elaborated upon in the findings section of this work. However, it would be beneficial if we examined other existing research that supports the claim that asymmetry is present.

David Dill's (1997) research identified that "student's lack sufficient information about [higher education] institutions...to make discriminating choices (as cited in Amaral, 2007, p. 34). The lack of information held by students in the transaction in the market for public higher education, according to Stiglitz (2001) would result in a "quasi-market" or imperfect market as prices are distorted by the provider as the consumer (student) is unable to make a rational decision due to limitations of information. Dill's (1997) research strengthens the observation that information is not shared symmetrically between providers and consumers and as a result serves as identification of Stiglitz (2001) asymmetry of information concept.

Douglas Blackmur (2002) examined a range of policy issues that pertained to higher education with an emphasis on quality assurance. The rationale for this research was predicated on the perception that “there is arguably a strong public interest in institutions of higher education conducting themselves in ways which respect principles of accountability, fairness, transparency, and responsible use of taxpayer funds (p. 3). Blackmur identifies in his research that the market for higher education is an imperfect market and includes the identification of asymmetric information being present. The research contends that asymmetric information results from “students [having] to engage in an expensive discovery process” (p. 4) that entail sorting costs of trying to disseminate information. As a result, there is “an incentive to economise [benefit] on such search costs to the point where many decisions may be less than adequately informed” (p. 4). The incentive to obfuscate information from students through sorting costs by means of information asymmetry is especially common among lower income students (Blackmur, 2002).

Blackmur’s (2002) research findings identified asymmetry of information in higher education markets and recognized there was an incentive to do so, supporting the earlier case made by Stiglitz (2001). Amaral’s (2007) research compliments Dill’s (1997) and Blackmur’s (2002) research findings and contends that for a market to be efficient “consumers should...have adequate information on prices” (p. 34) and providers should share information symmetrically to ensure an efficient market exchange takes place during a transaction. Amral (2007) notes that the United States public higher education market is a unique case as it has a greater deal of autonomy being granted to its public institutions than European counterparts. The increase in autonomy allowed institutions to raise prices by determining the level of fees that they are able to charge. This autonomy compounds the issue of identified asymmetry of information in the public

higher education market as students and parents (consumers) may not have adequate access to information in the public higher education market (Amaral, 2007).

Research by Stiglitz (2001) identified that intentional use of asymmetry of information to trigger market failure is bad since it causes markets to be inefficient; there is an incentive however for an individual in that market to limit information as it can provide a competitive advantage during a transaction. Dill (1997), Blackmur (2002) and Amaral (2007) identified in their research that asymmetry of information is present in the higher education market and identified that creating asymmetry of information provides benefits to the providers (institutions) at the expense of the consumer (students and parents). When market failure occurs it does not go unnoticed and in fact results in warranted action on behalf of a third party to correct the identified failures resulting from asymmetrical information triggers.

My research proposes that the identification of asymmetry of information in higher education may be extended to the public higher education market and specifically the application of mandatory non-educational fees. The proposition holds that information regarding mandatory non-educational fees is intentionally withheld by providers (institutions) from consumers (students) under the premise that by doing so provides a self-benefit to the institution which I argue is profit maximization; this profit maximization is the incentive outlined by Stiglitz (2001) that encourages public higher education institutions to intentionally trigger market failures. This research expands upon the existing research and presents an original and unique application of market failure resulting from asymmetrical information in the discussion concerning the higher education market.

Market failure signals government intervention

Marlow (1995) asserts that when a market failure occurs, it promotes government to act in order to correct the distortion causing markets to fail. As consumers do not have adequate information on the costs associated with public higher education, their ability to make a rational, well informed decision is violated by imperfect information. Therefore, the government is prompted to intervene in the public higher education market and ensure information sharing between providers and consumers is symmetrical and mitigates market failure from occurring. As Amaral (2007) states, “there is an indisputable responsibility and legitimacy of public authorities in guaranteeing the quality of higher education...the state needs to regulate the market [when market failure results] to avoid socially unacceptable distribution outcomes in terms of equity (p. 40). These *unacceptable outcomes* that Amaral (2007) makes mention of are what is known as public values failures and they often result from market failures.

Public values and public values failure; what is it?

Barry Bozeman (2002) identified that there exist a lack of tools available to analyze public value; however, in contrast to public value we have an assortment of well regarded conceptual tools for the use of analysis in relation to the economic aspects of public policy (Wolf, 1988). Recognizing this shortfall, Bozeman developed an analytical framework that is constructed to compliment the market failure theory framework developed by Bator (1958) and Samuelson (1954); however, instead of the economic focus of traditional economic market failure theory, the public value failure model is concerned with normative dimensions (Bozeman, 2002, p. 146). The construction of public value argues public service (government) should provide what is determined to be the basic needs of citizens; these values encapsulate “the right to subsistence, rule by consent of the governed, and civil rights and liberties...prohibit

dehumanization policies and victimization of the poor” (Shareef, 2010, p. 646). This research will specifically examine these public values outlined by Bozeman; the right to subsistence, preventing victimization of the poor and in addition imperfect public information (Bozeman, 2007, p. 147).

Before discussing what public values failure is and its identification of use, it would be beneficial to 1) define what the identified public values are 2) examine that when public values are violated what results? First, *the right to subsistence and preventing victimization of the poor* holds that “human beings, especially the vulnerable [should not have] their subsistence threatened” (Bozeman, 2007, p. 147). Subsistence is classified as one of many determined essential human rights classified under the Human Scale Development developed by Chilean economists Manfred Max-Neef, Chilean sociologists Antonio Elizalde and U.S. Philosopher Martin Hopenhayn (Neef, Elizalde, & Hopenhayn, 1991). Subsistence entails being physically and mentally healthy; having food, shelter, work, and clothing. Second, *imperfect public information holds that* “transparency relating to information is needed by citizens to make informed decisions” (Bozeman, 2007, p. 147).

Subsistence and prevention of victimization of the poor types of public values failure occur when any of the classified essential human rights under the Human Scale Development (Neef, Elizalde, & Hopenhayn, 1991) are violated. Rawls (1971) identifies these as “primary goods, assets that any sane individual may be assumed to want (e.g., food, water, shelter)” (Bozeman, 2007, p. 155). The assumed *want* in this research holds that individuals want access to employment, wages, and ability to afford a standard of living in which they perceive others having. When the perception is not met, this may result in what is known as *relative deprivation*,

relative deprivation theory holds that “social and/or temporal comparisons are an essential component in assessing whether one is deprived” (Walker & Smith, 2002, p. 6). The theory in essence describes when an individual is deprived of something in which they see themselves deserving to have because others around them have it. This can be such measures as economic (i.e. money, goods, housing etc.) or more recently education (i.e. college degree, professional degree, and even just basic knowledge) (Walker & Smith, 2002; Bayertz, 1999). Under this conception of social science theory known as relative deprivation it could be argued that whatever is perceived to be *deprived* by an individual could be classified as a primary good that an individual may perceive to want. In the context of this research, that primary good would be higher education and the associated assets attained with possession of that education (i.e. wages, housing, food, shelter etc.) which have been defined as *subsistence* goods.

The research argues that higher education has increasingly become a perceived requirement or *primary good* that an individual would want or even need to *live* in the modern world. The United Nations (n.d.) outlines in its declaration of human rights under article 26 that “everyone has the right to education...higher education shall be equally accessible to all on the basis of merit” (para. 47). Higher education is argued to be needed for the jobs that are being created. Without an education, individuals may not be able to *live* in the modern world without having met those educational requirements. Higher education credentials translate into higher income earnings, improved employment prospects and that having a college education will allow individuals to provide for themselves and others *subsistence* without undue hardship (Bureau of Labor Statistics, 2013). However, the rising cost of public higher education reduces access to credentialing (Moody’s, 2013) despite merit qualifications and as a result possibly limits employment prospects and financial gain or earnings. To compensate for the increasing costs,

students and parents have turned to loan borrowing/student debt to finance the increasing costs of public higher education. The high debt burden carried by students and parents after graduation reduces individual's ability to *live* or attain *primary goods* as the amount of money needed to pay off the accumulated debt threatens an individual's ability to maintain *subsistence* (Patton, 2013).

Nation's which are comprised of a wealthy base (developed nation such as the U.S.) exacerbate public values failures as they lead to greater social cleavages that threaten the entirety of the nation (Bozeman, 2007, p. 154). Public values failure relating to imperfect public information shares much in common with market failure theory's model. Asymmetry of information is the behavior of providers that lead to identified market failures which in turn may lead to public values failures (i.e. threats to human subsistence etc.). The act of creating asymmetry of information is identified in this research as being one sided as the provider in this case (i.e. Virginia higher education institutions) holds greater information than consumers (i.e. students and parents who attend or pay for public higher education). When information asymmetry occurs in the public sphere it limits the information available to citizens and as a result reduces citizen's ability to exercise oversight and judgments in regard to public policy and public interests or publicly held beliefs (Bozeman, 2007, p. 148).

Public values failures in public higher education

The goal of public administrators according to Goodsell's (1990) conceptualization of government is that it has a responsibility to serve the public and the public interests. Bozeman (2002, 2007) contends that public values are a part of the defined public interests that is the aim of government to not only provide but also protect. Given the charge to protect, it then follows that a goal of public administrators and public managers (government) is also to prevent the

occurrence of public value failures. The public values failure that has been identified in the public higher education market rests upon Bozeman's (2007) criteria of threats to human subsistence and victimization of the poor, as well as imperfect public information signaling.

Criteria One: Threats to subsistence and victimization of the poor

To understand Bozeman's criteria that identify public values failure, it is a good idea to understand what that criterion is and how it is defined. So what do threats to human subsistence and victimization entail? Definition: "The core value of subsistence is violated; human beings, especially the vulnerable, that their subsistence not be violated" (Bozeman, 2007 p. 151). The criterion set by Bozeman simply states that when subsistence is violated, especially the subsistence of the poor or disabled, this identifies a public value failure. The mandatory non-educational fees employed at public higher education institutions has led to affects that are generating and exacerbating social cleavages among the populace; as costs increase, consumers (students and parents) must use a greater portion of income to afford increased costs or rely on greater amounts of borrowing that takes considerable time to repay if they are able to in fact repay what they borrow.

While enrollments have increased among all wealth groups in society, the largest share of those increase have come from the lower to mid socioeconomic class groups which has less availability in terms of income elasticity to afford large costs shifts in attendance at colleges and universities. Lower income socioeconomic groups are disproportionately affected by rising costs of public higher education and as such have been victimized. This victimization threatens the basic human right of subsistence, in that, higher education has increasingly become more important for an individual to attain in order to *live* in the modern world. Higher education is

perceived as a requisite need that must be met in order to enhance employment opportunities and income acquisition. Without higher education attainment, this can result in individuals earning less and facing difficult employment conditions. In turn, the lack of education threatens *subsistence* as individuals are unable to earn enough in order to afford the basic human needs such as shelter, food and clothing.

Criteria Two: Imperfect public information

Definition: “Similar to the market failure criteria, public values may be thwarted when transparency is insufficient to permit citizens’ to make informed decisions” (p. 151). Many of Virginia’s state supported public four year institutions do not symmetrically share or convey information by perceived (researcher’s interpretation) accessible and transparent means in regard to mandatory non-educational fees to the general public. The research proposes that information regarding these fees is often hidden through obfuscation; this research question is strengthened through findings presented later in this research and a defined media narrative. Locations of these fees are not general knowledge and require high sorting costs to locate them. This limits information sharing between the provider (institution) and consumer (public) in regard to what costs they are paying though they see public higher education as a public entity as it derives substantial compulsory tax payer support.

Stiglitz (2001) research holds that when information is not shared at the same level of disclosure among individuals in a transaction within a market, this would lead to asymmetry of information in which one individual in the transaction would hold greater information over the other individual, giving the holder of greater information a competitive advantage as a result. This competitive advantage of holding greater information over another individual in a

transaction taking place in market exchange may create market failure and ruin market efficiency (Kallberg & Udell, 2003), but it does not come without benefit. Stiglitz (2001) identified that creating market failure in pursuit of a competitive advantage can lead to “positive economic outcomes for the business firm” (Shareef, 2010 p. 646).

Public values failure summary

The public values failure model serves as a complement to the market failure theory as developed by Bator (1958) and Samuelson (1954) but with an emphasis in the recognition and need for the consideration of public values set forth by Goodsells’ (1990) government responsibility and Rawls (1971) essentialist requirements. Bozeman (2002, p. 157) stated that “The public failure model is not a substitute for market failure”. This normative analytical framework serves as a set of guidelines much like that of the market failure theory, hence, why it complements the theory and does not attempt to replace it but rather enhances it in its application of use in regard to public decision making and public policy analysis. The public failure model provides a collection of normative guidelines that lay out what public values are to be ensured within a society. Market failure and public values failure are applicable as diagnostic tools to identify when interventionist action is required by a third party (government). Failures, both market and public values act as signals to bring attention for the need of corrective action (Bozeman, 2002, 2007).

The detrimental effect of market failure and imperfect information is what Bozeman (2002, 2007) describes as public values failure. Public value failure holds that when “negative socioeconomic outcomes for the broader society [occur] when institutions do not produce essential public values like (a) the right to subsistence, non-dehumanizing management processes

[and] (b) limiting imperfect public information” (Shareef, 2010 p. 646). Stiglitz (2001) and Bozeman (2002,2007) both identified that there was an incentive to withhold information and create asymmetry information flow conditions in a market exchange environment. The incentive was that of a self interested, profit maximizing benefit that would result in triggering market failure, but a high reward for the actor in the transaction with the competitive advantage despite the detrimental effects that would occur to the rest of the societal public.

The Chicago paradigm: what drives the creation of market failures?

The research presented up to this point has identified that market failure is present in the higher education market based off of existing research evidence. Asymmetry of information has been identified as one trigger that can create market failures. Intentionally creating market failures is bad for the market; however, there is an incentive for an individual to do so in order to seek profit maximization. Market failures can lead to a tipping point in which public values failure results. Public values failure has been identified to result from market failure under the criteria of threats to human subsistence and victimization of the poor and imperfect public information. This chain of events creates what is known as the market failure leading to public values failures construct. The proposition of this research holds that the impetus which sets off this sequence of events is known as the Chicago paradigm, a management school of thought which seeks to socialize costs (public values failure) and privatize benefit (market failures) (Shareef, 2008). Public higher education institutions in the Commonwealth of Virginia are employing the Chicago paradigm to maximize profits for their respective institutions that subsequently results in both market failure that leads to public values failure.

Public higher education’s profit maximization: enhancing the brand

Virginia's public state supported four year higher education institutions are supported through tax payer subsidization, tax revenues collected from residents of the state and are appropriated to each institution through the General Assembly's annual budget process. These institutions have an established identity that is apart from the state; institutions view themselves as semi-autonomous organizations and as a result of this identity have a conceptualization of "branding" (Kerr, 2001). Branding among higher education institutions is what is used to attract students, donors, and build prestige such as rankings, and public perceptions. To enhance this level of prestige, colleges and universities build professional level collegiate sports teams, high amenity dormitories, and in a few instances "rock concert venues" centers such as the David J. Prior convocation center at the University of Virginia's College at Wise. The center received \$30 million in taxpayer appropriated funding and continues to receive annual appropriations of \$150,000 in taxpayer support to fund its operation (Marcia Quesenberry, personal communication, September 8, 2012).

Clark Kerr (2001) labeled higher education institutions that participated in these behaviors of branding as the multiversity. Higher education institutions, even though they may be supported through substantial tax payer funded support which is used to increase affordability and access for all socioeconomic classes and groups will operate in behaviors that diminish those investments. Institutions will instead operate in a manner that reduces affordability and access through activities which enhance the image of the institution and build the brand. Institutions will act within their self interests to protect and build the brand. Higher education institutions in order to enhance their perception among the public; have moved toward offering a wide array of amenities which may be far removed or not associated with the original intent and purpose of the

institution. These branding behaviors entail raising significant capital which may offset tax payer subsidies to increase affordability and access due to the increasing costs which result.

State support is used to increase access, but branding mitigates that support

Public state supported four year higher education institutions receive state support under the premise that by providing funding to these institutions it will lower the costs of higher education and therefore allow more members of the community to participate or attend the institution. Increasing college level attainment translates to economic and social benefits, so getting more individuals to go to college and get a degree provides a social benefit that is greater than the costs of provided support (Schneider & Alva, 2011). The largest criticisms of branding behaviors and endeavors is that it is argued that these institutions operate heavily through the appropriation of taxpayer subsidy support for the intention of providing a postsecondary education at a reduced cost comparatively over privately owned and operated institutions; if these institutions were able to finance all of these activities independently (without tax payer subsidy support, or mandatory fee collections through non-educational fees) than it would be accepted (Kerr, 2001). However, Virginia's public state supported four year colleges and institutions are not private institutions and as a result are beholden to not only the legislative and governing body of the state, but every individual tax paying resident of the state of Virginia as well (Goodsell, 1990; Kerr, 2001).

Branding behaviors are socialized costs and privatized benefits

The perception of branding held among Virginia's public state supported four year public colleges and universities are an endemic factor that is influencing the rising cost of postsecondary higher education for residents of the commonwealth of Virginia and exacerbating the cost shift and subsequent burden placed upon students and their families to finance these non-educational fees which comprise the "multiversity" endeavors (Kerr, 2001). The increased

costs resulting from pursuits of the multiversity (Kerr, 2001) or branding related spending carried out through non-educational and general fees have placed tremendous stress on the relationship between the institutions and the state, and institutions and the consumers, and the state and it's governed.

This self interested, profit maximizing behavior is a chief characteristic of the Chicago paradigm management process theory; the gist of the theory is to maximize profit and socialize costs in the market exchange environment (Shareef, 2008). One way to achieve the profit maximization is through obfuscation of information or information deficits going by Bator (1954) and Samuelson (1958) or asymmetry information flows advocated by Stiglitz (2001). Regardless of the method, this management process theory “dominate[s] institutional decision-making processes at the expense of the public” (Shareef, 2010 p. 646; Bozeman, 2007).

The literature findings support the proposed hypothesis that the Chicago paradigm accounts for identified behaviors in the public higher education market that is creating intentional market failures and public values failures as a result of adhering to the tenets of the management process itself. The Kerr (2001) literature holds that public higher education institutions are representative of a *self-interested organization*; in which an organization that is *self-interested* will operate in profit maximizing behaviors. These behaviors are known as institutional branding in the public higher education market. Branding enhancements entail raising more money to build and supply things that enhance the image or “brand” of the institution; these branding behaviors predominantly run counter intuitive to serving the public interests of affordable and accessible public higher education. Instead, profit maximization is

carried out by public higher ed. institutions through branding, which is a means by which to enhance the institution and in turn drive revenue collection as in profit.

Lack of existing research concerning market failure-public values failure in higher ed.

My research proposes that a problem has been identified in the public higher education market of the Commonwealth of Virginia. This problem results in both economic and normative failures. The problem is that while there are independent theories, there is no existing research applying these theoretical constructs concerning the Commonwealth of Virginia's public higher education market and its mandatory non-educational fees. The lack of applicable research is the impetus for my application of existing economic and public administration theory.

The biggest challenge in utilizing the market failure leading to public values failure construct is that it is a relatively new idea. Bozeman made his first draft in 2002 and was restructured and tooled for publication in 2007. The academic journal, *Public Administration Review* (PAR) is dedicating an entire issue about public values failure and Bozeman's work in a special 2014 issue and as well hosting an entire conference surrounding the topic. The existing research I have found utilizing this market failure construct leading to public value failure has not been utilized in regards to public higher education or mandatory non-educational fees; this is an original application of the theoretical work given the contextual discussion of the problem identified.

In the following sections I will present the methodology for my research and provide evidentiary findings that result in the identification and application of these existing failure theories which ultimately lead to making a policy recommendation to correct these identified failures.

Chapter 3

Methodology

First, this section discusses the methods used in the research presented here. Next, a restatement of the purpose of the research is briefly reviewed as well as the research questions. Finally, the findings are discussed.

Research Method

The methodology employed is a case study. A case study approach is one in which the researcher generalizes from an identified case and applies it to an existing theory. Robert Yin (1995,2009) states that theory can guide the case study. An existing theory serves as an origin point, this point then acts to give direction and provide a structure to the initial set of questions the researcher asks

The researcher then reacts to the data received during questioning, using theory to filter and organize the data received. This will confirm existing theory but the researcher always needs to be careful to prevent existing theory from predetermining the result. This means that the researcher needs to be sensitive to paradoxes between the case situation and the theory and pursue them when they occur (Harling, 2002, p. 2).

The case study method was developed by Yin (2009) and his work serves as the designed methodology for the presented research. The case study method of research is an empirical inquiry that investigates a contemporary phenomenon or unique case identified by the researcher (Yin, 2009 p. 18). The case study approach relies on multiple sources of evidence, in which the greater variance of evidence supplied (i.e. type) the better (Yin, 2009, pg 18).

What is the case study research method?

The case study research approach focuses on a collection of information about a particular group, individual or organization. It is a qualitative form of descriptive research with a goal to offer new questions for research (Becker, Dawson, Devine, Hannum, Hill, Leydens, Matuskevich, Traver, & Palmquist, 1994 - 2012). "A case study is generically a story; it presents the concrete narrative detail of actual or at least realistic events, it has a plot, exposition, characters, and sometimes even dialogue" (Becker et al., 1994-2012 para 1; Boher, 1990). The most common use of a case study research method is that its reports are descriptive, with "the most problematic issue often referred to as being the determination of the right combination of description and analysis" (Becker et al., 1994-2012 para 1).

Case study research is not limited to a single source of data, quality case studies benefit from having multiple sources of evidence. The goal of data collection is to provide evidence which reinforces proposed findings. The most desired result of a case study approach method is when two or more independent sources of evidence point to the same event (i.e. problem). The greater the variance of sources of evidence you collect, the stronger the case. Multiple, rather than single sources of evidence is preferred (Yin, 2009; Harling, 2002). A single-case (holistic) design – type 1 holistic inquiry involves collection of in-depth and detailed data that are rich in content and involve multiple sources of information including direct observation, participant observations, interviews, audio-visual material, documents, reports and physical artifacts (Harling, 2002 p. 1-2). The multiple sources of information provide the wide array of information needed to provide an in-depth picture

“The theory has specified a clear set of propositions as well as the circumstances within which the propositions are believed to be true. A single case meeting all of the conditions for testing the theory, can confirm, challenge, or extend the theory. The single case can then be used to determine whether a theory’s propositions are correct or whether some alternative set of explanations might be more relevant” (Yin, 2009, pg 47).

Strength of the case study research method

Yin’s (2009) case study research approach provides a valid instrument for empirical study (Shareef, 1989 p. 118). The case study research approach method investigates a contemporary phenomenon within its real life context, clarifies the boundaries when phenomena and context are not clearly evident and utilizes multiple sources of evidence (Shareef, 1989 p. 118-119; Yin, 1984 p. 23). The strength of this method is its ability to deal with a variety of evidence, documents, artifacts, interviews and observations (Shareef, 1989 p. 119; Yin, 1984 p. 20).

Case study research regarding mandatory non-educational and general fees

Yin’s (1984, 1995, 2009) case study research approach method is appropriate in examining the Commonwealth of Virginia’s public higher education market, with a focus on its mandatory non-educational fees and how information relating to those fees is provided to the consumer. The reasoning for its appropriateness deals with identifying the Commonwealth of Virginia’s public higher education market and application of existing economic theory of market failure and public administrative theory public values failure as contemporary phenomena. The

case examines a unique situation in which the presented existing theories have not been utilized to explain the problem of rising costs and associated detrimental effects of those costs in the Commonwealth of Virginia's public higher education market. The case involves a variance of evidentiary findings to examine the context of the case presented (i.e. documents, interviews, media publications, existing research) which Robert Yin's case study research method is identified as being one of its greatest strengths, multiple and varied sources of evidence.

