

## **University of Texas System Principles for Setting Tuition and Fee Rates for the 2006-2008 Academic Year**

The UT System Office of Academic Affairs has developed a tuition and fee-setting process that incorporates three fundamental characteristics. First, the process used at each campus is *consultative* in nature; that is, proposals are developed with the participation of the entire campus community. Representatives of students who pay tuition and fees are to be actively involved throughout the process. Second, the process is *open and transparent* – interested parties have access to all of the information being used to determine tuition and fee charges. Finally, the process reflects *frugality* – the UT System recognizes the need to operate as efficiently as possible to keep tuition and fee charges as low as possible.

The students served by UT System institutions reflect the diverse nature of the Texas population, and individual campuses serve student populations that in many cases differ dramatically from one another. As a result, no one single tuition and fee strategy is appropriate for each of the system's nine academic institutions. UT System encourages each campus to be creative in its tuition and fee proposals and to view tuition and fee policy as one tool that can be used to achieve institutional goals.

While the tuition and fee-setting process is flexible enough to encompass different tuition and fee strategies, there are five core principles that tuition and fee proposals must reflect. These are:

### **1. Cost savings are critically important to keeping tuition and fee charges affordable.**

While state appropriations recovered slightly in the 2006-2007 state budget compared with the prior biennium, per-student funding from the State remains below 2002-2003 levels. In the near term, any additional revenue for general educational purposes will have to come from other sources of income--including tuition and fees--or from redirecting resources that become available through cost-saving programs. Clearly, the latter is the favored source of additional funding. Universities must include in their proposal a discussion of campus initiatives to reduce their operating costs.

### **2. Any proposed increases in tuition and fees should be limited to the amount necessary to provide a quality education.**

*If* a tuition and/or fee increase is required, the goal is for that increase to be the smallest possible increase that is required to meet institutional needs. State funding may be a major factor for the Board of Regents to consider in evaluating tuition and fee levels. Each university must examine carefully its projected revenues and its anticipated expenditure needs to identify the smallest tuition or fee increase that might be needed to operate the university at acceptable levels. The institution must demonstrate clearly that any proposed increase is the minimal amount required to sustain institutional quality.

### **3. Tuition and fee policies should emphasize predictability; students and parents should have as much information as possible to estimate costs over a four-year undergraduate education.**

A major problem facing students and their families is the unpredictable nature of public university tuition and fee charges in recent years. While increases for 2005-2006 were relatively modest, prior year increases fluctuated widely. These fluctuations make it hard for students and families to plan for future college expenses. Tuition and fee proposals must address steps that each institution will take to make future increases as modest and as predictable as is possible.

To provide greater predictability to students and parents and to reduce the politicization of the tuition and fee-setting process, a two-year cycle for setting rates is being implemented. Tuition and fee rates will be set by the Board of Regents (BOR) in the spring of each even-numbered year and will cover the following two academic years.

Certain fees do not lend themselves to a two-year cycle—for example, a new course or program fee. Also, some fees require legislative approval. Therefore, with this biennial process some fees may still need to come before the BOR more frequently than every two years. However, most charges will be on a two-year cycle, providing students and parents with more predictable academic costs.

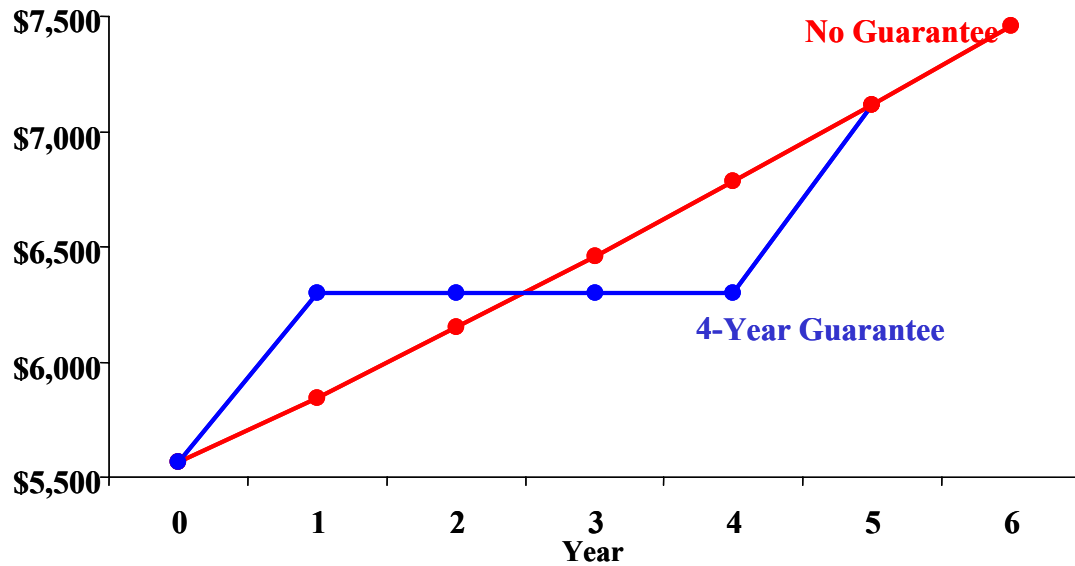
Universities are encouraged to explore additional options to provide predictability, especially with undergraduate tuition. As an example, in several states each entering freshman class is provided with a “tuition guarantee.” Under this arrangement, tuition and fees are guaranteed not to increase over the four years (or longer if a degree program is more than four years) that is required to obtain a baccalaureate degree. Students who do not complete their degree program in the allotted time lose the guarantee. Students and their families are better able to plan for college expenses because they know that tuition and fees will remain the same if they complete their degree program on-time. Because the guarantee expires at the end of the time period required for a degree, students have a powerful incentive to complete their program on time. Colleges and universities do not have to contend with students and parents who may be angered by annual increases in tuition and fee charges.