The case study is often commonly presented as a narrative according to Becker et al (1994-2012) and Boher (1990); the proposed research presented examines the role of media narratives in identifying existing application of the asymmetrical information market failure theory and public values failure which may result. The evidentiary findings rely on a constructed narrative put forth by the media which identifies existing theory and puts forth calls for policy change. The case study research method provides a method to examine the media narrative and construct a narrative from evidentiary findings to develop a policy recommendation and as such is appropriate method given the case being examined.

Generalizing from case study to theory

Yin's case study research method involves the examination of narratives and the application of existing theory in an identified contemporary phenomenon. Yin (2009) states the study must be based on a well-developed theoretical construct; the research question (theoretical construct) being tested is Stiglitz's (2001) asymmetrical information (independent variable) causes/results in inefficient market processes which create identified market failures that reach tipping points which then constitutes Bozeman's (2002, 2007) public values failure theory. In short, market failure leads to public value failures criteria (Bozeman, 2002, 2007). To achieve

this end I utilize empirical evidence findings from media outlets, and examination of each of the Commonwealth of Virginia's public educational institutions and correspondence with identified individuals in relation to the nature of the topic presented. The type and method of data collection I utilized under the direction of Yin's case study research approach method follows.

Data collection

The case study approach method recommends the use and collection of physical artifacts (i.e. empirical evidence). This is comprised of the following: Documentation from Virginia's public higher education institutions relating to information presentation of mandatory non-educational fees, evidence such as (i.e. webpage, college catalog); each institution, fifteen in total had two documents examined per institution. 1) the webpage for that institution that displays tuition and fees information and 2) the institutions respective college catalog examining its section outlining tuition and fee information.

The resources utilized for this evidence collection relied on current provided documentation (i.e. current year, 2013-2014 released materials). A standard internet search was utilized to locate each of the institutions official web pages and searched for tuition and fee reported information tables. The college catalog was also collected by the same means as the tuition and fees information; locating the official web page, searching for *college catalog*, then examining the contents of the catalog to locate tuition and fee information. The State Council of Higher Education for Virginia produces annual tuition and fee reports that outline and detail the tuition and fees among each of Virginia's respective public higher education institutions. This evidence was collected by locating SCHEV's official website and examining its reports section

to pull the current year's (2012-2013) tuition and fee information and compare it's reported information to the information reported by each institutions webpage and college catalog.

Other physical artifacts collected as evidence were media stories (i.e. articles). These documents were collected through the use of a basic internet search using the following words or phrases: "student fees", "hidden fees", "college fees", "secret college fees" and "hidden college charges." The pulled media reports generated by the internet search were then examined to determine relevancy (i.e. location and context of the article). This evidence was used to construct the hypothesized media narrative which identifies the existence of the proposed theories presented in the research. This portion of evidence was collected throughout the second half of the 2012 year and into the early portion of year 2013; the number of documents collected was roughly 25 in total and can all be found and located through internet search functions.¹⁶

The final artifact evidence was e-mail correspondence with identified actors relating to non-educational and mandatory fees. These were personal communications I shared with individuals that I had identified as relevant actors of interests in regard to the research being examined. Actors were determined to be relevant if they were identified by multiple media produced articles relating to construction of the media narrative; if an article identified an actor and framed them as an expert or individual of authority in regard to the discussion of mandatory non-educational fees, then they were classified as a relevant actor. The actors of relevance included Delegate Robert (i.e. Bob) Marshall of Virginia who was mentioned on several occasions and quoted multiple times in collected media narrative pieces. Professor Terry Meyers of William and Mary who was featured and quoted in several identified media narrative pieces collected. Marcia Queensberry who serves as legal council to UVA-Wise whom I utilized to

¹⁶ See appendix w for links to associated documents used to construct the media narrative.

examine the interpretation of how information regarding mandatory non-educational fees are interpreted by public higher education institutions; these personal communications were collected the summer of 2012 and the fall of 2012. In total, the number of communications exchanged and received equates to less than ten documents in total.

Summary

Case study research developed by Robert Yin (1984, 1995, and 2009) utilizes the collection of empirical evidence findings (i.e. physical artifacts) to strengthen the proposition of and identification of applied theory to an identified problem within a case. The case study research method begins with a theory or theories as an origin point and then collecting evidence which supports the proposed theories presented by the researcher. The more evidence, and the greater degree of variance of the evidence collected, the stronger the case can be made by the researcher. It is a qualitative research method with emphasis on empirical evidence findings to construct a narrative which details the case made by the researcher and either supports the proposed theories made or rejects them.

The research utilizes a varying degree of physical artifacts to develop empirical evidence to evaluate the theoretical propositions made in examining the unique phenomenon of information asymmetry market failure leading to public values failures in the Commonwealth of Virginia's public higher education market. The evidence gathered is used to define what the research holds to be a defined media constructed narrative which identifies the existence of asymmetry of information in relation to mandatory non-educational fees. Information is withheld by institutions of public higher education from consumers. The media narrative holds that detrimental effects have resulted as a result of withholding information from consumers which

the research assert as the identification of public values failure theory. The media narrative is bolstered by existing research evidence findings that reinforce the identification of detrimental impacts on consumers of public higher education resulting from information asymmetry.

The research makes use of personal conducted research that examines individual institutions and their level of information disclosure in regards to mandatory non-educational and general fees. Personal communication with identified actors enhances the identification of information asymmetry which compliments my own personal research and as well the media narrative and existing research evidence findings. Chapter 4 provides data analysis of the evidence findings collected about the Commonwealth of Virginia's public higher education institutions and their mandatory non-educational fees. The chapter begins with a brief summary followed by the self examination of information disclosure among the fifteen surveyed institutions; I then move into discussing the media narrative and application of personal communication exchange in identifying the proposed theoretical propositions made in this research. I then conclude with a discussion of the findings.

Chapter 4

Findings

This section will summarize and present the findings of the study. The empirical evidence and other associated data collection findings related to the proposed research questions and presentation of the findings and analysis relating to the outlined research questions. Conclusions drawn from collected data findings will be examined in the final chapter.

Empirical data; what is the evidence?

This section will go over the presented evidence that will be presented in the findings section (i.e. what is the evidence? how was it collected? how will it be presented?). The empirical evidence consists of investigating Virginia's public state supported four year higher education institutions by which information regarding mandatory non-educational general fees are presented by the provider to the consumer. This involved examining institutions websites, and official college catalogs in determining if mandatory non-educational fees were disclosed.

Are mandatory non-educational fees disclosed? Results of surveyed institutions

Mandatory non-educational fees were considered disclosed as long as they met the following criteria; 1) the fee must be itemized along with a name classifying the fee and along with the monetary value placed with that fee 2) the fee must match with what was reported by The State Council of Higher Education for Virginia's 2012-2013 Tuition and Fee Report 3) the fee must be reported along with the tuition and educational fees on the same page. If the reporting method did not match these established criteria then it was classified as not being disclosed and is considered not transparent.

Institution	Was Fee Disclosed? Yes/No	
	College Website	College Catalog
Christopher Newport University	N	N
College of William and Mary	Y	Y
George Mason University	N	N
James Madison University	N*	N
Longwood University	N	N
Norfolk State University	N	N
Old Dominion University	N*	N
Radford University	N	N
University of Mary Washington	N	N
University of Virginia	N	N
University of Virginia's College at Wise	N	N
Virginia Commonwealth University	Y*	N
Virginia Military Institute	N	N
Virginia State University	N	N*
Virginia Tech University	Y	N*

Table 3: Was fee disclosed?. This table illustrates those institutions that disclosed their mandatory non-educational and general fees. The institutions website and college catalog were the two means of measure to determine fee disclosure. Calculations performed by author¹⁷

The examination of each of Virginia’s public four year higher education institutions reveals that the majority share of institutions do not disclose their mandatory non-educational and general fee via their respective website or college catalog. The website and college catalog are determined to be the prominent means of shared communication that is utilized between providers and consumers in the public higher education market, as such, these forms which are used to convey information about prices and costs are identified as the dominant information purveyor. The identification of a lack of information sharing to consumers by providers is not only apparent by

¹⁷ James Madison did not specifically itemize the mandatory non-educational fee, but provided a pie chart that shows which departments the fee went to in terms of % total. Old dominion does not provide an itemized breakout of the fee alongside tuition; instead provides a link to a separate page where the fee is itemized by category and per one credit hour charge. Virginia commonwealth lists 5 out of the SCHEV reported 7 mandatory non-educational fees. Virginia state university’s college catalog does not provide the breakout of the mandatory non educational fees, but it is also 3 years out of date. Virginia Tech does not break out nor provide the value for the mandatory non-educational fee in its catalog, but instead provides a link to the bursar website.

examining the institutions myself, but the proposition/hypothetical I have asserted is re-enforced by an authority as well; the media.

The media narrative; asymmetrical information is present

This section will present the evidentiary findings regarding the media narrative that has been constructed regarding public higher education and its use of asymmetrical information flows regarding mandatory non-educational fees; the media narrative defines that mandatory non-educational fees are not disclosed.

The second portion of evidence collection is that of media reports which are used to investigate if the media is constructing a defined narrative that identifies mandatory non-educational fees are not being disclosed and if that narrative holds, that if those fees are not disclosed that they should be; the media narrative is a reflection of Chen and Meindl's (1991) altruistic democracy concept in which the media constructs the image of the organization dependent on its behaviors exhibited. If the organization is seen to be failing the public through its behaviors, then the media will construct a negative image of that organization which it will convey to the public as a means to encourage those identified organizations to alter their behaviors.

“Basic financial information on how colleges spend money is often not fully shared with trustees or key politicians who help fund or oversee college operations” (para. 13) as was stated by Professor of Economics Richard Vedder in a CNN article titled *Why does college costs so much?* in December of 2011. Some public supported four year institutions such as William and Mary and Virginia Tech itemize their mandatory non-educational fees on fee schedules on their main Web site, or on bills remitted to students; however, the vast majority of publicly funded

higher education institutions do not (see table 2), predominantly among those institutions which serve a larger proportional share of lower income demographic group classifications.

The majority of Virginia's state supported four year institutions insert their non-educational and mandatory fees (i.e. athletic fee, capital fee etc.) in a lump sum classification along with tuition or total mandatory fees; these fees are typically what is called a "student activity fee" ("Where the newspaper", 2004). This lumping together of information is a method known as "sorting costs" and is a means by which to obfuscate information sharing between providers and consumers. Example, Old Dominion University's athletic director Wood Selig commented that the school's athletic fee has more than doubled in a decade and "acknowledges that maybe it's not clear to students and parents exactly where their money is going." (Tucker, 2011b, para 2). Selig's comment describes the advantage of utilizing sorting costs to obfuscate information. The benefit to creating high sorting costs is that it complicates dissemination of information gathering, the harder it is to discern the information, and then, the less likely someone is going to dig it up or concern themselves with it. A comparable idiom to describe this technique is "*did you read the fine print?*"

The use of sorting costs to obfuscate information attainment has led to a media narrative being constructed in which it identifies that mandatory non-educational fees are increasing in price, and that those increases in price are happening at rates faster than what families and students can keep up with (i.e. costs) and is imposing limitation on public higher education affordability as a result of these fees and parents do not know the costs. As the comment by Selig addresses, costs are rising and parents more than likely don't even notice.

The media narrative; non-educational fees comprise a proportional share of costs

Between year 2000 to 2010, Old Dominion University increased its annual student athletic fees (classified by SCHEV as a mandatory non-educational fee, but inserted in common language classification as part of a lump sum student activity fee) by 105 percent which culminated in an additional \$549 per student with the majority of its rate increases stemming from the five years following the addition of an collegiate athletic football program (Tucker, 2011b). In year 2012 Old Dominion University's mandatory non-educational cost share in comparison to its educational costs share were 38% (non-educational) and 62% (educational) related costs of attendance (SCHEV, 2012). Mandatory non-educational and general fees as a whole have increased at a rate far outpacing the rate of the CPI-U index which is used to calculate inflation; *see appendix* (SCHEV, 2012; US Inflation Calculator, 2013).

The media narrative; parents do not realize what they are paying for "market failure"

This section will enhance the previous sections discussion about the rising costs of mandatory non-educational fees and the first section which dealt with simply identifying asymmetrical information or simply non-disclosure of fees. This ties the media narrative sections together and outlines that a) mandatory non-educational fees are not disclosed, b) these fees are increasing at a rate that families cannot keep up which increases the cost to attend public higher education, c) despite how much these fees are increasing, information about the fees are not disclosed to parents and students leaving them with no idea of what they are paying.

On the coastal side of Old Dominion and located within the Commonwealth of Virginia is a similar story of another state supported public four year institution located in the Commonwealth of Virginia is Radford University. USA Today (2010) talked to a family whom

at the time had a daughter attending the institution. The parents did not know is that they were spending roughly \$1,000 a year to pay for Radford Universities athletics program; despite the fact that their daughter admitted she had only attended one or two games since attending (Berkowitz, Upton, McCarthy & Gillum, 2010).

Radford, like ODU and many of the other state supported public four year colleges and universities in the Commonwealth of Virginia, are dependent on mandatory non-educational student fees to operate amenities such as their athletics' department. Radford, like ODU does not disclose where these fees go or what they cost; instead, students and parents receive a total amount under a single category often described as a student activity fee. The institutions do not itemize where the fees go for those who pay the bills, regardless if it is a parent, or a student taking out a loan that pays. These fees impose real costs (see appendix) that add to the total costs of attending college and for parents in particular, they are completely in the dark to these fees despite the costs they pose (Berkowitz, Upton, McCarthy & Gillum, 2010).

That's \$5, 000," Randall says. "That's one of her loans. That would have paid rent off-campus for a year. It's kind of disheartening. I don't think I'd have as much of a problem with it if I knew I was paying it. With what we're paying, it doesn't seem right...She does go to some of the games, Linda Randall says of her daughter, "and it nice that they let them in free... But she's going there for the (academics); she's not going to fund athletics." (Berkowitz, Upton, McCarthy & Gillum, 2010 para. 3-8).

The media narrative; non-educational fees create “public values failure”

The media has identified detrimental impacts occurring to parents and students. As fees have increased, loan borrowing increases have resulted, and dependence on loan borrowing has caused damaging effects to not only students but parents as well. Identified damaging effects comprise what are the public values failures. One such detrimental effect that exacerbates threats to human subsistence is unemployment, and unemployment is high for recent college graduates making it harder for students and parents to repay loans and afford adequate living standards (Kamentz, 2006; Per Research, 2011).

College graduates who borrowed to pay for the costs associated with their college education face heightened difficulty to make the necessary payment requirements stipulated by their student loan agreements; this difficulty stems from the fact that the calculated unemployment rate for recent college graduates has been on the rise (TICAS, 2012a). Year 2009 saw the unemployment rate for students reach 8.7 percent which is a significantly high rate given the historical trend in terms of the rate; however, the rate increased even more in 2010 by increasing to 9.1 percent, a percentage increase of 0.4 as borrowing and college graduate unemployment reaching a new recorded high (TICAS, 2012a).

In April of 2012, The Associated Press conducted an analysis of government data and found that 54% of bachelor degree holders were either classified as jobless or under employed. This marked the highest rate of unemployment of those recent graduates under the age of 25 with a college level education; this represent roughly 1.5 million individuals and with around half of them underemployed (Stone, Horn & Zukin, 2012; The Associated Press, 2012).

College graduates surveyed between years 2006 and 2011 were found to only have a little over half working full time; this translated to only four in ten found jobs that required attainment of a four year degree. Of college graduates surveyed, about 40% of them had yet been able to pay off any portion of their debt, or make significant payments beyond the minimum over the course of a three year period. (Stone, Horn & Zukin, 2012).

To make the future even more grim than it already may appear to be, The Associated Press (2012) reports that government projects that the 30 occupations that will experience the largest increases in need for labor, only three will entail the requisite need of a college education. The majority share of labor needs will be in areas of the economy that relate to retail, truck driving, transport, fast food and restaurants (i.e. high service needs industries).

Heavy student loan borrowing has led to increased bankruptcies “threats to subsistence”

Graduates carrying debt burdens associated with borrowing for college are more likely to file for bankruptcy than non-borrowers. In a 2010 report released by the Institute for Financial Literacy, found that more Americans who held a college level degree or higher had filed for bankruptcy at higher rates. Graduates with college level education were not sheltered from bankruptcy filings as those rates among degree holders jumped 20% from year 2006 to 2010 (Linfield, 2010).

Student loan borrowing has led to depressing income earnings among college graduates

Student loan debtors are more likely to choose the first job they can find over the job that is the best fit. Stone, Horn & Zukin (2012) found that 61% of respondents said that their first job had little to no relevancy in terms of the degree they had attained and its related academic studies; these respondents were college graduates between the classes of 2006 to 2011. 42% of respondents also stated that the first job that they landed following completion of college was to

secure a job that got them by (i.e. subsistence). This is an associated tendency that in a recessionary environment can depress incomes for many years and lead to decreases in productivity within the economy (Kamenetz, 2006).

High student debt can keep college graduates from employment, “threats to subsistence”

Student loans can have a detrimental impact on job seekers as The Society for Human Resource Management reported 60% of employers now routinely check potential applicants credit reports, which now more commonly include student loans as more students are borrowing to pay for their college costs and related expenses (SHRM, 2010). A high debt to credit ratio which can be generated as an effect by student loans can cause employers to doubt the legitimacy of hiring you as a potential candidate for their organization; another public failure outcome.

Latoya Horton was a student who went to college and studied accounting. A few years following graduation she landed a full time employment opportunity as an accountant with a firm. Following a promotion, she was subsequently fired by her employer after a credit report revealed that she had a high debt to credit card ratio that signaled the company to see her as a liability and fired her on account of this information (Dotson, 2012).[Error! Hyperlink reference not valid.](#)

Public values failure: Victimization of the poor; lower income groups are affected more

A member of Norfolk State University’s Board of Visitors Teresa Gladney had concern regarding the increasing rate for mandatory non-educational fees at Norfolk State over the years and stated that these fees were disproportionate fees.

Norfolk State has low- and moderate-income students who are more likely to incur debt to attend college...to put them in situations where they’re struggling to pay for their education, in part to fund athletics, no knowing if they’re going to

see any financial benefit, to me is irresponsible and unethical (Tucker, 2011b, para. 13-16).

Harvard University researcher Thomas Kane conducted a study examining the impact of costs on “students from low income families” (Oliff et al, 2013 p. 14) in 1995 that revealed that those state’s which had the largest increases in mandatory costs of attendance among its colleges and universities led to “wider gaps between high and low income youth” (Kane, 1995 pg 25) in the 1980’s and early 1990’s. The author’s research correlates with these findings as costs increases impact lower income socioeconomic classification of groups disproportionately.

Further research evidence provided by Georgetown University scholar Anthony Carnavale in 2008 concluded that increasing costs of attendance among public higher education institutions led to widening the gaps between low income students and high income student’s (i.e. socioeconomic group classifications) (Carnavale, 2008 p. 57).

Just 9 percent of students from the poorest families complete a degree -- meaning less than a third who ever enroll make it to commencement. By comparison, 54 percent of the most wealthy students earn a diploma, meaning they have about a two-thirds success rate (Weissmann, 2013 para. 4).

Public values failure: Victimization of the poor; elderly impacted in harmful ways

The New York Times reported in 2012 that there exist an invisible group of college loan debtors that have remained quietly off the radar in terms of media attention and discussion. This group accounted for 2.2 million people within the first six months of the 2012 year and they are only a representative fraction of the actual total number of this described “invisible” group. This invisible group has a total of \$43 billion in accumulated college debt in year 2012 when just

seven years prior in 2005 that debt was only \$8 billion. The invisible group has seen their student debt burden swell by an alarming 400%+ in a relatively short period of time. This invisible group of college indebted individuals is not recent college grads, but, in fact, is parents who have turned to loan borrowing to help afford the costs of sending their children to college (Lewin, 2012).

This group represents the fastest growing college debt group to have appeared, even outpacing the increasing rate of recent college borrowers in terms of rate of change. This group is represented by individuals that are classified as 60 years and older. The rate of default for those at least 90 days delinquent on their student loan debt payment has increased by 4% from year 2005 to 2012 (Lewin, 2012). Many individuals within this group are now having portions of their Social Security benefits taken from them in order to pay for their accumulated student loan debts; in 2001 that number represented 23,996 individuals, it has since increased to 119,000 in 2012; this represents an increase of 395% or 95,004 individuals losing portions of their social security benefits as a result (Lewin, 2012).

The consequences of accumulated student loan debt among this particular group of individuals have to do with the mere fact that their age limits the available options they have to pay off their incurred debt burden. While a recent college graduate essentially has a lifetime to work off their accumulated debt burden, this group of parent borrowers do not have such luxury as time to work that debt burden off is vastly limited by comparison. So while there has been documented evidence that shows students have been taking on more debt to afford a college level education, there is now new evidence that shows that students are not the only one's feeling the effects of the burden that college debt places upon an individual (Lewin, 2012).

The Chronicle of Higher Education recently released a complimentary report that baby boomers who went back to college to update their education to compete in the global economy are now struggling to pay back the associated debt derived from loans they took out to afford college costs. These older individuals as described in the report have accepted the fact they will *die with student debt*. The amount of money they have borrowed to afford college costs has lead them to have their wages garnished from what little they earn, reduction of social security and Medicare benefits reducing their ability to afford basic necessities or *subsistence* (i.e. food, shelter, and health care etc) (Patton, 2013).

Public values failure: Dehumanization policies; lower income societies are impacted

Detrimental impacts that may result from increased costs that may limit access and affordability to public higher education not only affects individuals, but impact entire societies of lower income group classifications as concluded by Economist Enrico Moretti of the University of California at Berkeley. Moretti's research identified that the greater proportional share of a population whose individual members have earned a four year college degree the better off the society of the whole was in terms of economic indicators and factors. A large proportional share of educated workers in a society can enhance that area's economic success (Moretti, 2004).

Measures of economic success enhancements derived from a large proportional share of an educated society led to higher wage earnings per employee and lower rates of unemployment among all levels of educational attainment, not just college graduates. However, the opposite can also be said, that a society which has a larger proportional share of individuals with low four year degree attainment can lead to detrimental impacts such as high unemployment and lower wage earnings (Moretti, 2004).

Moretti's (2004) research reinforces existing evidence and claims made by others in this research that have outlined the perceived need of higher educational attainment for both economic and normative based measures. That increases in the costs of public four year higher education can limit access and affordability for particular income groups; more specifically, those income groups located in the lower to bottom portion of the socioeconomic quartile classifications.

Public values failure: Dehumanization policies; gender Gap appearing

Sociologists Rachel Dweyer and Rand Houston of Ohio State and Laura McCloud of Pacific Lutheran University have identified that a gender gap is emerging among men and women regarding college costs; that decision ultimately resting on the premise of "should I borrow more and stay in college? Or should I drop out and get a job to avoid having to borrow more?" The paper was published in the academic journal *Gender & Society*; the paper identified that men have a propensity to drop out of college in the face of having to borrow more for college than that of women who are faced with the same decision (Casselman, 2012).

The authors identify that in order to achieve middle class income status it has become increasingly reliant on achievement of a Bachelors degree to reach such income classification; however, to get that bachelors degree, it is increasingly becoming reliant that students have to borrow to attend college to get the desired degree and the associated prospects that entail achieving a degree (i.e. higher income) (Casselman, 2012).

The problem with borrowing for education to a high degree can have impacts that may limit a student's ability to purchase a home, choose a career, or raise children and start a family due to the income burdens that are placed upon a student flowing completion of their higher

education completion. These results are similar to the findings reported by Stone, Horn & Zukin (2012), Kamentez (2006), Linfield (2010) and Pew research center (2011) (Casselman, 2012).

The media narrative; asymmetrical information has been identified

Fees have increased faster than families' can afford the rise in costs and these costs have resulted in detrimental economic and normative impacts (i.e. public values failures). Has anything been done? This section will outline and discuss Delegate Marshall's 2005 Code of Virginia amendment which sought to make mandatory non-educational fees more transparent. Despite the 2005 amendment, the media and the author identified that institutions were not compliant with the code of Virginia. Despite passing of this amendment, there exist discrepancy among institutions and the creator of the amendment about what being in compliance actually entails; as a result, fees are no more transparent than they used to be and asymmetry of information is still present based upon evidentiary findings. Delegate Robert G. Marshall of Virginia's 13th district stated that:

A fee is a fee. A tax is a tax...I'd like to know what I'm being charged and what I get for it. I think that the students and the parents who are paying for this want to know. I get almost as many complaints about fees going up as I do about tuition (Berkowitz, 2010, para. 5).

This comment was made nearly five years after Del. Marshall had sponsored legislation in Virginia's general assembly to increase disclosure of how student fees are spent, and how those fees are made available to the public. The 2005 provision that was adopted into Virginia law in year 2005 requires state supported public colleges and universities to disclose on their websites what they do with revenue from mandatory non-educational fees classified by the designation on behalf of institutions as student activity fees. The law is as follows:

CHAPTER 532

An Act to amend the Code of Virginia by adding a section numbered [23-2.3](#), relating to reporting of the use of student fees.

[H 1816]

Approved March 22, 2005

Be it enacted by the General Assembly of Virginia:

1. That the Code of Virginia is amended by adding a section numbered [23-2.3](#) as

follows:

§ [23-2.3](#). *Annual reporting of the use of student fees.*

Each public two- and four-year institution of higher education in the Commonwealth shall publish annually a descriptive report detailing the (i) amount and distribution of student activity fees assessed each semester or during an academic year; and (ii) the name of each organization, including the nature of the organization's activity, that receives funding of \$100 or more from student activity fees. Each institution shall post the annual report of the use of student activity fees to its website to facilitate access and availability of the report to students enrolled at the institution and their parents (“Chapter 532”, 2005).

Del. Marshal stated the intent of the adopted measure was to make easy for customers of state supported public four year education to see where all of their money is going in regard to

the mandatory non-educational fee, which includes the portion of fee charges that go to intercollegiate athletics. However, USA Today (Berkowitz et al., 2010) found that most of Virginia's colleges were not in compliance with the state code and provided no breakdown of the mandatory non-educational fee.

The only two institutions that were in compliance were Virginia Tech and William and Mary who had pre-established web pages showing an itemized breakdown of their student activity fees (mandatory non-educational fee). Though the state law code had been around and in place since 2005, many higher education institutions had no idea it even existed (or so they stated). I shared correspondence with Professor Meyers of William and Mary over the duration of the summer of 2012; Meyer's response when he discovered that such a state code law had been in place since 2005 was one of surprise

I was surprised to hear that VA mandates transparency, and even more surprised to hear that state colleges and universities so blithely ignore the law. I got in touch with Delegate Marshall thinking he might be interested to hear of state agencies flouting state law. He called me to follow up, but I don't know that anything further got done...of course, in all the discussion of the high costs of attending college, few are willing to look at fees (even when that's possible) (Meyers, [Personal Communication] August 2, 2012).

The media reinforced the observation that such a measure existed and reported on the matter, they as well discovered that despite the existence of Delegate Marshall's code amendment, institutions in Virginia were doing little to actually meet the compliance in which it required. Del. Marshall's response echoed the media's observations

Athletic departments receiving more than \$100, they need to provide a breakdown. I mean, we didn't say, 'Except for fees for the athletic department.'... Maybe they need some remedial reading courses at the college campuses."...Marshall says it shouldn't be so hard for parents to find this information, or for the schools to provide it. "If (the schools) are not doing it, (the governing boards) are derelict," he said. "If you want to hide it ... you must be embarrassed about it. You're covering your tracks (about) your decision-making." (Berkowitz, 2010, para. 11-14).

Coming across this statement recorded by Delegate Bob Marshall I contacted his office directly to find out more about Virginia Code § 23-2.3. In particular, I wanted to see why after this code amendment had been made, why exactly public state supported higher education institutions were not following it, or being forced to, as not doing so was a violation of state code. My correspondence (see appendix p) with Delegate Bob Marshall and other staff agency personnel revealed there existed discrepancies in how the code amendment was and should be interpreted. Response from Ryan Brimmer, staff attorney with the Virginia division of legislative services interpreted the state code as follows

The Code does not specify what information must be provided with regard to "the nature of the organization's activity." Other public institutions of higher education in the Commonwealth making these reports available on their respective websites generally include only the name of the organization receiving the fee (Personal Communication, September 6, 2012).

In contrast, a representative from The State Council of Higher Education for Virginia had a spokeswoman state that;

Virginia law requires public universities to publish "the amount and distribution" of fees on their Web sites and to "facilitate access and availability" of those reports to parents and students... if I'm a parent paying tuition and fees and want to know exactly what I'm paying for, I should be able to find it fairly easily (Vise, 2010, para. 13-14).

Again, a reference is made to Del. Marshall's 2005 Code of Virginia law § 23-2.3 under the presumption that this law enforces public state supported four year institutions to divulge information regarding how much students and parents are paying for mandatory non-educational fees, this time, it is from a state higher education officer making the claim, thus enforcing the perception that this is a law that was made with the intention of improving disclosure of information between providers and consumers, yet, institutions do not do such as the interpretation of the state code seems to be different among how institutions read it and how state officials read it. I present UVA Wise as a case example of how institutional interpretation of Virginia code varies from Del. Marshalls intended interpretation

UVA Wise; different interpretations and intentional information obfuscation

After speaking with Professor Meyers and reading about the Virginia Code law passed in 2005, I approached Marcia Quesenberry who serves as the legal counsel to The University of Virginia's College at Wise and is as well the Virginia Freedom of Information Act liaison for the institution and submitted a request regarding the breakdown of fees as outlined in Virginia Code

§ 23-2.3. In her response to the submitted request I was presented with a table (see appendix p) that provided the break down per group/organization that had received money from student collected mandatory non-educational fees. The document was not what I was looking for or expecting to receive. The document was not available anywhere on the schools website at the time of request on August 3, 2012 (Appendix R). On August 7, 2012 I received notification that the document had been updated and was placed on the school's cashier's office website.

The original document (appendix Q) I was provided by PDF was replaced by a new updated document (appendix S) that was vastly different from the original document in which was supplied as a result of the FOIA requests made to the institution. The new document omitted departments and organizations receiving money from mandatory non-educational and general fees (appendix T). Select information that was divulged in the original document was removed completely. One fee of interests that was removed was the athletic fee that accounted for \$1,685,880 (SCHEV, 2012) and was the highest figure amount that received student fee monies among the other fees listed in the original document.

Marcia Queensberry stated in our communication that this document was what the code of Virginia had stipulated be provided (Del. Bob Marshall's Virginia Code § 23-2.3). The UVA Wise case example is a visual representation and enforcement of the argument that Del. Marshall's own proposed legislation was not doing what it was intended or designed for as his statement from the USA Today (Berkowitz et al, 2010) article had revealed, that non-educational and mandatory fee were still not anymore transparent than they been before the provision was added to Virginia's state code.

The media narrative; why are institutions not disclosing fees to consumers?

The media's interpretation as to why public higher education institutions are not disclosing mandatory non-educational information despite the reported evidentiary findings that show detrimental effects are resulting from not sharing the information with consumers is centered around the premise that these fees are 1) significant (high) and 2) if students and parents knew how high these fees were they may do something about it and threaten the ability to generate the revenues for the services the fees are designated for.

Despite the efforts of Delegate Marshal to improve information sharing between public state supported higher education institutions and the public through his Virginia state code addition, it ultimately did not resolve the distortion of information in the market. UVA Wise shows there are institutions that do not meet the code's established requirements of reporting. There has been a lack of enforcement, or as Sunstein and Thayer (2008) would say, there has been no "nudge" to ensure institutions are meeting state code compliance. The failure to comply is known as status quo bias which entails doing as it has always been done (Sunstein & Thaler, 2008). In this case, the institution(s) have decided to operate as they always have in regard to disclosing information of mandatory non-educational fees. That operation method is "not disclosing the fees".

The Media narrative; fees not disclosed, threatens profit maximization brand building

The Washington Post reported that a possible reason why public higher education institutions such as The University of Virginia's College at Wise may not disclose their athletic fees and opt for them to be hidden is because they are large fees; the athletic fee in particular is the largest single fee charged to students who attend the institution. This fee is not only high in

Virginia, but some athletic fee charges are among the highest in the nation and parents, as well as students may have no idea how much they are exactly paying for athletics in particular

The \$2,022 fee charged by Longwood is not mentioned on the school's Web page devoted to tuition and fees. All that's listed is a single figure for tuition, fees and living expenses. Radford University doesn't list its \$1,077 athletic fee on its tuition and fees page. Christopher Newport University's \$1,147 athletic fee is included within a single "tuition" figure on its Web site. Four-figure athletic fees at James Madison and Old Dominion universities and Virginia Military Institute are not listed on their tuition and fees pages... University leaders say that without the fee, they wouldn't be able to offer high-quality intercollegiate athletic programs. Schools with fewer students and deep-pocket donors have to charge correspondingly larger fees [cost shifting and third party payer behaviors (Shareef, 2008; Bozeman, 2002, 2007)]... School officials say they don't list individual fees on their Web sites out of concern for burying parents in minutiae [of information; asymmetrical information leading to market failure]. The schools generally report prices as a comprehensive fee - a single figure that represents everything a student should expect to pay."What we're saying is, this is our total cost for our total experience,"[similar to what Meyers (2006) found when he asked William and Mary about why they did not itemize or break out the mandatory non-educational fees on the website or catalog] (Vise, 2010, para. 2-7).

Mandatory non-educational fees are increasing; this subsequently raises the costs of attending public higher education, which in turn limits the ability to afford public higher education, so parents and students have to borrow, but borrowing can lead to detrimental impacts

on borrowers while the entire time consumers have no idea that this is happening? Where is the outcry then? Where is the public outcry? Where are the demonstrations? Why aren't more students and parents talking about these associated mandatory non-educational fees that drive the costs of attendance up at Virginia's Public state supported higher education institutions?

As the evidence supplied through each examination of Virginia's higher education institutions, in addition to a defined narrative on behalf of the media has constructed that the rationale behind the lack of public dissent or action is a result from the perception that parents and students do not know that they are being charged, let alone how much. The President of College Parents of America, a Virginia advocacy group put it best "parents might complain about the fee if more were aware of it, particularly those with children [college students] who take no part [in amenities, or services the mandatory non-educational fee is used to fund (i.e. athletics) (Vise, 2010, para. 25-27; College Parents of America, n.d.)

Summary

I have summarized in my research question that institutions have intentionally reduced information sharing to consumers in the public higher education market under the premise that by doing so can increase profit maximization that institutions can then use to participate in brand building (Kerr, 2001). Paul Lingenfelter, executive director of the State Higher Education Executive Officers Association in a column by The Wall Street Journal column openly identifies that institutions of public higher education are operating under the premise of brand building; "schools also compete...to offer fancier dorms, dining halls, gyms and other amenities, to raise their rankings and attract students. "It's a competitive business, and institutions compete for

students the same way Lexus and Mercedes compete for car buyers,” (Hill, 2013 para. 12; The Wall Street Journal 2012).

The media narrative enforces my research propositions as they have identified that institution of public higher education hide information regarding mandatory non-educational fees and the theoretical theories of market failure triggered by asymmetry of information and the Chicago paradigm reinforce the proposal that withholding information is a means by which to increase profits, or produce revenue generation. The revenue generation in this case surrounds public higher education institutions seeking means by which to increase costs that lead to revenue enhancements in order to participate in brand building behaviors; the majority share of brand building is derived from mandatory non-educational fees.

The media narrative has identified that detrimental impacts have resulted from these brand building behaviors, these impacts are classified as public values failures and have affected not only individuals, but entire societies. Despite the identification of these negative impacts that are a result of these brand building behaviors accomplished through means of information obfuscation and perceived intentional market failure creations, the institutions continue still with associated behaviors that result in public values failure.

Legislation was put forward to address the concerns associated with a lack of information sharing between providers and consumers. This legislative action reinforces the identification of asymmetrical information flows being present in the public higher education market which leads to market failure identification. Despite the endeavors of the legislation, it failed in remedying the intentional use of information asymmetry and subsequent market failure that when reaches a tipping point can lead to public values failure. Institutions and public officers have varying

perceptions in how the proposed legislation implemented in Virginia's code should be interpreted. This in turn has resulted in the promulgation of profit maximizing behaviors to continue in the public higher education market in Virginia and has been identified by the media, and led to a media narrative that advocates that it be corrected.

Chapter 5

Analysis

This section will link the evidentiary findings along with the proposed research questions presented by the author. Altruistic Democracy Concept; the media defined a narrative identifying market and public values failure and shaped the public's perception of these failures in a negative aspect. Chen and Miendl (1991) identified the importance of the media and its significant role in determining the social construction of an issue (i.e. how it is viewed by the public and society at large). The media hold tremendous power in regard to issues; the media not only determines what issues are important or deserve attention, but as well can shape what the public's perception of those issues will be.

The media can influence how an organization or an individual will be viewed by the public based upon how it constructs the image of the issue in question. The evidence presented by these findings has shown that the media has not only brought attention to the issue of mandatory non-educational fees and the lack of information sharing there is between providers (higher education institutions) and consumers (parents, students, and the public at large); the media has also constructed how the public should perceive the issue in question by means of a well defined narrative.

The defined narrative is relatively simple, yet powerful at the same time; parents and students do not know that they are paying high dollar fees for services and amenities that are not educationally related in nature, that these fees are increasingly becoming more expensive and causing detrimental effects to the public (i.e. college costs are going up and as a result harder to afford a college education). The villains in this narrative are the higher education institutions themselves that have been constructed by the media as profit seeking, self interested actors (i.e. they want more money for their amenities, and their organization as a whole); the victims are the parents and students who are increasingly having to either borrow more money (go into debt) or forgo college all together because of the associated costs with these fees.

This narrative is one of two leadership values identified by Chen and Miendl (1991); that leadership style being the altruistic democracy concept, “This value preference suggests that politicians, officials and the system of democracy are all expected to be efficient, honest and dedicated to the public interest” (Shareef, 2004, para. 9). The media constructed a narrative in which parents and students do not know the costs they have to pay for amenities and services that are associated with the mandatory costs that must be paid to attend one of Virginia’s public state supported four year higher education institutions.

These costs are not disclosed to parents and students despite the fact that they can be of a significant amount which can add greatly to the total costs of attendance and have a detrimental impact on the affordability of parents and students to afford attendance at one of these higher education institutions. The evidence collected and examined has shown that the majority portion of Virginia’s state supported four year public higher education institutions do not disclose their mandatory non-educational fees to consumers (students, parents, and the public). The author has

proposed that the existing theory of market failure has occurred as a result of this non-disclosure of the mandatory non-educational fees and the market failure has occurred as a result of asymmetrical information flows.

By not disclosing this fee, it has been proposed that it is resulting in public values failure as this fee has increased the costs of higher education and generated detrimental effects to the public. I proposed that higher education institutions have chosen not to disclose this fee as a result of criteria advocated by the Chicago paradigm management process; obfuscating and not disclosing the information to consumers in regard to the mandatory non-educational fee is a principle of the Chicago paradigm that posits limiting information to consumers as it creates a competitive advantage that allows for a maximization of profit generation on behalf of the provider to reap.

Given the evidence provided and the narrative constructed by the media, I affirm that the proposed theoretical reasoning's that account for this phenomenon hold to be evident. Under the premise of the market failure and public value theoretical construct, government intervention is warranted and encouraged to mitigate the distortions identified in the public higher education market. The narrative defined by the media reinforces the call for government intervention under the altruistic democracy concept.

Chapter 6

Conclusions

The purpose of this section is to address a summary of the purpose of this research and recounting the authors proposed theoretical reasoning's. The research proposed that one plausible rationale for the rising costs of higher education at Virginia's public state supported four year institutions is the result of asymmetrical flows of information between providers and consumers regarding mandatory non-educational fees. Asymmetry of information is one of the identified triggers that create market failure. Asymmetry of information is a management process technique employed by the profit maximizing management process known as the self-opportunism model of management or throughout this research as the Chicago paradigm. It is a management thought that advocates limiting information between providers and consumers under the premise it can increase profit for the organization.

Asymmetrical flows of information lead to market failures and subsequently can create detrimental economic and normative impacts on the societal whole. These detrimental impacts lead to what is known as public values failure, when these failures are identified in a given market it gives credence for government intervention to take place to correct failures in the

market. The identification of these failures was collected by evidentiary findings and a defined media narrative accounted for by the altruistic democracy concept which reinforced the call for government intervention.

Based upon the evidence collection presented by the author, in conjunction with the proposed theories of economic and public administration thought, I conclude that mandatory non-educational and general fees present an identified market failure occurrence in the public higher education market. Market failure has reached a tipping point in which it has generated economic and normative detrimental impacts upon the polis of the Commonwealth of Virginia. These detrimental effects most noticeably affect those income groups of the lower to lowest socioeconomic class identification.

The plausible explanation to account for these identified economic and normative failures is the Chicago paradigm of management thought, which advocates privatizing benefits while socializing costs; creation of market failure and resulting public value failure is acceptable, if not encouraged if it leads to a competitive advantage which results in maximized profits. Given the theoretical propositions and the evidence findings that enforce those propositions it is recommended a policy prescription be submitted to the Commonwealth of Virginia's legislature for consideration in developing an amendment to Virginia Code § 23-2.3 that would mitigate the identified market failure, *asymmetrical information* from triggering and the subsequent public values failure which are generating detrimental economic and normative impacts among the residents of Virginia.

Arguments

Before moving forward I would like to address some arguments that could be propositioned against the findings and conclusions of my research. The two arguments I will discuss that may *push back* against what I have presented in this research deal with public goods and transaction costs. It could be argued that mandatory non-educational and general fees which are charged to individuals who attend one of Virginia's public higher education institutions go to fund public goods. Public goods are held to be non-rivalrous and non-excludable which means that a good can be consumed without reducing its consumption by another individual and no one is excluded from consuming that good (Cowen, 2008). Are these funds collected from mandatory non-educational fees¹⁸ going toward public goods (i.e. campus security)? If so, that is a public good and a counter argument to the research presented could be made that the choice to pay these fees should not be given and remain mandatory with no available opt-out option.

Public goods hold that they are to be both non-rivalrous and non-excludeable, however, not all of the mandatory non-educational fees can be held to meeting this outlined requirement. For example, look at the athletic fee and the scholarship fee (i.e. is a fee that is used to fund athletic scholarships) charged at The University of Virginia's College at Wise¹⁹; There are only so many sports that a student may participate in, in addition not every student may play or participate in intercollegiate athletics. There are a set number of spots for one, and a student must be selected and approved to play on the associated athletic sport (i.e. usually must tryout and be selected by the coach to participate). The scholarship fee that all attending students must pay do not all receive that scholarship fee; that fee is specifically only for students whom participate in

¹⁸ See appendix z and appendix aa for a breakdown of the mandatory non-educational fees charged at Virginia's public higher education institutions for the 2012-2013 year (SCHEV, 2012).

¹⁹ I utilized the university of Virginia's college at wise as an exemplifier to frame the context of the discussion about mandatory non-educational fees funding presumed public goods. This information can be found at the following link http://www.wise.virginia.edu/fin_gov/files/fin_gov/UVa-Wise%202011-2012%20Budget%20Summary.pdf (The University of Virginia's College at Wise, 2012).

collegiate athletics and then only certain athletes are then selected to receive that scholarship. Though all of those attending students pay for that fee, only a small proportion of those whom pay actually have access to that fee and are excluded. In addition, if one athlete receives more from the scholarship fee it reduces others athletes ability to have access to it (i.e. only so much money is available in scholarship money; therefore if someone gets more money it reduces another athletes ability to consume that money). Essentially, this entails a student can be excluded from the *good* which is intercollegiate athletics even though they are paying for it. Therefore, this *good* is not non-excludable and as well is not non-rivalrous.

Another fee to examine is the mandatory non-educational debt service or capital or capital reserve fee. This fee comprises what essentially is a loan repayment fee. In the Commonwealth of Virginia, buildings which are not designated as primarily used for educational purposes do not receive state appropriated money to fund its construction. To frame an example of buildings that this fee would be applied to are athletic fields (i.e. baseball field, foot ball field/stadium, student centers and residential housing/dorms etc.). In order to fund these non-educational building institutions have to borrow money or take loans to fund the construction of these buildings. The capital/debt fee is then applied to students to pay for the loan repayments on the loans borrowed to build those buildings. Some buildings may meet criteria of a public good; for example, a student center is non-excludable and non-rivalrous. All students are able to access the building and one student's use of that building does not preclude another student from using the building any less. Other buildings that would not meet the criteria of a public good would be buildings or facilities such as dorms/residence halls and athletic fields.

I will begin with dorm/residence halls. These buildings are not public goods despite all attending students have to pay a capital/debt fee that may be used to fund the loan repayment for constructing the building. There is a set number of rooms available to house students who attend the given institution, as a result, not all students who attend may room on campus and may have to live off campus as a result. Therefore, students may be excluded from this good and is rivalrous since one student who gets a room on campus may preclude another student from getting a room on campus (i.e. limited rooms on campus). The same can be said about athletic fields or stadiums. Students may be being a fee to fund the building of these facilities but may not directly utilize them; unless you play for an athletic team a student may not simply go onto the field and use it. As a result use of the field or facility is reserved for a select group of individuals, but all payers are not allowed to participate in use of that *good* and are excluded from its use.

I agree that a case can be made that public goods may be funded through mandatory non-educational fee, but interpreting it as a broad stroke that all mandatory non-educational fees are funding public goods does not hold weight under the existing definition criteria of what establishes a public good. This would need to be examined on a case by case and institution by institution basis which identifies an area which existing research could delve deeper into examining and understanding. However, this is beyond the scope of the intended research I have presented and leave it up as an area of recommendation for future research.

One additional fee I would like to examine in response to the proposed argument is the student activity fee or student organization fee. This fee is a charge all students must pay, that fee is used to fund financial support to established student groups (i.e. video game club, chess club,

greek organizations, student political groups, student religious groups etc.). Traditionally how this system operates is all the funds collected from the student activity/student organization fee are transferred to the institutions student elected body. That student body then handles how that money is distributed among the varying groups that operate at that institution. While student organizations which receive money from the fee may not discriminate individuals from joining student organizations, there are some organizations which do discriminate individuals from joining; Greek organizations.