Implementing a tuition guarantee plan requires careful planning to develop a rate that can provide an equivalent amount of revenue compared to a traditional pricing model over the four or five years covered by the guarantee (see chart on following page). The board would set a guaranteed rate for each new entering class, as well as a “non-guaranteed” tuition rate for those students who lose their eligibility, who transfer into the university after the freshman year, or who are attending as part-time students.

The first year of implementing a tuition guarantee plan poses a special challenge, since the new guaranteed rate will likely be significantly higher than the non-guaranteed rate to

yield the same revenue over a four or five year degree plan. Universities would have to work to educate students, parents and the media about the advantages of a tuition guarantee plan and how the plan works.

### Example of Tuition Guarantee Plan Compared to the Traditional Pricing Model



Source: University of Illinois

#### 4. Proposals must show how tuition and fee policies relate to and support other strategic goals.

Campus proposals must discuss institutional goals and how the university's tuition and fee proposal will assist the university in meeting those goals. The UT System is using tuition flexibility to make much-needed improvements and achieve long-range strategic goals, such as increased enrollment and graduation rates, more efficient use of facilities, and higher quality of academic programs and student services. For example, flat rate tuition is being used to give students incentives for taking higher course loads.

Universities may want to charge discounted rates at "off-peak" times to encourage more efficient use of buildings, or provide tuition rebates to students who pay on time or who take a full course load. They also may want to offer slightly discounted tuition to fill courses that have unused capacity during adds and drops. The Texas Legislature has identified raising graduation rates and reducing the time that it takes to attain a baccalaureate degree as top priorities for the state; proposals should address how tuition and fee policies at the institution relate to that goal.

#### 5. Proposals must include an overview of financial aid services available to assist students.

While all of our campuses have financial aid offices available to provide advice and assistance to students, such resources are needed even more when tuition and fee increases occur. Just as tuition and fee rates are reviewed, campuses should review their financial aid operations on a regular basis to assess how student needs are being met and how the services might be improved through extended hours, online advice, low interest loans, bridge scholarships, etc.

## **Proposal Development Guide**

Each institution must show how its proposal reflects the core principles discussed above. As in the past, universities must include a discussion of the proposal's impact on students and the institution and describe how the proposal will affect the university's ability to meet its strategic goals and objectives. The proposal must identify how any proposed increases in tuition and/or fee revenue will be expended to enhance academic excellence. The proposal also must address affordability and how any proposed increase will affect access to the institution. If the university is subject to a mandatory set-aside for financial aid, the proposal must address how set-aside funds will be used to ensure that students from all income levels have access to higher education. Finally, the consultative process that was used to involve students in the tuition and fee-setting process must be described in the proposal.

A single tuition proposal should be submitted, but it may include sections for undergraduate, graduate, and professional programs, and differential tuition may be included if justified.

## **Timeline**

Institutions will engage in extensive consultations with students to develop tuition and fee proposals and explain to students how the plan will benefit students. Tuition proposals will be due to the Office of Academic Affairs by December 1, 2005. System Administration will analyze the proposals and the BOR will be provided with the tuition and fee plans and the system's recommendation at the February board meeting. Universities should remember that a multi-year proposal does not mean that the BOR cannot act to adjust tuition and/or fee rates for the second year. If unforeseen events have a severe financial impact on an institution, the BOR retains the ability to adjust the rates the following year.

## **Data Required**

The tuition and fee proposal must be accompanied by data that supports the institution's plan. These data will be required to evaluate the impact of each proposal on students. Each institution gathers these data to develop a tuition plan and to forecast revenues, so requiring the data in the proposal will not involve additional work on the part of the universities. The data required will allow the Office of Academic Affairs to evaluate not

just the impact of the proposal as it is written, but also the impact on the university of any changes that may be proposed to the plan.

The following data elements, at a minimum, will be needed to evaluate the proposal:

- a tabulation of current year resident undergraduate student enrollment by the number of semester credit hours (SCHs) taken;
- the average course load taken by students at the institution for the most recent five years;
- annual student retention rates for each class of undergraduates;
- the tuition and fee revenue generated in the current year from resident UG students at each credit hour load, including the total amount of mandatory fees as well as the total amount of discretionary fees paid by students at that credit load;
- the proposed tuition and fee increase at each credit hour level; and
- projected revenue at each semester credit hour level under the proposal.

In some cases, data required above already are collected for other reports and should be available from the institutional research office at each campus. Data on discretionary fees are needed to ascertain the total cost to students for academic and related services provided by the university. Since several institutions have incorporated some of these fees into the tuition charge, these data are needed to compare costs among institutions on an “apples to apples” basis.