Greek organizations do not let any student that pays the fee join their organization, students must go through a process and be selected to join and can even be rejected from joining even if the student desires to join. This is another example of where it can be a public good and it may not depending on the contextual nature of the organization or group. The Greek example shows that individuals can be excluded from the *good* though they have paid for it through student activity/student group fees. In identifying the rivalrous exemption, I would argue that there is a set amount of money that the student government may appropriate and that money is not necessarily appropriated proportionally equal to all groups. The appropriations process usually entails groups submitting request to their governing student body in which that body determines how much money they will receive. If the color guard gets \$500, but the physics club only gets \$50 out of a total available funding pool of \$550 and the chess club gets no money, then ones consumption of that *good* reduces another individual's ability to consume that *good*. The *good* in this case being the amount of available student funding derived from student fees.

Transaction costs

A second argument is based on the theory of transaction costs. Transaction costs are the costs incurred when participating in a transaction; to frame it an easily understood example think about the costs of buying a new car. First, there is search and information costs which are the costs a person would incur to find a car and then determine the condition of the car. The bargaining costs would be those incurred costs of bargaining with the seller of the car to negotiate a price to pay for the car. The policing/enforcement costs are those incurred costs between the seller and the purchaser that the car and the price agreed upon are met. As the adage states, *the costs of doing business* sum up the basis of what transaction costs are (Kissell & Glantz, 2003).

In examining mandatory non-educational fees the argument could be made that if you allowed individuals to opt-out of paying the fee, you have removed the fees essentially from having to be paid and now there are organizations or activities that students would choose to engage in, perhaps something like intramural sports that may not receive the same amount of funds and as such can no longer be operated. There exists no a priori structure to absorb the initial costs of organizing the events, competitions, etc. These costs must now be paid each time the students want to engage in these activities, but now they can't because the start-up costs are simply too high for them to opt in. In removing the fees you have you have taken something they really want, which justifies the mandatory fee. In other words, the mandatory non-educational fee was created to absorb transaction costs so that people will have what they prefer, but would not choose to participate in if they actually had to pay those costs. National defense is good example of this; if individuals could opt out of having to pay taxes that went to national

defense would they do it? The underlying assumption is yes, they would; at least that is the assumption and it may in fact not hold to be true at all. Some would pay and some would not.

The proposition I offer in response to this criticism is to examine the effects of Title IX on college athletics. Title IX established that proportionality must be reached by college institutions (i.e. equally number of female sports and an equal number of male sports) (Leung, 2009). As a result of this requirement multiple male sports have been removed and subsequently do not receive funding from student's fees or able to participate in collegiate athletic conferences run by organizations like the NCAA. What has happened as a result is the emergence of club sports. Club sports do not fall under a regulatory body (i.e. NCAA) and are student run and more often than not receive little to none financial aid from the institution. Money is often provided through the institution's student body governing authority in the same way clubs make requests for funds. The requirements of participating in club sports requires a membership fee to participate to fund the club or operates on or in addition to private gifts and contributions (Pennington, 2008).

The New York Times reported that there are nearly \$4 million students participating in club sports versus the 400,000 intercollegiate athletes in the NCAA (Pennington, 2008). The organization of competitions is done by volunteers and students and even holds championships and competes against other colleges and universities much like intercollegiate athletic programs. The only difference is club sports do not operate under the confines and regulations of the NCAA nor receive funds from the athletic fee charged by colleges and universities (Pennington, 2008). So while I recognize that there may be associated transaction costs that may limit individuals from having access to something they may want, but cannot have it due to costs, it

seems to be an irrelevant argument as countless student organizations and now even competitive sports programs have found a way to operate without relying on mandatory non-educational and general fees.

I would counter that my research does not advocate for whether or not mandatory non-educational fees can be opted out of, thus, allowing an individual not to pay for the fee. Instead, my research proposes that information deficits exist in the public higher education market which in turn creates identified market failures. These market failures in turn can lead to tipping points known as public values failures. The proposition of my research is that of a theoretical construct which states that increasing information will mitigate market failure identification and subsequent public values failure as supported by the evidence of existing literature in relation to the theories I have provided to explain the examined case (i.e. Virginia's public higher education market). Market failure created by information asymmetry has led to increased costs, increased student debt and default rates which compliments similar findings by Kallberg and Udell (2003) whose research in financial markets also found similar outcomes being produced from asymmetry of information deficits between providers and consumers. Stiglitz (2001) won the Nobel Prize in economics for his work in identifying that information deficits create inefficient market processes in the allocation of goods and services; Stiglitz (2001) research holds that if you increase information sharing between providers and consumers it will result in efficient allocation of goods and services and reinforce efficient market transactions (i.e. symmetrical information leads to market efficiency).

Therefore, increasing information sharing between providers and consumers (i.e. colleges and students/parents) will limit the identified market failure which creates students, in

particular low income students not being able to afford attendance at public colleges and universities in Virginia which is a misallocation of goods as particular parties are made better off at the expense of others which violates the law of pareto efficiency. Those who still decide to attend college who may not be able to afford the out of pocket expense associated with the increasing costs have turned to loan borrowing; this loan borrowing however given the contextual environment of high unemployment and depressed wage earnings has generated threats to human subsistence (i.e. food, water and shelter etc) as loan repayments limit an individual's ability to afford and meet identified subsistence needs.

These are what are known as public values failures. Therefore I have proposed with the theoretical propositions of Stiglitz (2001) and Bozeman (2002,2007) that mitigating market failure will produce, *hypothetically*, lower costs and increase affordability for students and parents to afford public higher education. Lowering costs will in turn reduce loan borrowing, default rates and the subsequent loan repayments from earned wages, garnished wages from missed payments, social security withholdings for defaulting on loans and preventing removal from Medicare benefits which all result from student loan borrowing, debt holdings, and defaults. I hold these propositions of *hypothetical's* as just that, *hypothetical's*. These are theoretical propositions which are based in theory and enforced by existing research and empirical findings of the use of these theories in other case studies performed by the researchers whom developed and produced these theories I have examined in the context of the public higher education market in Virginia.

I now conclude my research by offering a policy recommendation in which to correct identified market failure resulting from asymmetrical information sharing between providers and consumers in the Commonwealth of Virginia' public higher education market.

Chapter 7

Recommendations

This section will outline the proposed policy prescription on behalf of the author to correct identified asymmetrical information sharing between providers and consumers; briefly introducing the pragmatist approach of policy design, the author will recommend a policy recommendation in which takes into account a technical, economic, political and legality feasible approach given the environment (Clemons & McBeth, 2009).

The pragmatist approach method holds that four criteria are essential in determining the adoption of a given policy recommendation. Those four criteria being 1) technical feasibility, 2) economic feasibility, 3) political viability and 4) legality (Clemmons & McBeth, 2009); these criteria were established by Patton and Sawicki (1986). Technical feasibility defines whether the

policy recommendation is actually able to be accomplished; in the case of mandatory non-educational fees, can these fees be collected and presented. Economic feasibility deals with the costs of pursuing the policy recommendation; how much will this policy recommendation cost? As Clemmons and McBeth (1986) note, “efficiency and cost effectiveness are holy grails in public administration” (p. 128). How much will it cost to collect and present an itemized account of mandatory non-educational fees from each of the Commonwealth of Virginia’s 15 public higher education institutions. The political viability criteria examines whether or not the given policy recommendation would be accepted by stakeholders; in the case of mandatory non-educational fees, would representatives in Virginia’s General Assembly support a measure that would increase information sharing about fees with the public, would the public support having more information provided and would the institutions themselves want to divulge that information. The final criteria is the legality of the recommendation; in the context of this research, does the Commonwealth of Virginia have the authority to create a policy that divulges information about mandatory non-educational fees among public higher education institutions.

Utilizing the pragmatists approach method of policy analysis developed by Patton and Sawicki (1986) (Clemmons and Mcbeth, 2009), this research proposes a policy recommendation that meets the four identified criteria of a pragmatists policy recommendation. The recommendation is technically feasible as the information is already collected annually by the State Council of Higher Education for Virginia; it is economically feasible as the costs would be negligible, institutions would only need to add a few lines of coding to their websites and add a few lines of text to their college catalogs and billing statements. As most of these formats are now digital the costs of doing so is even more negligible. The political criteria is met as the General Assembly of Virginia is Comprised of a majority share of ideological leaning members

that support public information sharing and accountability and transparency of public agencies and entities. The media narrative has identified that Virginia residents are receptive and open to the idea of having more information about the fees they pay to attend a public higher education institution in Virginia. The legality of this recommendation is also met as it is drafted from existing Commonwealth of Virginia State Code. After identifying these criteria, the policy recommendation is presented as follows.

It is recommended that a language addition be made to delegate Marshall's 2005 code of Virginia amendment in order to clarify how mandatory non-educational fees will be reported. Utilizing the existing Virginia code, it is recommended a language addition will provide mandatory non-educational fees reporting standards to be upheld by compulsory enforcement. If those reporting standards are not met, the existing code of Virginia will enable the ability of the Virginia Legislature to withhold appropriations of general funds to Virginia's public higher education institutions if they do not meet compliance.

The existing code of Virginia under Title 23, Chapter 1, Section § 23-1.01 states that

The board of visitors of each institution of higher education shall submit the annual financial statements for the year ending the preceding June 30 and the accounts and status of any ongoing capital projects to the Auditor of Public Accounts for the audit of such statements (Virginia General Assembly Legislative Information System, 1984).

The policy recommendation would add additional language within § 23.1.01 that would establish the criteria that mandatory non-educational and general fees among each of the Commonwealth of Virginia's public higher education institutions would need to publish on their respective

official website billing statements to parents and students as well as in their college catalog an itemized breakdown of each mandatory non-educational fee assessed to attending students. These fees would need to be included alongside their tuition and mandatory educational fees which they currently provide. Failure to do so would authorize the Comptroller to withhold general fund appropriations made to institutions that failed to meet compliance; this would be similar to the current Code of Virginia under Title 23, Chapter 1, Section § 23-2

If the report required by § [23-1.01](#) is not made from any educational institution which receives any portion of the revenue of the Literary Fund, or to which any loan has been made out of the fund, the Comptroller shall withhold, until the report is made, the payment of such portion of the Literary Fund, or proceed to enforce payment of the loan (Virginia General Assembly Legislative Information System, n.d).

The choice to design a punitive default setting was derived from the research of behavioral economist Richard Thaler and constitutional/administrative law Professor Cass Sunstein and their work known as libertarian paternalism or nudge (Thaler & Sunstein, 2008). The use of default mechanisms is one type of nudge that influences behavior outcomes of individuals or organizations. Default mechanisms are a type of choice architecture that “improves outcomes for large numbers of people without forcing anyone to do anything” (Sunstein, 2013 para. 13). The goal of instituting a punitive default setting related to human behavioral findings that show that “doing nothing” is what people will do if left to their own devices (Sunstein, 2013). In the case of information of mandatory non-educational fees being disclosed by public higher education institutions, if there is no incentive to alter their behaviors in regard to sharing information symmetrically with consumers, then the institutions will

continue to carry on as usual just as they have; their behavior remains the same and no threat exist or incentive is present to alter that behavior, therefore, the same outcomes still continue (i.e. market failure and public values failure).

Counter to this, Sunstein identifies that American culture has a historical negative disposition when it comes to paternalism (i.e. government forcing individuals to behave in a desired manner); this cultural environment stems from John Stuart Mill's harm principle which holds that an individual's behavior should not be prevented as long as that individual's behavior does not affect others (i.e. individuals can smoke, but second hand smoke can cause harm to others) (Sunstein, 2013). Mill's harm principle

offered a number of independent justifications for his famous harm principle, but one of his most important claims is that individuals are in the best position to know what is good for them. In Mill's view, the problem with outsiders, including government officials, is that they lack the necessary information. Mill insists that the individual "is the person most interested in his own well-being," and the "ordinary man or woman has means of knowledge immeasurably surpassing those that can be possessed by anyone else." (Sunstein, 2013 para. 7)

This research has shown however that individuals are no in the best position as information available to consumers in public higher education market lack access and resources to divulged information regarding mandatory non-educational fees. Mill argues that people should be left to find their own path and it is the role of government, public representatives of the people to provide the means by which they are able to make their own individual choices (Sunstein, 2013). This recommendation identifies Mill's observation regarding individual choice and freedom and

does not impose a limitation upon individual's choices; rather, the policy recommendation is on the behalf of government to ensure individuals have access to the information in which they need to make such informed and personal choices through increasing access and symmetry of information between providers and consumers.

The policy recommendation holds that if information delivery is shared symmetrically with consumers on behalf of producers than this will, according to Stiglitz (2001) research mitigate identified information asymmetries and prevent triggering market failure. Mitigating market failure will *hypothetically* prevent tipping points that led to public values failure as identified in the public higher education market as threats to human subsistence, victimization and dehumanization of the poor and imperfect public information. Pagano & Japelli (1993), Padilla & Pagano (1997), Japelli & Pagano (199) and Kallberg & Udell's (2003) empirical evidence from their research showed that when information sharing between providers and consumers was improved to that of symmetrical information sharing it led to improved market efficiency allocation of goods. The goods in their research dealt with the financial loan market. Improving efficiency allocation of goods is just one component in which to improve the public higher education market.

The Chicago paradigm form of management may not be controlled though this policy prescription proposal; however, it does limit the ability of institutions to utilize the prescribed methods of this management approach (i.e. information asymmetry). If information is unable to be obfuscated or intentionally withheld from consumers, than the profit maximization fails to occur (at least in regard to information) as information asymmetry is one of the needed triggers to create intentional market failure.

Public values failure results when threats to human subsistence and victimization of the poor and imperfect public information. This recommendation operates under the hypothetical propositions made by Stiglitz (2001) that ensuring an efficient market exchange will lower costs, improve default rates and in turn allow more access and affordability for students and parents to attend one of Virginia's public higher education institutions. Pagano & Japelli (1993), Padilla & Pagano (1997), Japelli & Pagano (1999) and Kallberg & Udell's (2003) showed in their research findings that when information was improved it resulted in lower loan rates, less defaults on loans and improved lending in the financial loan market. It is from this position that I advocate that this recommendation will generate similar results. These results will then limit the tipping point that leads to public values failure. By reducing loan borrowing per student/parent, reducing or decreasing overall costs of attendance will decrease threats to human subsistence and victimization of the poor as identified requisite needs to live will be able to be met with less difficulty (i.e. food, clothing and education).

If college costs can be reduced than lower income individuals may be able to afford access to public higher education to achieve educational credentialing which this research has identified as a contemporary need. If student loan and debt derived from borrowing can be decreased this may in turn reduce the mandatory repayments graduates and parents of graduates would have to pay in uncertain and difficult educational times and decrease the financial and monetary burden associated with student debt and loan repayments. Reducing default rates will aid students and parents in maintaining living ability since defaulting on loans may result in wage garnishments, withholding of social security benefits and access to Medicare.

These are propositions based on existing application of theory and the empirical findings associated with that research. I have attempted in this research to provide an original application

and use of existing economic/market theory and public administration theory to an original and unique case analysis being the Commonwealth of Virginia's public higher education market and their institutions use of mandatory non-educational and general fees. The market failure created by asymmetrical information sharing is a prominent economic theory while public values failure theory is a relatively new theory that has emerged in the field of public administration. Despite the relative age of the public values failure it has been identified as an important theoretical framework within the public administration field.

The ultimate goal of this research and the concluding policy recommendation was to identify a unique problem for which to build a case analysis in which to apply these existing theories in the hopes of crafting a praxis policy solution which would mitigate the identified problem in the case. While my research does not empirically show that the identified problem in case will be solved (as it has not happened) it does offer theoretical evidence and existing research findings in other case analysis which hypothetically address that the issue identified may be solved holding constant the propositions of the theories presented.

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Appendix A
Christopher Newport University Fee

The following figures were all generated from The State Council of Higher Education for Virginia's annual tuition and fee reports from years 1990-2012 (SCHEV, 1990-2012).

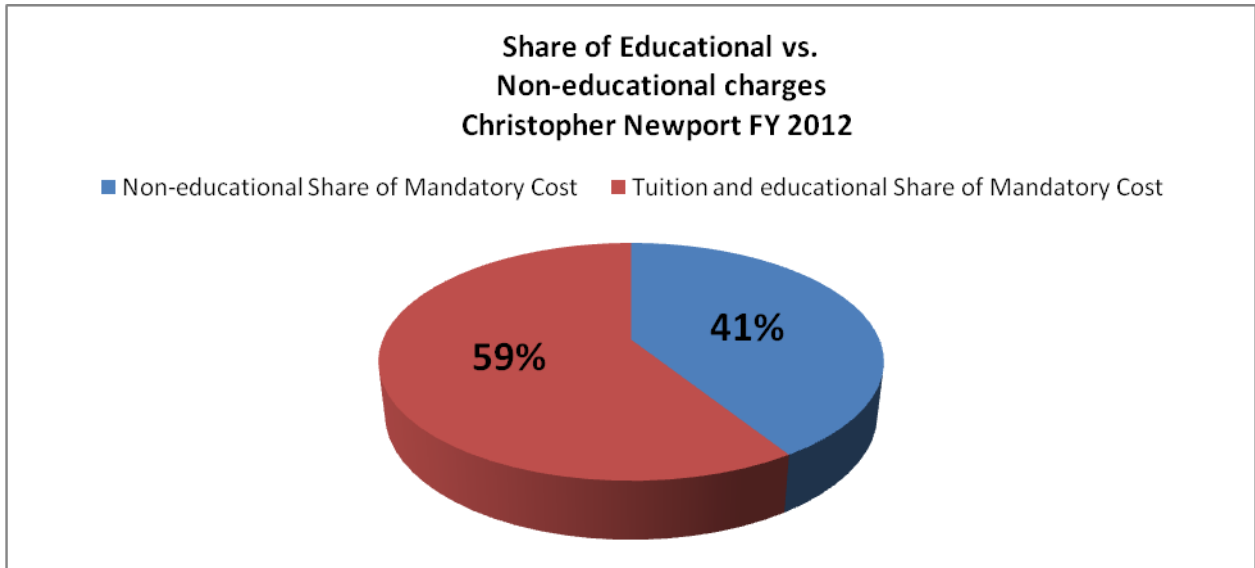
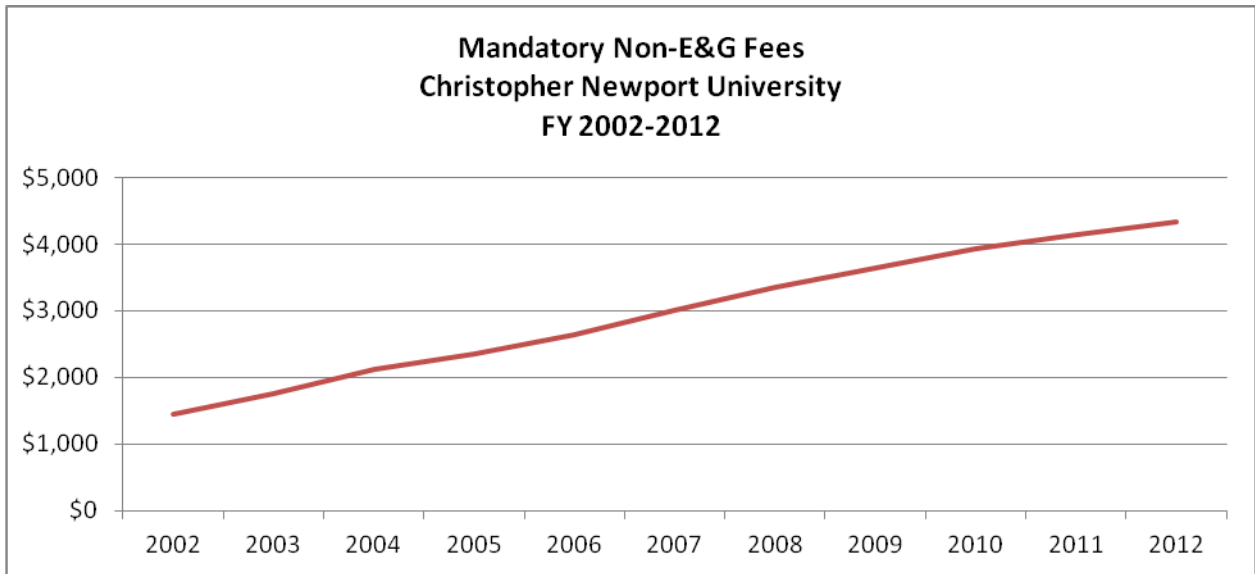


Figure 3: Christopher Newport University saw its non-educational and mandatory fee increase by 200% (\$2,808) over the course of year 2002 to 2012. The mandatory non-educational share of costs for mandatory total costs of attendance at Christopher Newport was 41% in year 2012 (SCHEV, 1990-2012).

**Appendix B
College of William and Mary Fee**

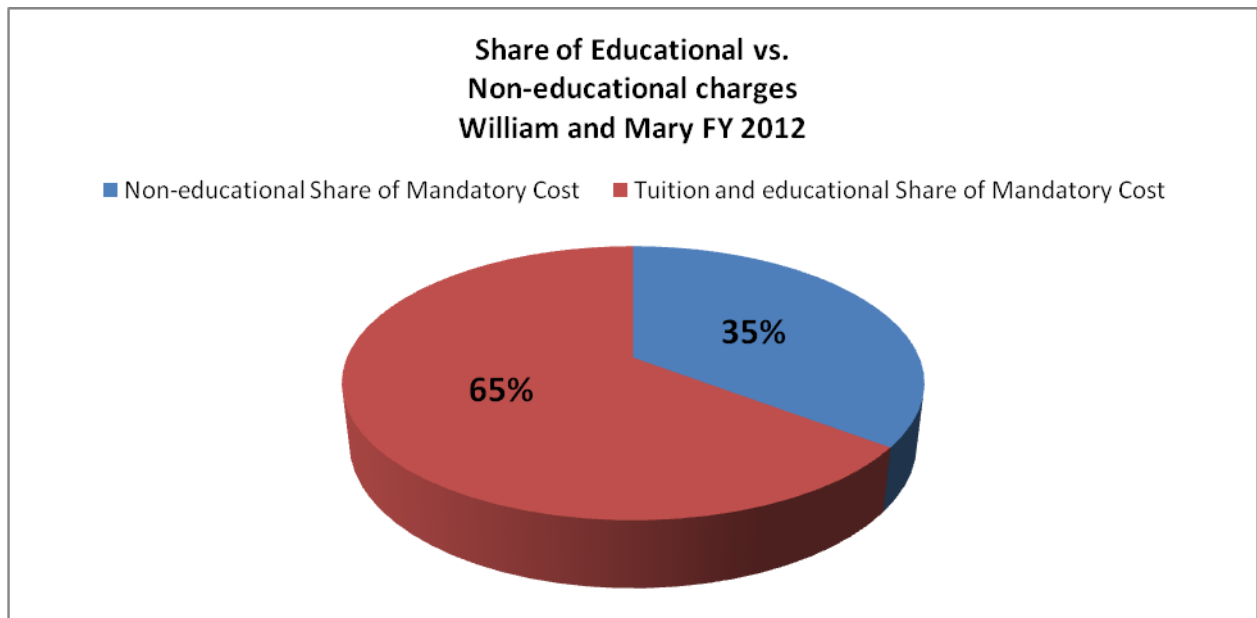


Figure 4: The college of William and Mary saw its mandatory non-educational fee increase 90% (\$2,264) through the years of 2002-2012. The mandatory non-educational share of costs for mandatory total costs of attendance constituted 35% in year 2012 (SCHEV, 1990-2012).

Appendix C George Mason University Fee

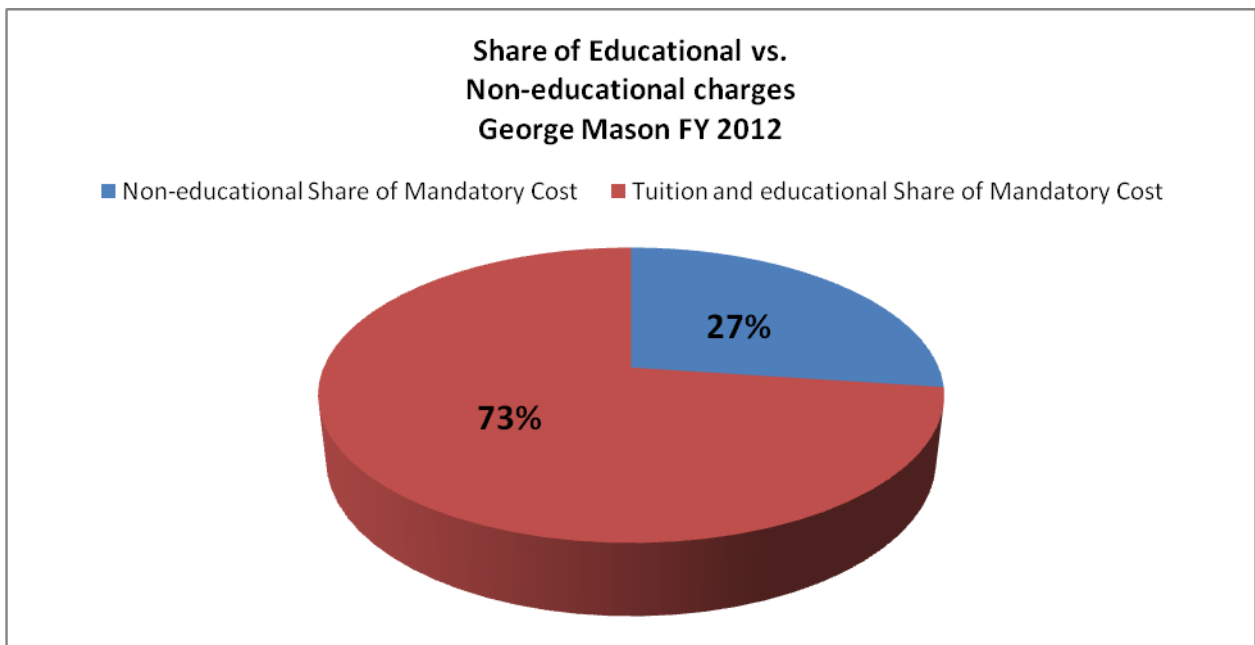
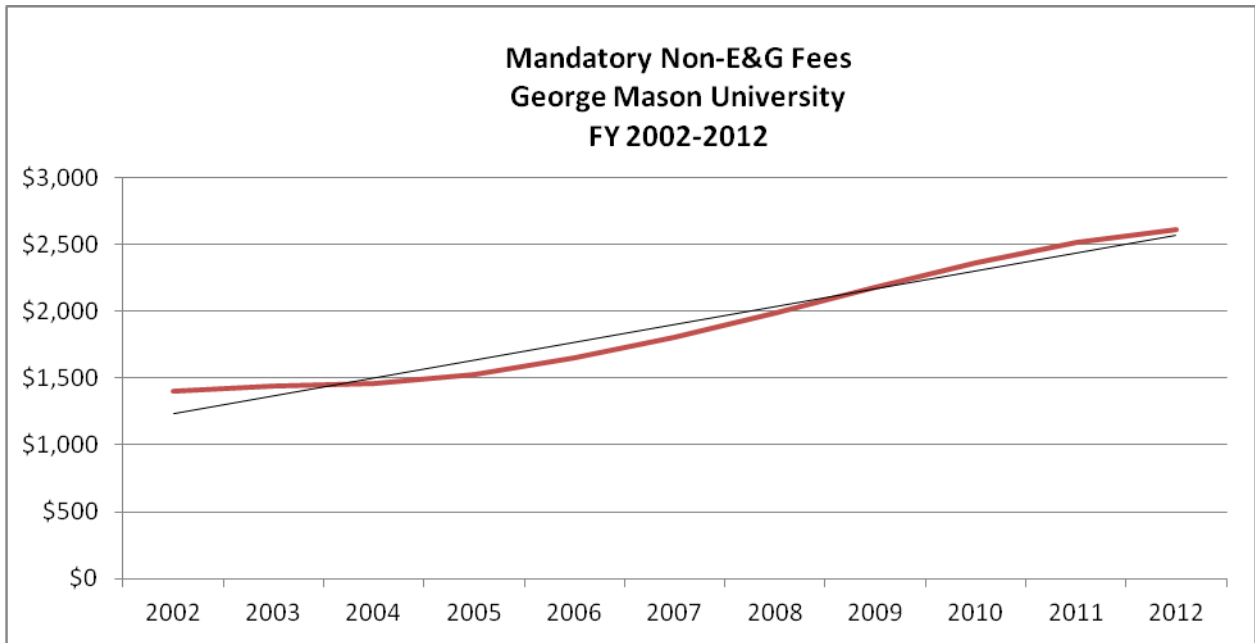


Figure 5: George Mason University saw its mandatory non-educational fee increase 86% (\$1,212) through years 2002-2012. The mandatory non-educational fee costs as a share of total mandatory costs for attendance constituted 27% for year 2012 (SCHEV, 1990-2012).

**Appendix D
James Madison University Fee**

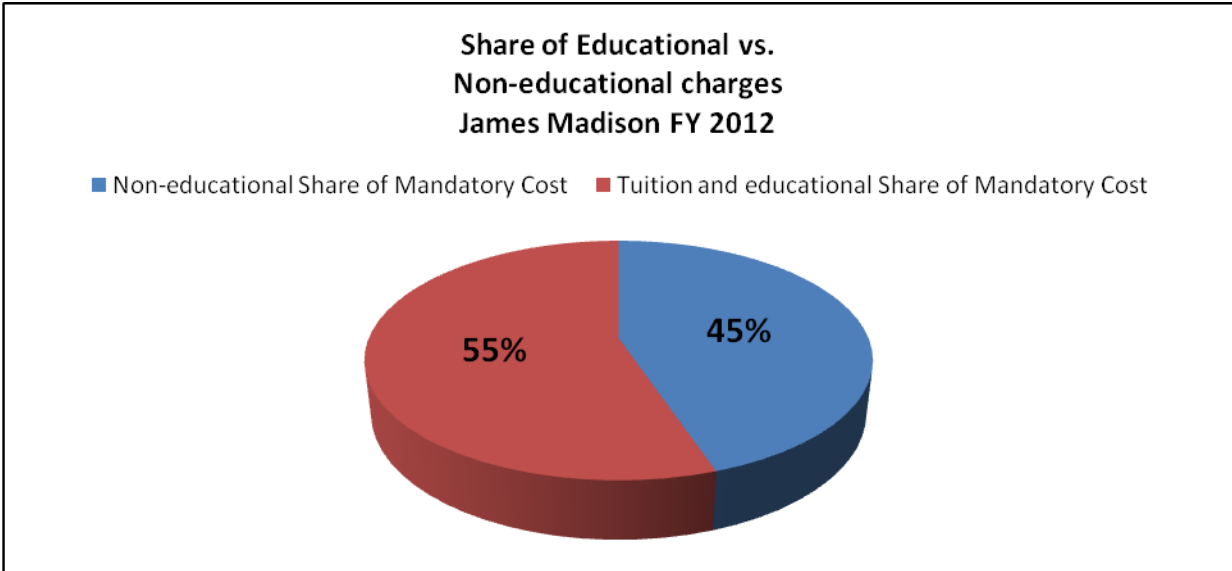
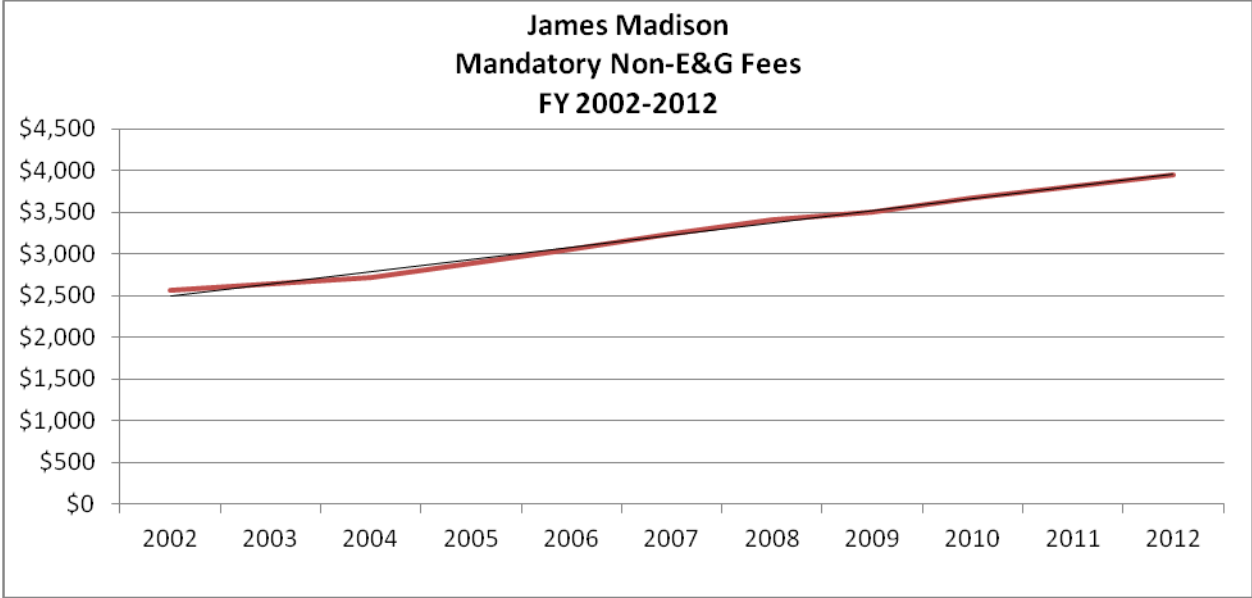


Figure 6: James Madison university saw its mandatory non-educational fee increase 54% (\$1,386) through years 2002-2012. The mandatory non-educational fee costs as a share of total mandatory costs for attendance constituted 45% for year 2012 (SCHEV, 1990-2012).

**Appendix E
Longwood University Fee**

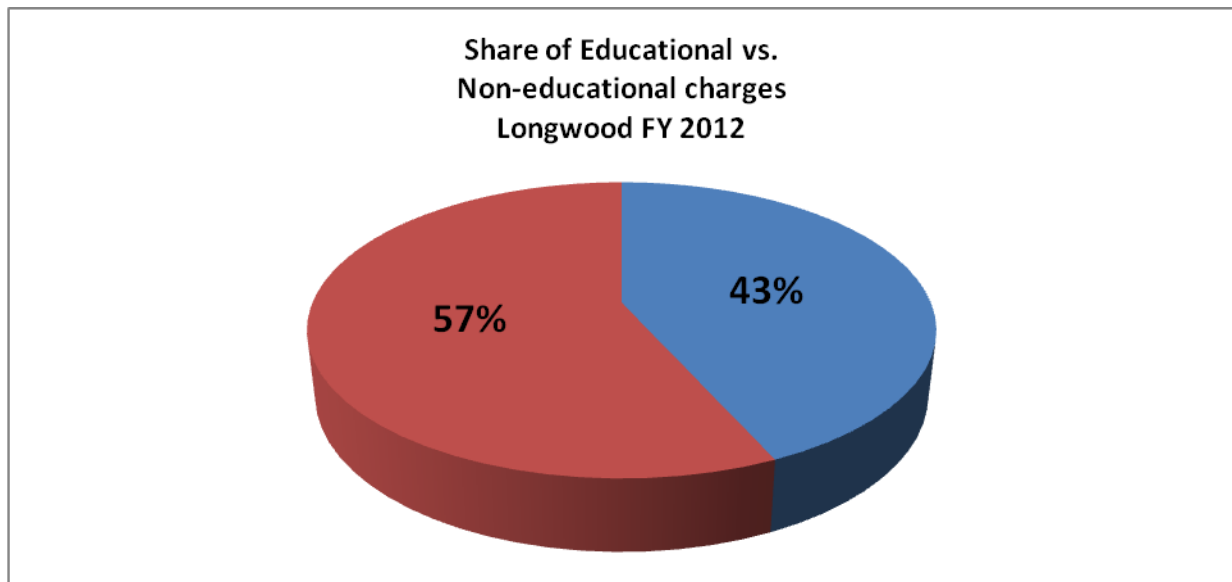
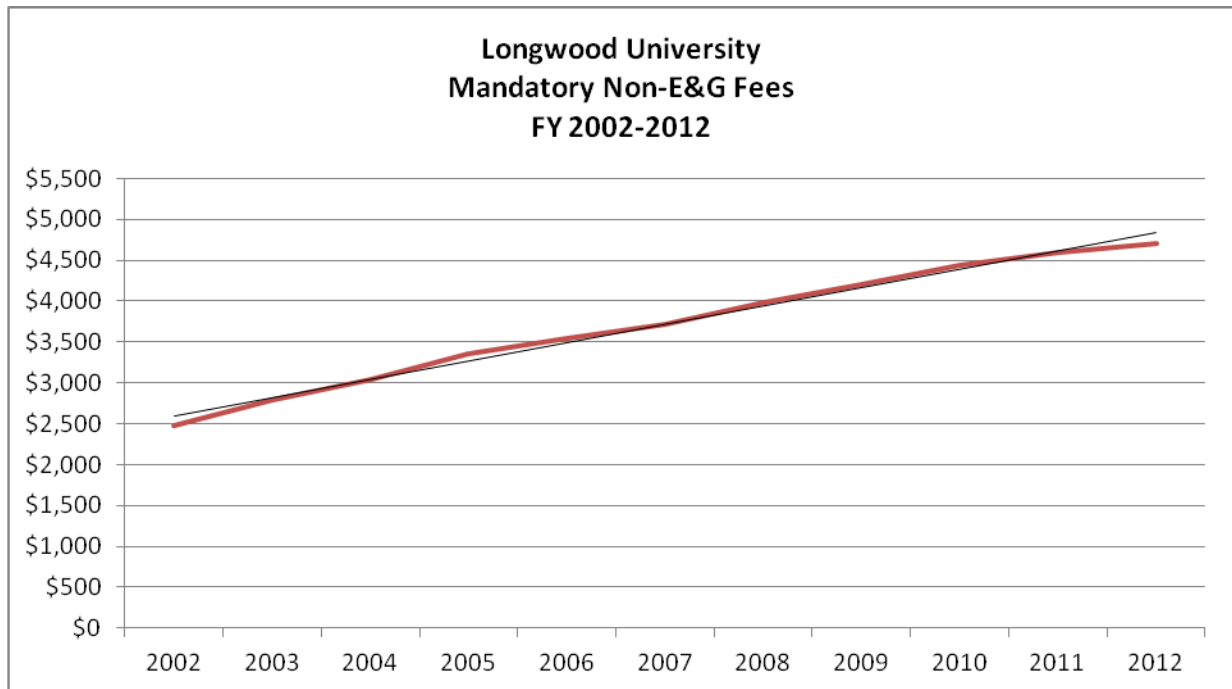


Figure 7: Longwood University saw its mandatory non-educational fee increase 91% (\$2,239) through years 2002-2012. The mandatory non-educational fee cost of total mandatory costs for attendance was 43% for year 2012 (SCHEV, 1990-2012).

Appendix F Norfolk State University Fee

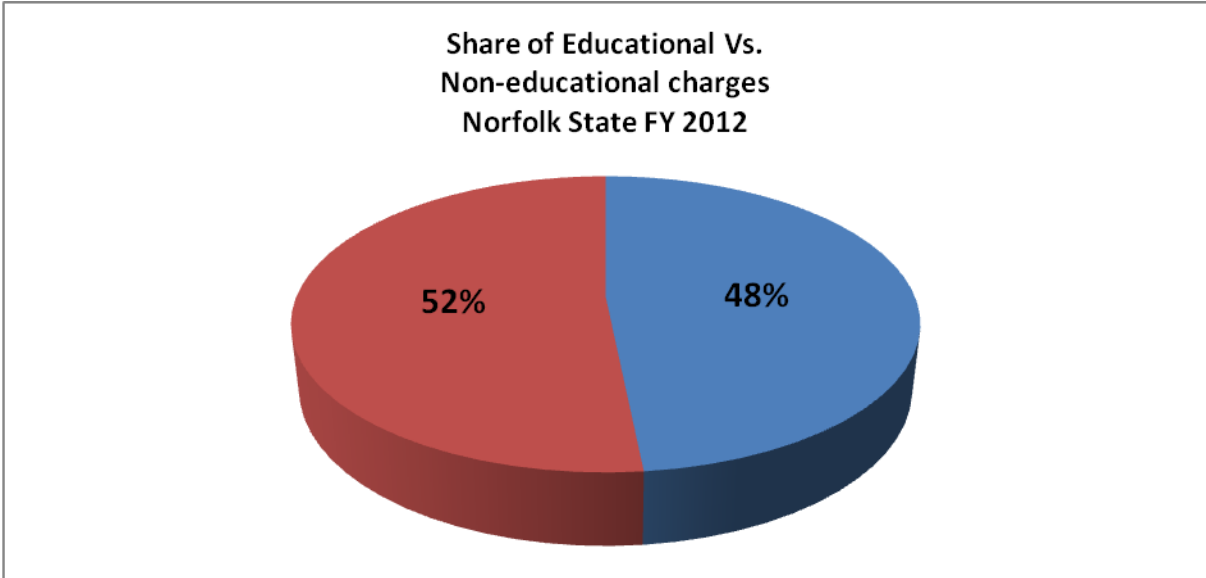
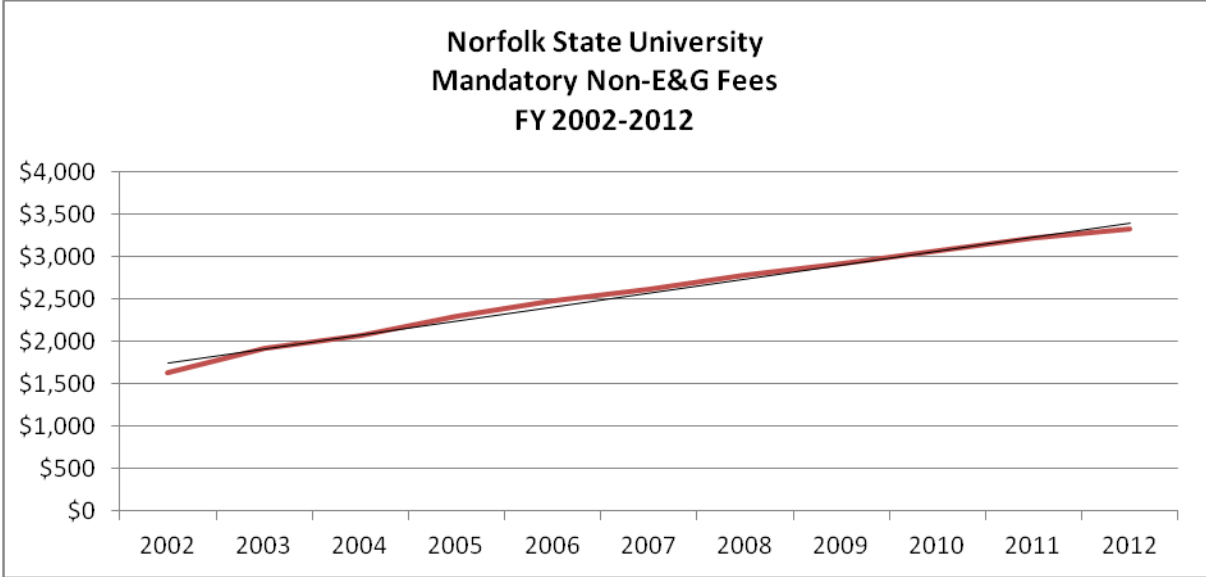


Figure 8: Norfolk state university saw its mandatory non-educational fee increase by 103% (\$1,682) through years 2002-2012. The mandatory non-educational fee cost of total mandatory costs of attendance was 48% in year 2012 (SCJEV, 1990-2012).

**Appendix G
Old Dominion University Fee**

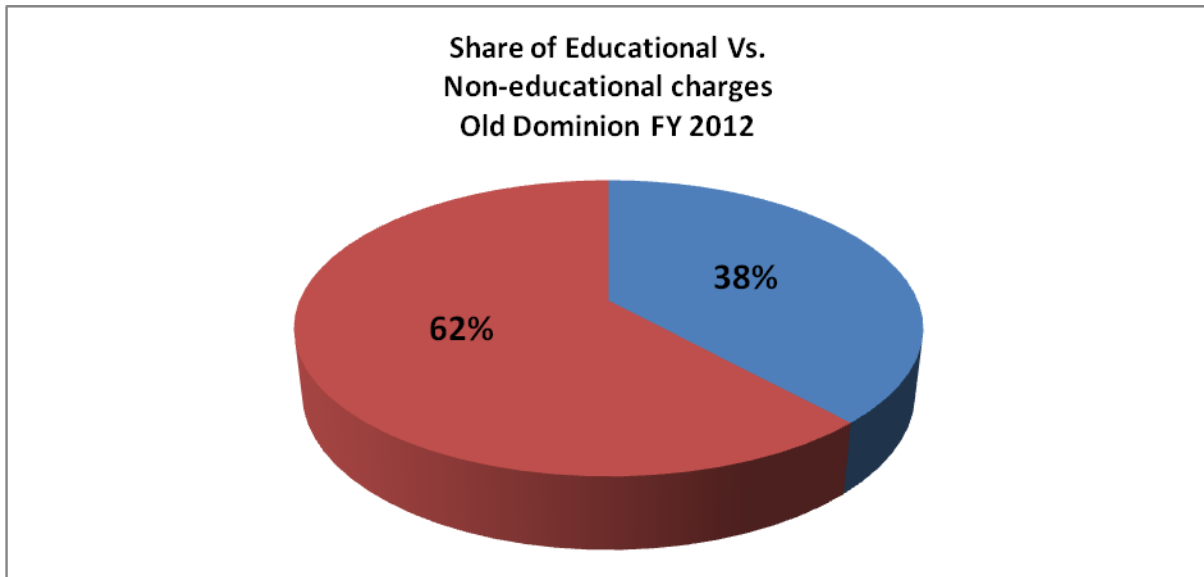
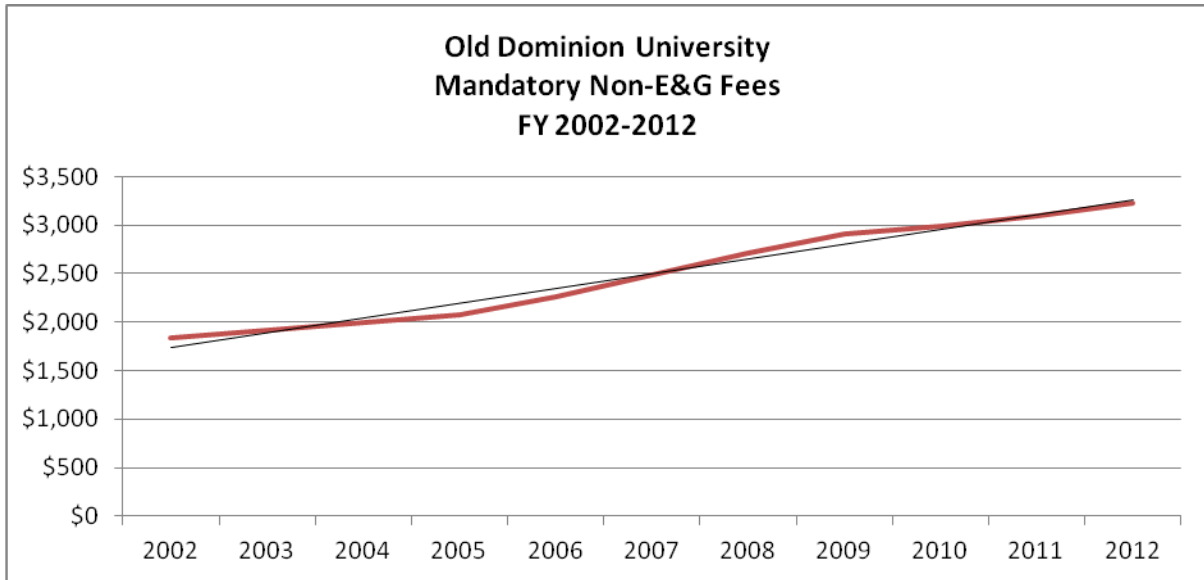


Figure 9: Old Dominion University saw its mandatory non-educational fee increase 75% (\$1,387) through years 2002-2012. The mandatory non-educational fee costs of total mandatory costs of attendance constituted 38% in year 2012 (SCHEV, 1990-2012).

Appendix H Radford University Fee

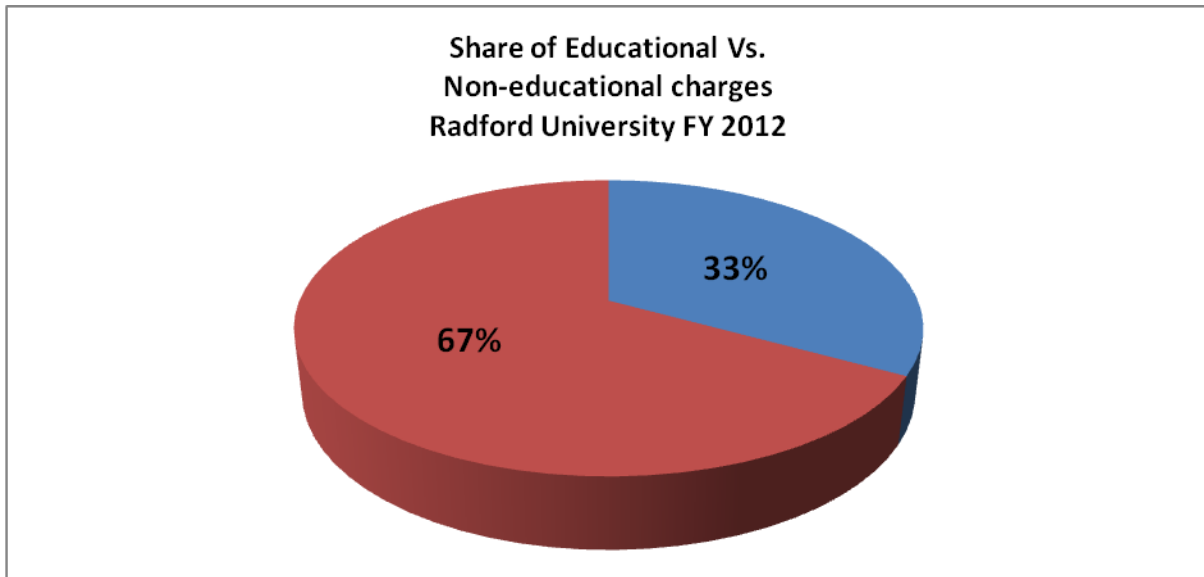
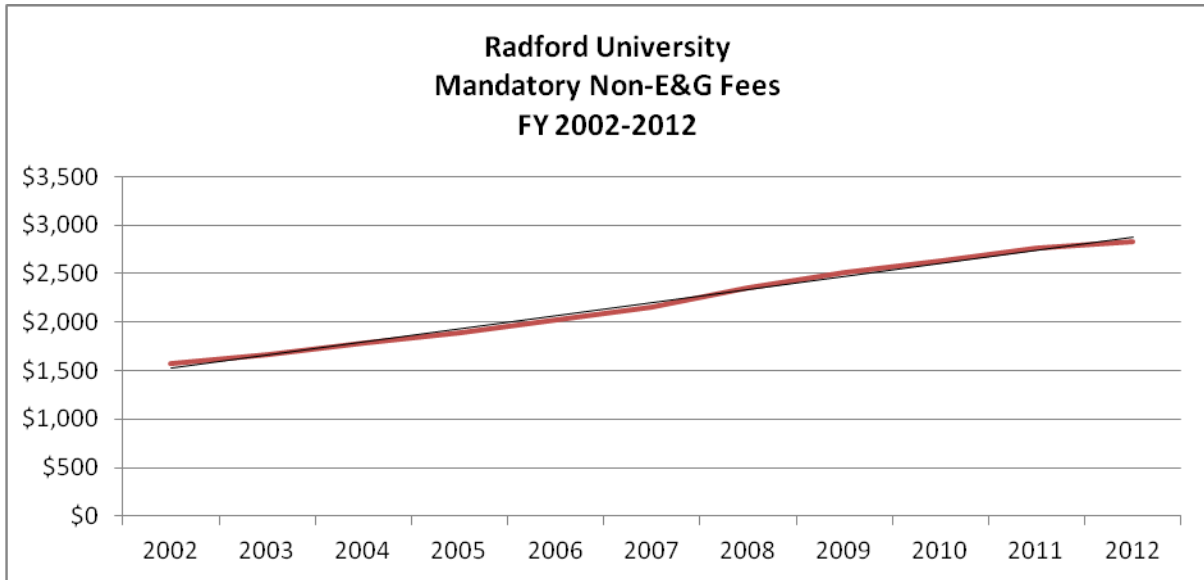


Figure 10: Radford University saw its mandatory non-educational fee increase 81% (\$1,264) through years 2002-2012. The mandatory non-educational fee costs share of total mandatory costs for attendance constituted 33% for year 2012 (SCHEV, 1990-2012).

**Appendix I
University of Mary Washington Fee**

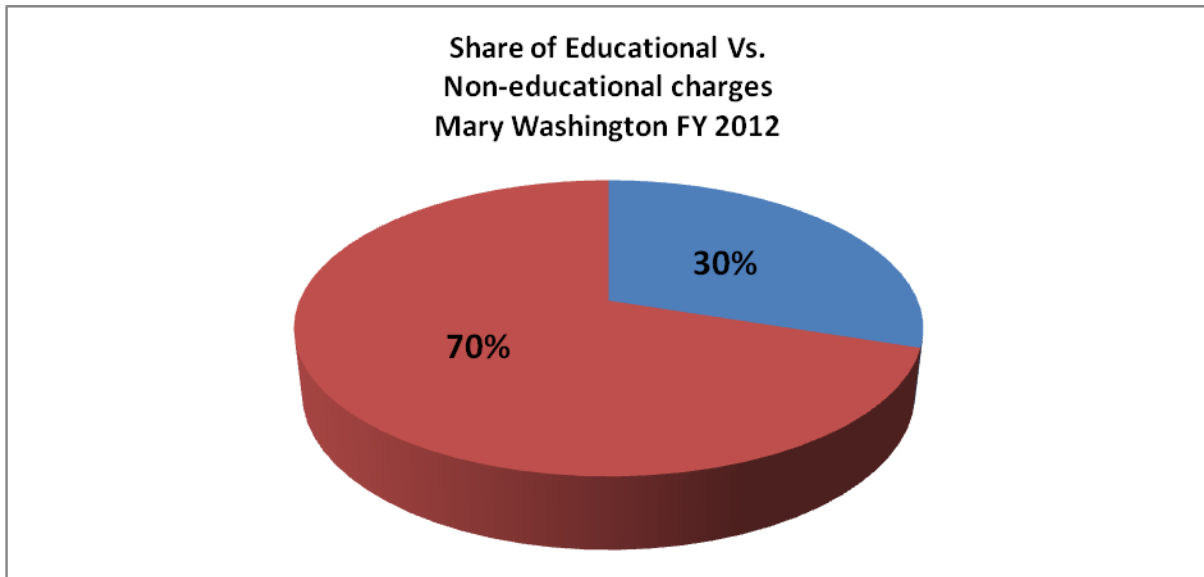
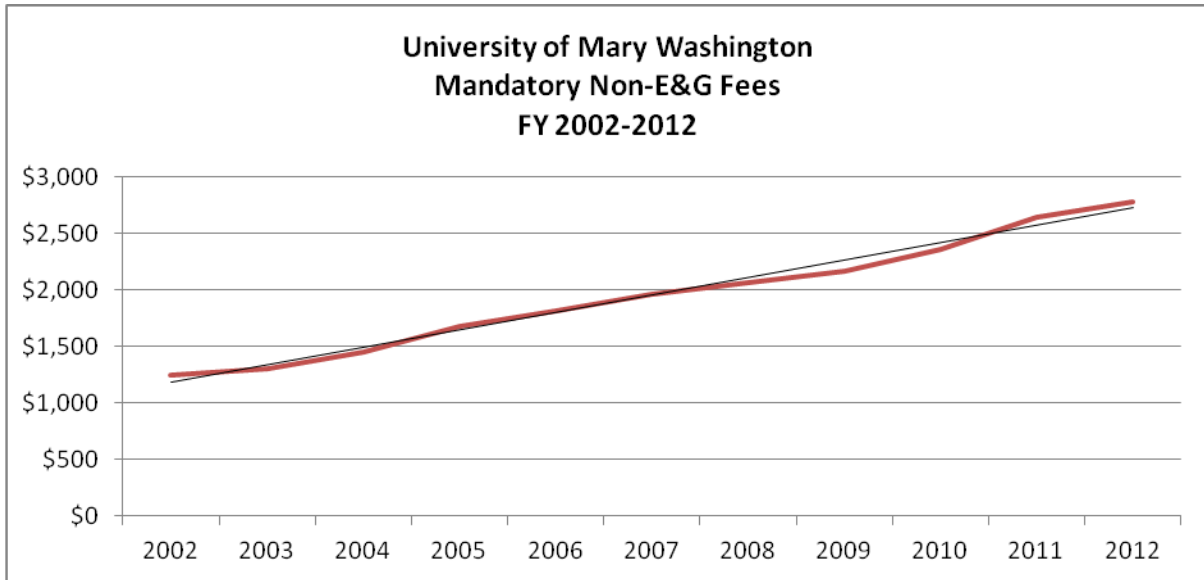


Figure 11: The University of Mary Washington saw its mandatory non-educational fee increase 123% (\$1,530) through years 2002-2012. The mandatory non-educational fee costs share of total mandatory costs for attendance constituted 30% in year 2012 (SCHEV, 1990-2012).

**Appendix J
University of Virginia Fee**

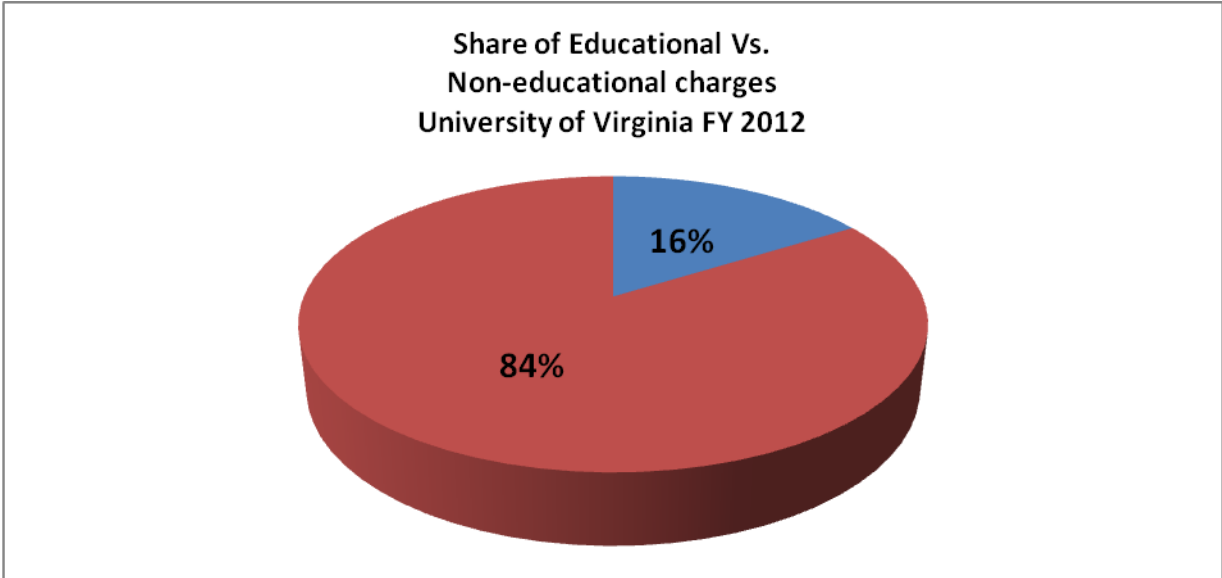
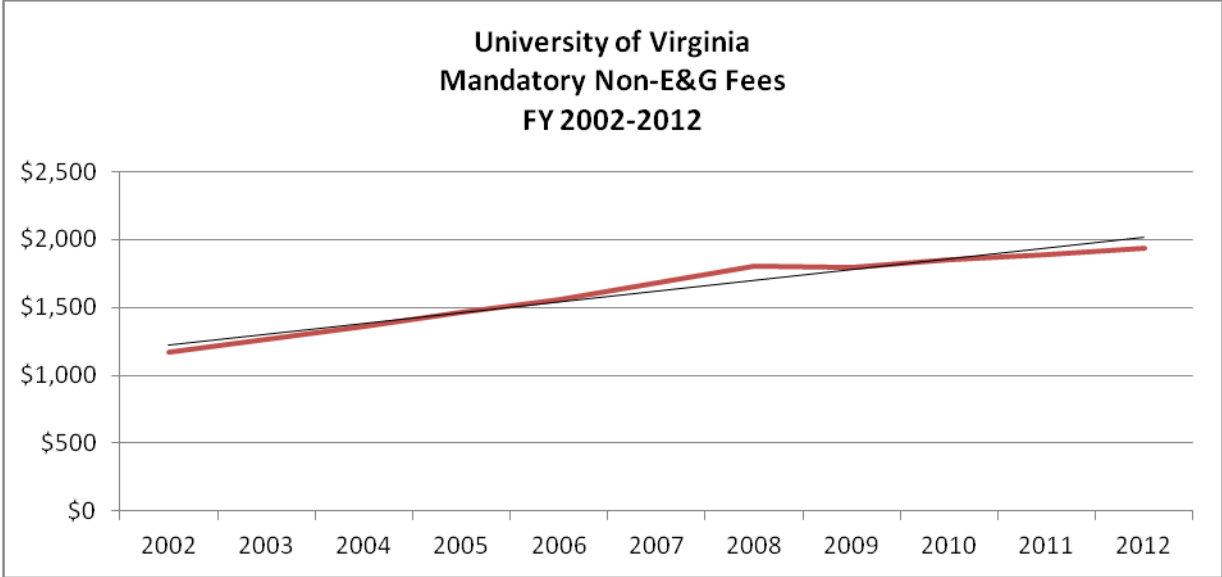


Figure 12: The University of Virginia saw its mandatory non-educational fee increase 66% (\$772) through years 2002-2012. The mandatory non-educational fee costs share of total mandatory costs for attendance constituted 16% in year 2012 (SCHEV 1990-2012).

**Appendix K
UVA Wise Fee**

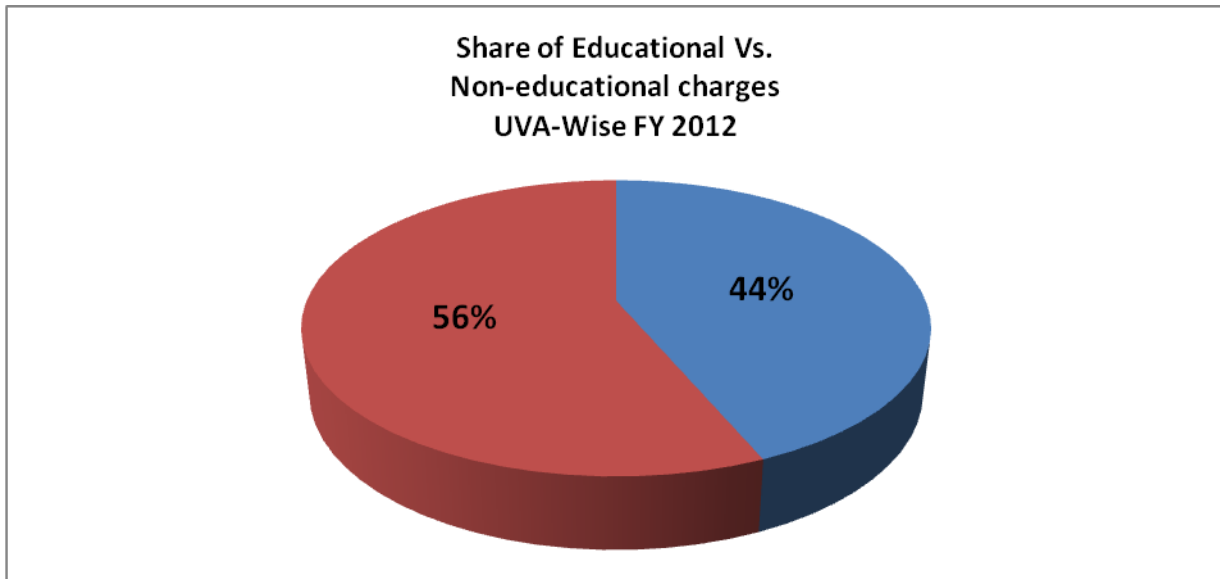
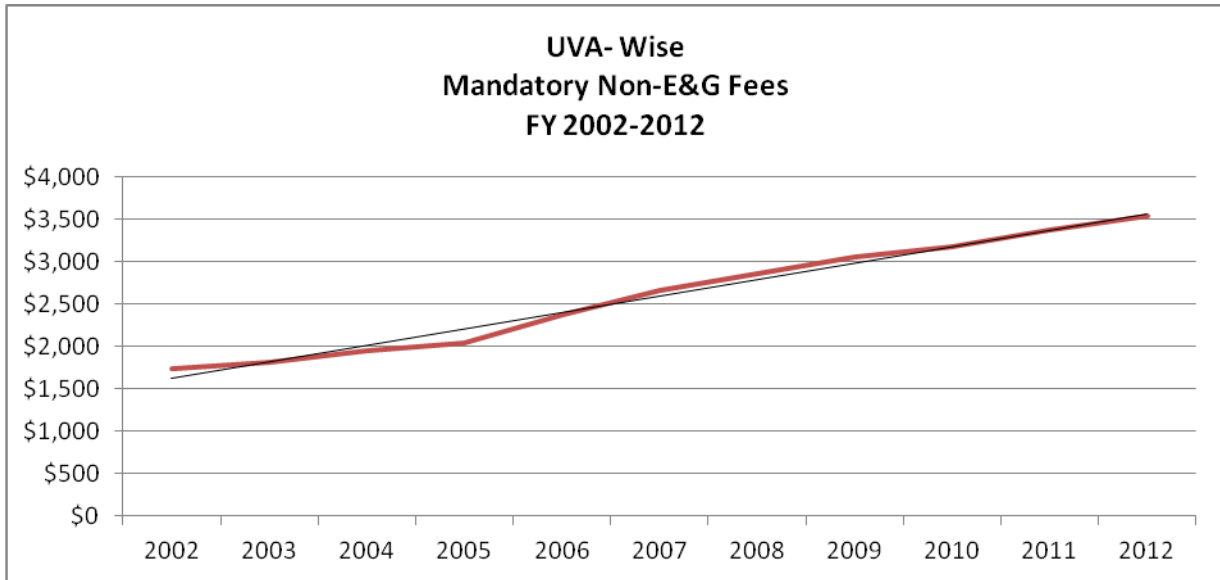


Figure 13: The University of Virginia’s college at wise mandatory non-educational fee increased 103% (\$1,792) through years 2002-2012. The mandatory non-educational fee costs share of total mandatory costs for attendance was 44% in year 2012 (SCHEV, 1990-2012).

**Appendix L
Virginia Commonwealth University Fee**

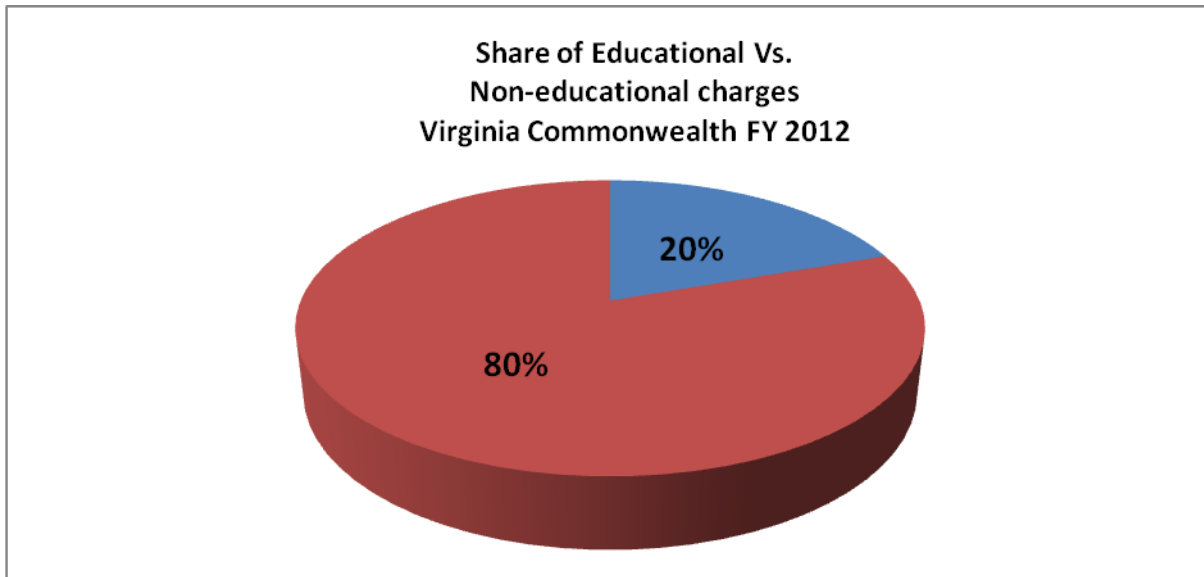
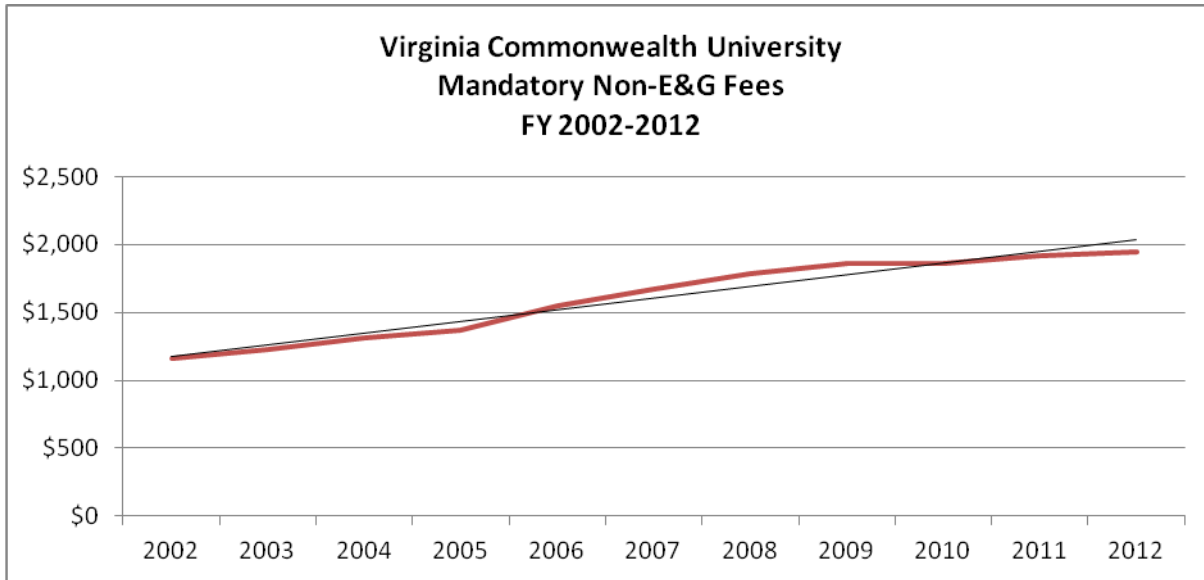


Figure 14: Virginia Commonwealth University saw its mandatory non-educational fee increase 67% (\$1,792) through years 2002-2012. The mandatory non-educational fee costs as a share of total mandatory costs of attendance was 20% in year 2012 (SCHEV, 1990-2012).

**Appendix M
Virginia Military Institute Fee**

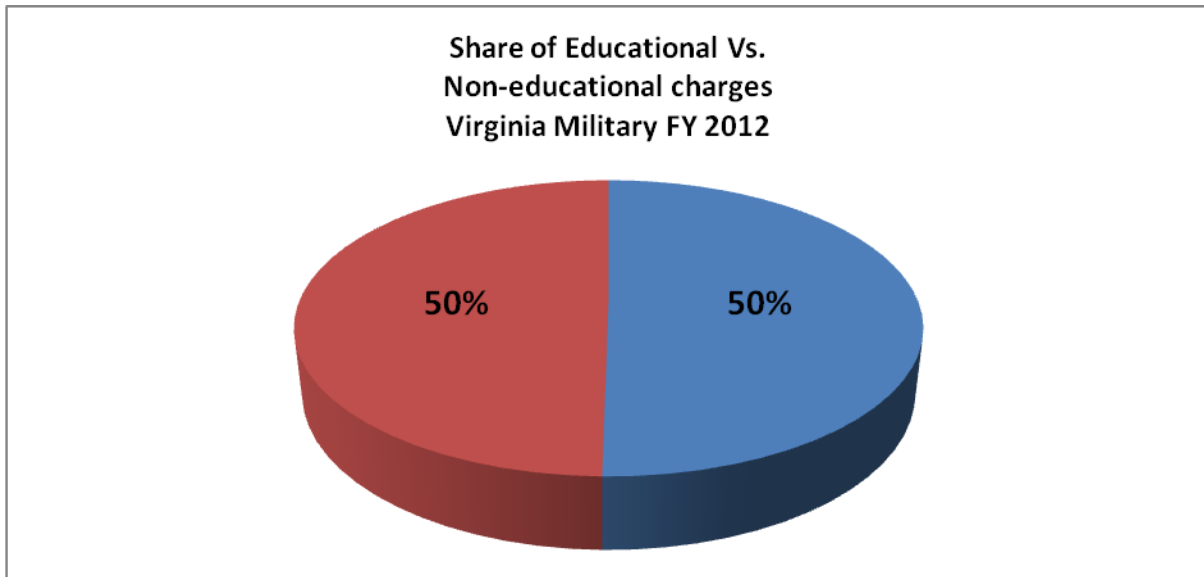
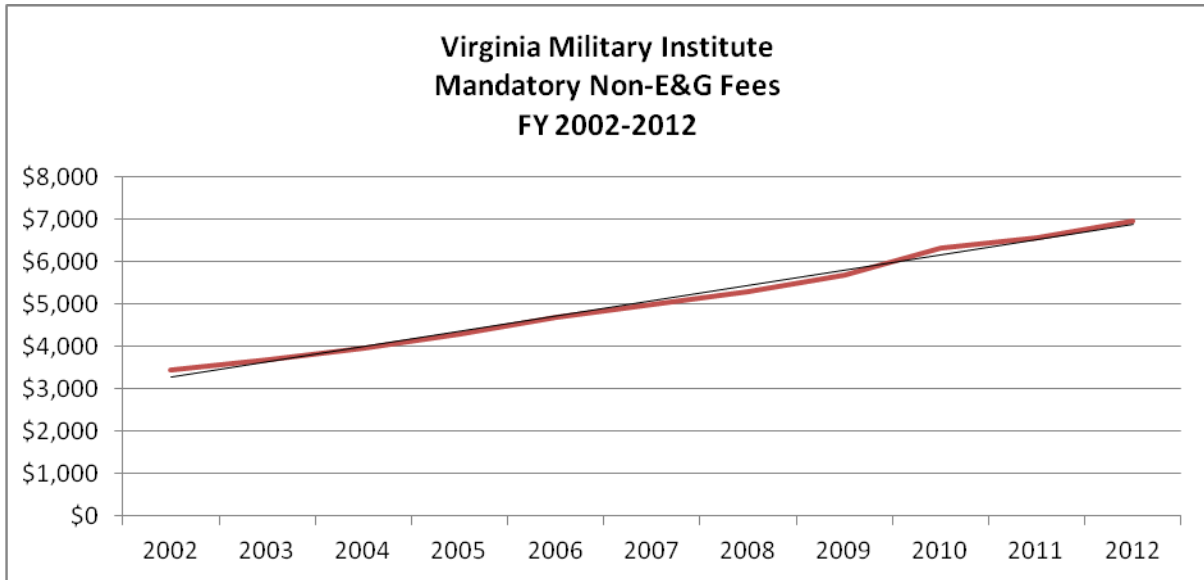


Figure 15: Virginia military institute saw its mandatory non-educational fee increase 102% (\$3,538) through years 2002-2012. The mandatory non-educational fee costs of total mandatory costs of attendance constituted 50% in year 2012 (SCHEV, 1990-2012).

**Appendix N
Virginia State University Fee**

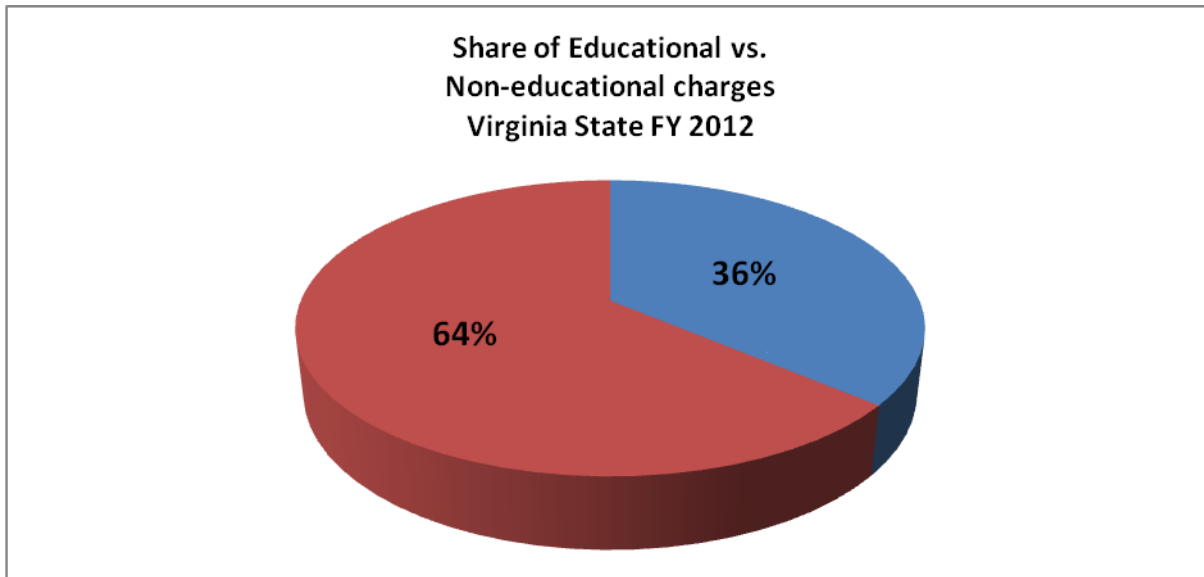
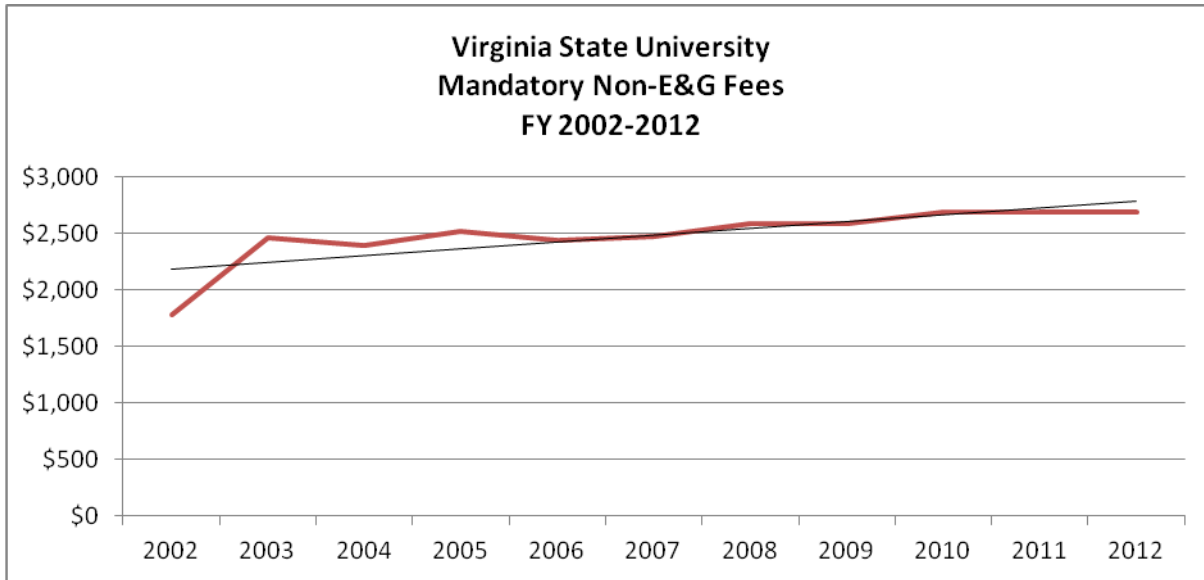


Figure 16: Virginia state university saw its mandatory non-educational fee increase 51% (\$910) through years 2002-2012. The mandatory non-educational fee costs of total mandatory costs of attendance constituted 36% in year 2012 (SCHEV, 1990-2012).

**Appendix O
Virginia Tech Fee**

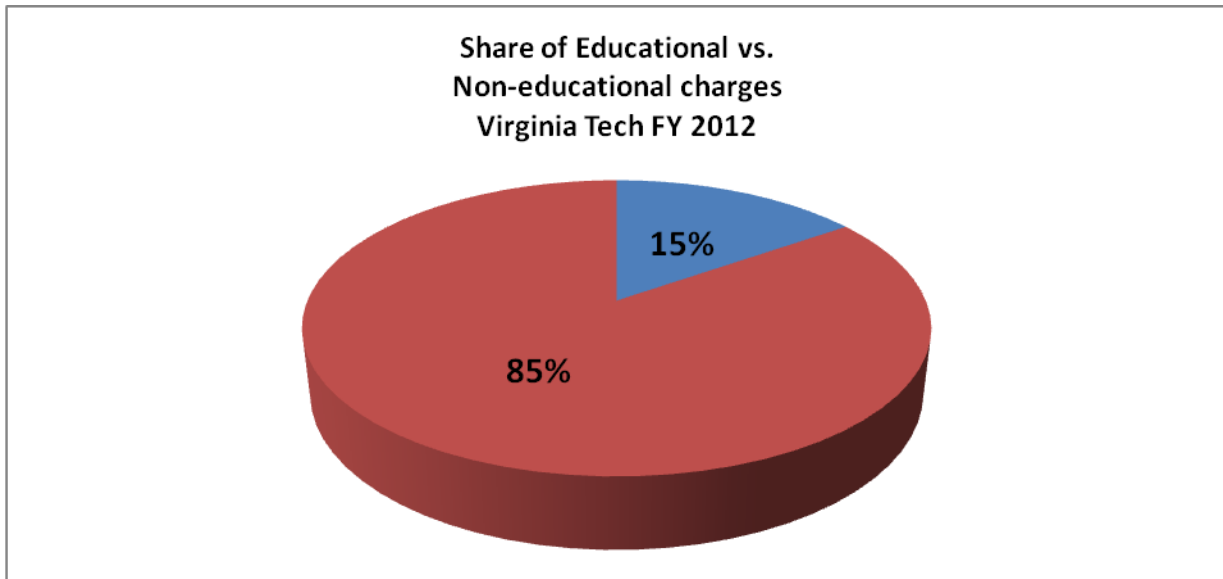
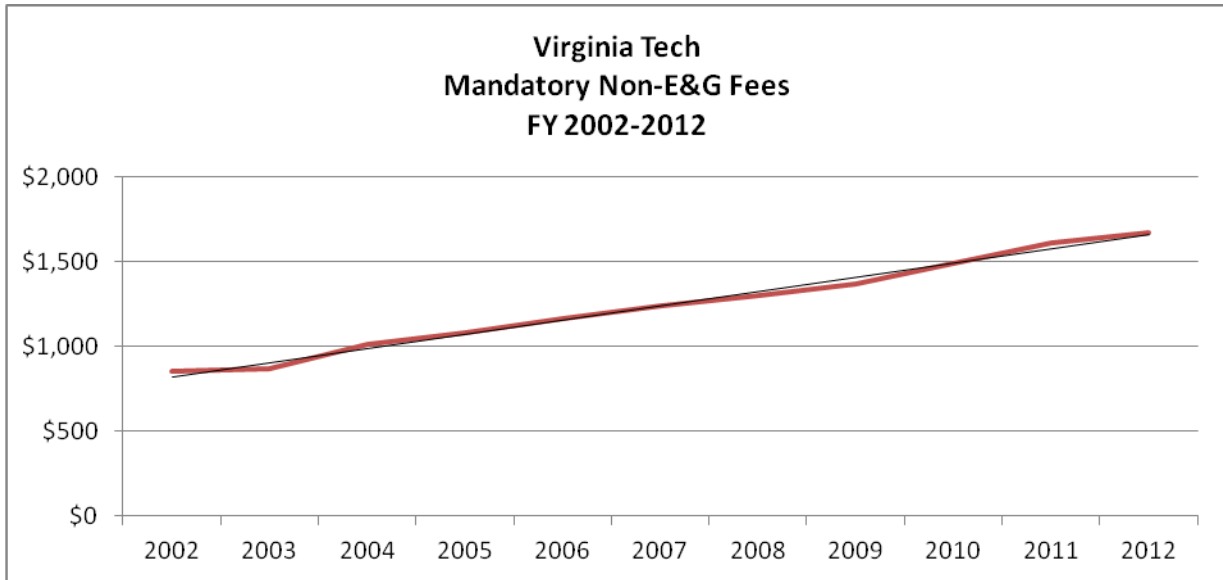


Figure 17: Virginia tech saw its mandatory non-educational fee increase 96% (\$819) through years 2002-2012. The mandatory non-educational fee costs of total mandatory costs of attendance constituted 15% in year 2012 (SCHEV, 1990-2012).

**Appendix P
Personal Communication, Delegate Marshall Office**

Personal communication transcript with Delegate Marshall's office

Honorable Delegate Marshall, I know I am not in your district, but I wanted to contact you and thank you for your leadership in fighting to bring transparency to higher education on behalf of families and students of the Commonwealth of Virginia. I came across an article in USA Today that ran in 2010 that featured comments from you and I was glad to read what you had to say...I wanted to get a point of clarification from you in regards to the measure you drafted in 2005...In particular point ii: the name of each organization, including the nature of the organization's activity, that receives funding of \$100 or more from student activity fees. I have been rallying to get my former alma mater to comply with the amendment to the Virginia Code and have been painfully difficult. Before they did not have the link anywhere on the site, and I do not know if they even had the reports compiled as my requests for previous years going back to year 2006 has been un-met. I think they may have produced the document after I had contacted them citing the 2005 measure as I received no response till the following day and then suddenly a link appeared on the cashier's website taking you to the document that they provided me. But, I just wanted to verify if the document they drafted is in compliance with the 2005 measure in particular "including the nature of the organization's activity" as interpretation of that may be broad I feel (Personal Communication, August 8, 2012)

Appendix Q
UVA Wise Original Fee Report

<i>DISTRIBUTION</i>	2012-2013
ATHLETICS	1,685,860
C BASCOM SLEMP STUDENT CENTER	254,784
CANTRELL HALL OPERATIONS	60,000
GRADUATION	3,000
PHYSICAL PLANT - AUXILIARY*	197,625
*Includes 3% bonus for FY13	
STADIUM	55,000
HEALTH AND CAREER SERVICES	129,100
INDIRECT COST	144,450
STUDENT CENTER DEV. FUND	700,000
DINING HALL DEVELOPMENT FUND	744,600
STUDENT INFORMATION SYSTEM	64,771
UTILITIES-CANTRELL/SLEMP	144,450
STUDENT ACTIVITY LOCAL TOTAL	275,000
Highland Cavalier	18,500
Highland Players	6,000
Intramurals	30,500
Jimson Weed	10,000
Leadership Development	10,000
Orientation	12,500
Outdoor Recreation	18,500
Expedition	15,000
Pep Band	19,000
Student Activities & Greek Life	58,000
Student Government Association	66,000
VCSA	11,000
Total	4,458,640

Figure 18: was the initial document that was provided by UVA Wise after submitting a FOIA requests to Marcia Quesenberry asking about Virginia code § 23-2.3 (Personal Communication, August 3, 2012).

Appendix R UVA Wise Fee Report Website

- Financial Administration
- Home
- Cashier's Office Home
- Tuition and Fees
- Financial Aid
- Refund Schedule
- Billing
- Payment Information
- Cavs Card
- Direct Deposit
- Forms
- Contact Us



Cashier's Office

Our Mission:

The Cashier's Office exists for the students, faculty, and staff of The University of Virginia's College at Wise. We strive to provide the best customer service to all of our constituents with efficiency and accuracy. Please feel free to stop by during our working hours, meet our staff, and acquaint yourself with our many services.

ANNOUNCEMENTS

Summer I May 29 - June 29, 2012
 Summer II July 5 - August 7, 2012
 Fall Semester Begins August 22, 2012

FORMS:

- Fall 2012 Pay Plan
- Spring 2013 Pay Plan
- Fall 2012 - Spring 2013 Pay Plan

This was not available the day in which the request was made; four days later this appeared on the website

Location

Crockett Hall
2nd Floor, Room 204

Hours of Operation

Office Hours are
Monday-Friday
8:00am-5:00pm
(276) 328-0107

Related Departments

Financial Aid
Registrar's Office
Bookstore
Campus Police
Student Housing
Financial Administration

Info

2012 Summer Session Fees

2012-13 Tuition & Fees
Academic Calendar
Class Offerings/Schedule
Refund Schedule
Tuition & Fee History
Student Fee Distribution

Figure 19: This is the website that was updated with a new link that transferred to the PDF document outlining the student fee total breakdown of the total amount of money each department or organization received from mandatory non-educational fees; this link however went to a revised document which removed certain departments from the original document i.e. athletics (University of Virginia's College at Wise "cashiers office webpage", n.d.). The University of Virginia's College at Wise. <http://www.uvawise.edu/cashier/home> (accessed Aug. 08, 2012)

Appendix S Revised UVA Wise Fee Breakdown Report

STUDENT ACTIVITY FEE TOTAL 2011-2012	AMOUNT
EXPEDITION	\$14,000
HIGHLAND CAVALIER	\$17,500
HIGHLAND PLAYERS	\$4,500
INTRAMURALS	\$29,000
JIMSON WEED	\$8,500
LEADERSHIP DEVELOPMENT	\$8,500
ORIENTATION	\$12,500
OUTDOOR RECREATION	\$17,000
PEP BAND	\$18,500
STUDENT ACTIVITES & GREEK LIFE	\$50,218
STUDENT GOVERNMENT ASSOCIATION	\$63,782
GREEK LIFE	\$2,000
VCSA	\$8,500
TOTAL	\$254,500

Figure 20: This is the new document that was provided four days after the originally provided document before August 7, 2012. This document had departments and organizations removed from the original (University of Virginia’s College at Wise “student activity fee”, n.d.). The University of Virginia’s College at Wise.
<http://www.uvawise.edu/cashier/files/cashier/STUDENT%20ACTIVITY%20LOCAL%20TOTAL%202011%20AND%202012.pdf>
 (accessed Aug. 08, 2012)

Appendix T
UVA Wise Fee Breakdown Comparison Reports

Comparison of the two documents

Before August 7 th , 2012		After August 7 th , 2012	
DISTRIBUTION	2012-2013	STUDENT ACTIVITY FEE TOTAL 2011-2012	AMOUNT
ATHLETICS	1,685,860	EXPEDITION	\$14,000
C BASCOM SLEMP STUDENT CENTER	254,784	HIGHLAND CAVALIER	\$17,500
CANTRELL HALL OPERATIONS	60,000	HIGHLAND PLAYERS	\$4,500
GRADUATION	3,000	INTRAMURALS	\$29,000
PHYSICAL PLANT - AUXILIARY*	197,625	JIMSON WEED	\$8,500
*Includes 3% bonus for FY13		LEADERSHIP DEVELOPMENT	\$8,500
STADIUM	55,000	ORIENTATION	\$12,500
HEALTH AND CAREER SERVICES	129,100	OUTDOOR RECREATION	\$17,000
INDIRECT COST	144,450	PEP BAND	\$18,500
STUDENT CENTER DEV. FUND	700,000	STUDENT ACTIVITIES & GREEK LIFE	\$50,218
DINING HALL DEVELOPMENT FUND	744,600	STUDENT GOVERNMENT ASSOCIATION	\$63,782
STUDENT INFORMATION SYSTEM	64,771	GREEK LIFE	\$2,000
UTILITIES-CANTRELL/SLEMP	144,450	VCSA	\$8,500
STUDENT ACTIVITY LOCAL TOTAL	275,000	TOTAL	\$254,500
Highland Cavalier	18,500		
Highland Players	6,000		
Intramurals	30,500		
Jimson Weed	10,000		
Leadership Development	10,000		
Orientation	12,500		
Outdoor Recreation	18,500		
Expedition	15,000		
Pep Band	19,000		
Student Activities & Greek Life	58,000		
Student Government Association	66,000		
VCSA	11,000		
Total	4,458,640		

Figure 21: : This illustrates a side by side comparison of the documents UVA Wise had initially provided (left) and the new document they provided four days later on their website (right) (Marcia Quesenberry, Personal Communication, August 2, 2012; University of Virginia's College at Wise "student activity fee", n.d.). The University of Virginia's College at Wise. <http://www.uvawise.edu/cashier/files/cashier/STUDENT%20ACTIVITY%20LOCAL%20TOTAL%202011%20AND%202012.pdf> (accessed, Aug. 08, 2012)

Appendix U William and Mary Fee Breakdown Website

Fee Breakdown
on W&M
Website

(Amounts are PER SEMESTER unless noted otherwise)

UNDERGRADUATE [In-State]		UNDERGRADUATE [Out-of-State]	
Tuition	4,338.50	Tuition	15,930.00
Technology Fee	33.00	Technology Fee	50.00
Student Faculty Fee	2.50	Student Faculty Fee	2.50
Facility Fee**	538.50	State Building Fee	262.50
HEETF Fee	15.00	Facility Fee**	538.50
General Fee*	1,857.50	HEETF Fee	31.00
		General Fee*	1,857.50
TOTAL	\$6,785.00	TOTAL	\$18,672.00

***ALLOCATION OF GENERAL FEE**

Auxiliary Services	
Student Health Center	134.00
Counseling Center	87.50
Bus Service	26.00
Student Unions	172.00
William & Mary Hall	150.00
General Auxiliary	87.50
Telecom/Networking	133.50
PC Maintenance	15.00
Intercollegiate Athletics	742.50
AUXILIARY SERVICES TOTAL	\$1,548.00
Debt Service	
William & Mary Hall	12.00
University Center	62.50
Underground Utilities	20.50
DEBT SERVICE TOTAL	\$95.00
Student Activities	
Green Fee	20.00
Cultural Fee	17.50
Student Activities	49.00
Student Affairs	16.50
Recreational Sports	61.00
Recreational Center	50.50
STUDENT ACTIVITIES TOTAL	\$214.50
GENERAL FEE TOTAL	\$1,857.50

****ALLOCATION OF UNDERGRADUATE FACILITY FEE**

Student Rec. Center	60.00
Improvement: Athletic Facilities 1	23.00
School of Education	15.00
Power Plant Improvements	28.00
Integrated Science Center	119.00
School of Business	151.00
Improvement: Athletic Facilities 2	7.50
Cooling Tower 1	62.50
Cooling Tower 2	53.00
Campus Center Renovation	3.00
Laycock Center	18.50
UNDERGRADUATE FACILITY FEE TOTAL:	\$538.50

Figure 22: William and Mary scan of provided information relating to their proposed fee breakdown; figures obtained through William and Mary's website (The College of William and Mary "tuition and fees", n.d.). The College of William and Mary. <http://www.wm.edu/offices/financialoperations/sa/tuition/index.php> (accessed, Aug. 08, 2012)

Appendix V
Definition of terms

1. Public Higher Education Institutions – Virginia public four year college and universities; these are institutions which receive direct state support through monetary appropriations of state money derived from taxpayer collections.
2. Chicago Paradigm – Management process that encourages the creation of market failures as it allows an economic benefit to do so; privatize benefits and socialize costs.
3. Market Failure – Economic theory that holds certain conditions must be met for efficient market exchanges to take place; when one of those conditions is violated it results in an inefficient market exchange and results in a market failure. Market failure dictates government intervention to take place and correct identified failures.
4. Public Values Failure – Normative public administration theory that holds a set list of definitive characteristics that when violated results in public values failure; market failures often lead to public value failures being created as a result.
5. Altruistic Democracy Concept – Theory in which the media holds power in shaping how the public perceives and interprets identified issues; when institutions are defined as serving the interests of the public fail to do so, the media out of a sense of democratic justice will shape that organization to be viewed negatively by the public. This image construction acts as means to encourage that organization to change its behavior.

Appendix W
Media Narrative Document Links

1. Where the newspaper stands: Athletic fees, mandatory charges can add up, should be disclosed. http://articles.dailypress.com/2004-01-07/news/0401070037_1_athletic-fees-college-athletics-mandatory-charges
2. Why does college cost so much? http://www.cnn.com/2011/12/02/opinion/vedder-college-costs/index.html?hpt=us_t2
3. Details on student fees not often spelled out. <http://hamptonroads.com/2011/05/details-student-fees-not-often-spelled-out>
4. As college athletics costs grow, student fees rise. <http://hamptonroads.com/2011/05/college-athletics-costs-grow-student-fees-rise>
5. Students are unaware of usage of fees; athletics a low priority. http://usatoday30.usatoday.com/sports/college/2010-09-21-students-usage-fees_N.htm
6. How student fees boost college sports amid rising budgets. http://usatoday30.usatoday.com/sports/college/2010-09-21-student-fees-boost-college-sports_N.htm?csp=34news
7. Higher education's dirty little secret: Hidden college fees have become a stealth tuition. <http://www.highereducation.org/crosstalk/ct0106/voices0106-meyers.shtml>
8. The fans play vicariously; students pay involuntarily. <http://hamptonroads.com/2011/05/fans-play-vicariously-students-pay-involuntarily>
9. Two states require fee disclosure, but athletics charges can be buried. http://usatoday30.usatoday.com/sports/college/2010-09-21-fee-disclosure-virginia-tennessee_N.htm
10. Obama says colleges should keep costs low and hints at 'alternative' accreditation. <http://chronicle.com/article/Obama-Calls-for-Spending-on/137343/>
11. Student loan debt rising, and often not being paid back. <http://economix.blogs.nytimes.com/2012/11/27/student-loan-debt-rising-and-often-not-being-paid-back/>
12. Is college worth it? college presidents, public assess, value, quality and mission of higher education. <http://www.pewsocialtrends.org/2011/05/15/is-college-worth-it/>

Appendix X
Media Narrative Documents Links Continued...

13. Chasing the American dream: Recent college graduates and the great recession.
http://www.heldrich.rutgers.edu/sites/default/files/content/Chasing_American_Dream_Report.pdf
14. Generation debt: How our future was sold out for student loans, bad jobs, no benefits, and tax cuts for rich geezers--and how to fight back. <http://www.amazon.com/Generation-Debt-Student-NoBenefits-Geezers/dp/B001QXC4AY>
15. Transunion selling credit reports to employers.
<http://www.examiner.com/article/transunion-selling-credit-reports-to-employers>
16. Half of recent college grads underemployed or jobless, analysis says.
http://www.cleveland.com/business/index.ssf/2012/04/half_of_recent_college_grads_u.html
17. Why men are more likely to drop out. <http://blogs.wsj.com/economics/2013/02/22/why-men-are-more-likely-to-drop-out/?mod=WSJBlog>
18. Boiling point? the skills gap in u.s. manufacturing.
<http://www.themanufacturinginstitute.org/~media/A07730B2A798437D98501E798C2E13AA.ashx>
19. Mood'ys: 2013 outlook for entire u.s. higher education sector changed to negative.
http://www.moodys.com/research/Moodys-2013-outlook-for-entire-US-Higher-Education-sector-changed--PR_263866
20. The financially sustainable university: A focused strategy can help colleges and universities reinvent their industry and stop spending beyond their means.
http://www.bain.com/Images/BAIN_BRIEF_The_financially_sustainable_university.pdf
21. Climbing walls and college costs.
<http://www.marketplace.org/topics/life/education/climbing-walls-and-college-costs>
22. 11 shocking truths about student loans in America. <http://www.businessinsider.com/11-things-you-didnt-know-about-student-loans-2012-7>
23. Fees climb at iowa universities: Parents, students shell out hundreds of extra dollars as iowa public university fees rise an average of 73% over decade.
<http://www.desmoinesregister.com/article/20120916/NEWS02/112070002/Fees-climb-Iowa-universities>

Appendix Y
Media Narrative Documents Links Continued...

24. Athletic fees are a large, and sometimes hidden, cost at colleges.
<http://www.washingtonpost.com/wpdyn/content/article/2010/10/24/AR2010102403002.html>
25. Senator enzi: Affordable and accessible college education must be a priority.
<http://www.youtube.com/watch?v=FvRYfYngjWg>
26. Full committee hearing - making college affordability a priority: Promising practices and strategies. <http://www.help.senate.gov/hearings/hearing/?id=771d2600-5056-9502-5dd7-a8bf4f40f911>
27. Who wins? who pays?:the economic returns and costs of a bachelor's degree.
http://www.air.org/files/WhoWins_bookmarked_050411.pdf
28. The miserable odds of a poor student graduating from college (in 2 graphs).
<http://www.theatlantic.com/business/archive/2013/03/the-miserable-odds-of-a-poor-student-graduating-from-college-in-2-graphs/274250/>
29. I fully expect to die with this debt. <http://chronicle.com/article/I-Fully-Expect-to-Die-With/138507/>

Appendix Z
Mandatory Non-educational Fees by Category

Institution	2011-12	2012-13	Difference	% Increase
George Mason University				
Athletic	\$477.38	\$514.54	\$37.18	7.8%
Auxiliary Central	\$274.77	\$289.57	\$14.80	5.4%
Auxiliary Services	\$223.57	\$229.85	\$6.28	2.8%
Debt Service	\$498.76	\$484.04	(\$12.72)	-2.6%
Facilities/Building	\$622.88	\$636.84	\$14.18	2.3%
Health Service	\$98.67	\$107.24	\$8.57	8.7%
Student Activity	\$227.89	\$236.57	\$8.68	3.8%
Transportation	\$92.32	\$111.35	\$19.03	20.6%
	\$2,514.00	\$2,810.00	\$98.00	3.8%
Old Dominion University				
Athletic	\$1,184.70	\$1,210.52	\$25.82	2.2%
Contingent	\$143.48	\$103.10	(\$40.38)	-28.1%
Debt Service	\$493.72	\$499.87	\$6.15	10.2%
Facilities/Building	\$298.98	\$242.18	(\$56.80)	-19.0%
Health Service	\$138.00	\$142.00	\$6.00	4.4%
Student Activity	\$504.10	\$611.42	\$107.32	21.3%
Student Union	\$271.04	\$320.30	\$49.26	18.2%
Transportation	\$100.00	\$100.00	\$0.00	0.0%
	\$3,092.00	\$3,229.59	\$137.59	4.4%
University of Virginia				
Athletic	\$657.00	\$657.00	\$0.00	0.0%
Auxiliary Services	\$99.00	\$98.00	(\$1.00)	-1.0%
Bus and Safe Ride	\$170.00	\$180.00	\$10.00	5.9%
Microsoft License Fee	\$18.00	\$18.00	\$0.00	0.0%
Data Center Fee	\$24.00	\$24.00	\$0.00	0.0%
Health Service	\$376.00	\$398.00	\$22.00	5.9%
Recreational Facilities	\$284.00	\$281.00	\$17.00	6.4%
Student Activity	\$44.00	\$44.00	\$0.00	0.0%
Student Union	\$240.00	\$240.00	\$0.00	0.0%
	\$1,892.00	\$1,940.00	\$48.00	2.5%
VA Commonwealth University				
Athletic	\$610.00	\$635.15	\$25.15	4.1%
Contingent	\$121.00	\$101.19	(\$19.81)	-16.4%
Health Service	\$190.00	\$195.00	\$5.00	2.6%
Student Activity	\$90.00	\$90.00	\$0.00	0.0%
Student Services	\$171.00	\$205.92	\$34.92	20.4%
Student Union	\$498.00	\$503.98	\$5.98	1.2%
Transportation	\$237.00	\$211.23	(\$25.77)	-10.9%
	\$1,917.00	\$1,942.47	\$25.47	1.3%
Virginia Tech				
Athletic	\$260.00	\$267.00	\$7.00	2.7%
Bus and Escort	\$104.00	\$109.00	\$5.00	4.8%
Health Service	\$348.00	\$362.00	\$16.00	4.6%
Recreational Facilities	\$258.00	\$265.00	\$7.00	2.7%
Student Activity	\$411.00	\$437.00	\$26.00	6.3%
Student Services - Annual	\$231.00	\$233.00	\$2.00	0.9%
	\$1,610.00	\$1,673.00	\$63.00	3.9%
College of William and Mary				
Athletic	\$1,485.00	\$1,485.00	\$0.00	0.0%
Bus and Escort	\$52.00	\$52.00	\$0.00	0.0%
Debt Service	\$1,267.00	\$1,267.00	\$0.00	0.0%
Facilities/Building	\$445.00	\$445.00	\$0.00	0.0%
General Services	\$486.00	\$475.00	\$9.00	1.9%
Green Fee	\$30.00	\$40.00	\$10.00	33.3%
Health Service	\$443.00	\$443.00	\$0.00	0.0%
PC Maintenance	\$30.00	\$30.00	\$0.00	0.0%
Student Activity	\$282.00	\$288.00	\$6.00	2.1%
Telecom/Networking	\$267.00	\$267.00	\$0.00	0.0%
	\$4,767.00	\$4,792.00	\$25.00	0.5%
Christopher Newport University				
Athletic	\$1,202.00	\$1,268.00	\$66.00	5.3%
Debt Service/Capital Reserve	\$1,502.00	\$1,572.00	\$70.00	4.7%
Facilities/Buildings/Repair/Replace	\$70.00	\$73.00	\$3.00	4.3%
Operating Reserve	\$172.00	\$172.00	\$0.00	0.0%
Recreational Facilities	\$234.00	\$245.00	\$11.00	4.7%
Student Activity	\$89.00	\$93.00	\$4.00	4.5%
Student Life/Health Services	\$193.00	\$202.00	\$9.00	4.7%
Student Union	\$674.00	\$705.00	\$31.00	4.6%
	\$4,136.00	\$4,328.00	\$192.00	4.6%
UVA-Wise				
Athletic	\$1,098.68	\$1,175.25	\$76.59	7.0%
Debt Service	\$1,231.79	\$1,234.34	\$2.55	0.2%
Operation & Maintenance	\$743.00	\$817.31	\$74.31	10.0%
Scholarship	\$90.55	\$95.08	\$4.53	5.0%
Student Organizations	\$200.00	\$210.02	\$10.02	5.0%
	\$3,364.00	\$3,532.00	\$168.00	5.0%

Figure 23: Mandatory non-educational fees among Virginia's public higher education institutions (SCHEV, 2012). The State Council of Higher Education for Virginia, <http://www.SCHEV.edu/Reportstats/2012TuitionFeesReport.pdf?from=> (accessed April 25, 2013)

Appendix AA Mandatory Non-educational Fees by Category Continued...

Institution	2011-12	2011-12	Difference	% Increase	Institution	2011-12	2012-13	Difference	% Increase
James Madison University					Radford University				
Athletic	\$1,153.00	\$1,176.00	\$23.00	2.0%	Athletic	\$1,123.00	\$1,138.00	\$15.00	1.3%
Auxiliary Services	\$636.00	\$667.00	\$31.00	4.9%	Auxiliary Services	\$145.00	\$155.00	\$10.00	6.9%
Debt/Reserves	\$830.00	\$908.00	\$78.00	9.4%	Debt Service	\$299.00	\$299.00	\$0.00	0.0%
Facilities/Building	\$320.00	\$320.00	\$0.00	0.0%	Facilities/Building	\$245.00	\$245.00	\$0.00	0.0%
Health Service	\$185.00	\$180.00	(\$5.00)	-2.7%	Health Service	\$279.00	\$289.00	\$10.00	3.6%
Student Activity	\$598.00	\$608.00	\$10.00	1.7%	Recreational Facilities	\$224.00	\$244.00	\$20.00	8.9%
Transportation	\$84.00	\$87.00	\$3.00	3.6%	Student Activity	\$124.00	\$124.00	\$0.00	0.0%
	\$3,806.00	\$3,946.00	\$140.00	3.7%	Student Union	\$236.00	\$236.00	\$0.00	0.0%
					Transportation	\$89.00	\$104.00	\$15.00	16.9%
						\$2,764.00	\$2,834.00	\$70.00	2.5%
Longwood University					Virginia Military Institute				
Athletic	\$1,767.00	\$1,767.00	\$0.00	0.0%	Athletic	\$1,430.00	\$1,502.00	\$72.00	5.0%
Auxiliary Services	\$456.00	\$639.00	\$183.00	40.1%	Barber Shop	\$240.00	\$247.00	\$7.00	2.9%
Debt Service Reserve	\$1,271.00	\$1,312.00	\$41.00	3.2%	Health Service	\$220.00	\$234.00	\$14.00	6.4%
Facilities/Building	\$129.00	\$130.00	\$1.00	0.8%	Laundry	\$320.00	\$330.00	\$10.00	3.1%
Health Service	\$178.00	\$183.00	\$5.00	2.8%	Student Activity	\$2,212.00	\$2,352.00	\$140.00	6.3%
Intramurals	\$179.00	\$177.00	(\$2.00)	-1.1%	UMA Fee	\$2,140.00	\$2,290.00	\$150.00	7.0%
Student Activity	\$180.00	\$180.00	\$0.00	0.0%		\$6,962.00	\$6,955.00	(\$7.00)	-0.1%
Student Union	\$130.00	\$130.00	\$0.00	0.0%					
Telecommunications	\$300.00	\$192.00	(\$108.00)	-36.0%					
	\$4,590.00	\$4,710.00	\$120.00	2.6%					
University of Mary Washington					Virginia State University				
Contingency/Reserves	\$130.00	\$135.00	\$5.00	3.8%	Athletic	\$719.00	\$724.00	\$5.00	0.7%
Debt Service	\$846.00	\$925.00	\$79.00	9.3%	Athletics O & M	\$109.00	\$100.00	(\$9.00)	-8.3%
Institutional Development	\$305.00	\$315.00	\$10.00	3.3%	Campus Improvement	\$201.00	\$200.00	(\$1.00)	-0.5%
Intercollegiate Athletics	\$355.00	\$373.00	\$18.00	5.1%	Debt Service	\$280.00	\$443.00	\$163.00	58.2%
Parking & Transportation	\$35.00	\$40.00	\$5.00	14.3%	Facilities/Building	\$220.00	\$220.00	\$0.00	0.0%
Social/Cultural	\$150.00	\$155.00	\$5.00	3.3%	Health Service	\$234.00	\$180.00	(\$54.00)	-23.1%
Student Organizations	\$80.00	\$80.00	\$0.00	0.0%	Other Services	\$115.00	\$100.00	(\$15.00)	-13.0%
Student Recreation	\$135.00	\$140.00	\$5.00	3.7%	Police and Public Safety	\$301.00	\$267.00	(\$34.00)	-11.3%
Student Unions	\$430.00	\$435.00	\$5.00	1.2%	Radio Station	\$91.00	\$80.00	(\$11.00)	-12.1%
Telecommunications	\$180.00	\$180.00	\$0.00	0.0%	Student Activity	\$330.00	\$275.00	(\$55.00)	-16.7%
	\$2,646.00	\$2,778.00	\$132.00	5.0%	Student Union (Foster Hall)	\$65.00	\$60.00	(\$5.00)	-7.7%
					Transportation	\$39.00	\$35.00	(\$4.00)	-10.3%
						\$2,684.00	\$2,684.00	\$0.00	0.0%
Norfolk State University					Richard Bland College (on-campus housing students)				
Athletic	\$1,510.00	\$1,510.00	\$0.00	0.0%	Athletic	\$50.00	\$60.00	\$10.00	20.0%
Auxiliary Security Fee	\$213.00	\$213.00	\$0.00	0.0%	Auxiliary Ent. Fee	\$250.00	\$220.00	(\$30.00)	-12.0%
Auxiliary Technology Fee	\$29.00	\$26.00	(\$3.00)	-10.3%	Food Service Fee	\$60.00	\$70.00	\$10.00	16.7%
Contingent	\$97.00	\$94.00	(\$3.00)	-3.1%	Health Service	\$150.00	\$150.00	\$0.00	0.0%
Debt Service	\$537.00	\$540.00	\$3.00	0.6%	Parking/Auto Registration	\$100.00	\$100.00	\$0.00	0.0%
Fitness Center Fee	\$30.00	\$30.00	\$0.00	0.0%	Floor Change Fee	\$25.00	\$25.00	\$0.00	0.0%
Health Insurance Fee	\$100.00	\$100.00	\$0.00	0.0%	Student Activity	\$180.00	\$190.00	\$10.00	5.6%
Health Service	\$63.00	\$60.00	(\$3.00)	-4.8%	Technology	\$350.00	\$400.00	\$50.00	14.3%
Student Activity	\$386.00	\$352.00	(\$34.00)	-8.8%		\$1,165.00	\$1,215.00	\$50.00	4.3%
Student Center Fee	\$312.00	\$332.00	\$20.00	6.4%					
Transportation	\$63.00	\$63.00	\$0.00	0.0%					
	\$3,320.00	\$3,320.00	\$0.00	0.0%					
					VA Community College System				
					Overhead Recovery	\$14.10	\$14.10	\$0.00	0.0%

Figure 24: Mandatory non-educational fees among Virginia's public higher education institutions (SCHEV, 2012). The State Council of Higher Education for Virginia, <http://www.SCHEV.edu/Reportstats/2012TuitionFeesReport.pdf?from=> (accessed April 25, 2013)

Appendix AB Intercollegiate Athletic Operating Budgets

College Athletic Operating Finances
Commonwealth of Virginia Public Institutions

Institutions	Income (Revenues)	Expenses (Costs)	Shortfall (Revenues - (Expenses+ Debt Service))	Student Fees (Athletic Fee)	Balance	Sales as % of revenue	Student Fees as % of Revenues
College of William and Mary	12,705,655	22,726,985	(10,021,330)	10,062,222	40,892	56%	44%
George Mason University	5,677,841	18,413,202	(12,735,361)	12,196,893	(538,468)	32%	68%
James Madison University	5,252,510	31143588	(25,891,078)	25,704,568	(186,510)	17%	83%
Longwood University	246,880	7,900,138	(7,653,258)	7,653,258	-	3%	97%
Norfolk State University	2,098,536	11,903,874	(9,805,338)	10,027,510	222,172	17%	83%
Old Dominion University	8,996,002	30,909,628	(21,913,626)	23,897,742	1,984,116	27%	73%
Radford University	2,306,080	10,038,771	(7,732,691)	9,559,089	1,826,398	19%	81%
University of Virginia	65,465,708	72,400,342	(6,934,634)	12,973,298	6,038,664	83%	17%
Virginia Commonwealth University	4362378.0	21453672.0	(17,091,294)	15,580,107	(1,511,187)	22%	78%
Virginia Military Institute	7,944,472	10,731,583	(2,787,111)	2,769,337	(17,774)	74%	26%
Virginia Tech	59,672,466	62,594,797	(2,922,331)	7,237,091	10,159,422	89%	11%
Average	15,884,412	27,292,416	(11,408,005)	12,514,647			

Figure 25: Virginia's²⁰ public higher education institutions intercollegiate athletic operating budgets. Data derived from figures reported in year 2011. Data pulled from USA Today (2012). Calculations performed by author. USA TODAY Sports' College Athletics Finances, <http://usatoday30.usatoday.com/sports/college/story/2012-05-14/ncaa-college-athletics-finances-database/54955804/1> (accessed April 25, 2013)

Intercollegiate athletic operating revenues and expenditures; 64% of athletic budgets rely on more than 50% of their operating revenues from collected student fees. 37% of athletic budgets operate at a loss even with significant revenue collected from student fees. 100% of athletic budgets would operate at a loss without significant revenues collected from student fees. 56%²¹ of Virginia's Public Higher Education Institutions charge over \$1,000 in student athletic fees as mandatory costs to attend.

²⁰ Data was not readily available for Christopher Newport University, The University of Virginia's College at Wise, University of Mary Washington and Virginia State University.

²¹ 56% includes all 15 of Virginia's public higher education institutions, not just the 11 surveyed for operational data.