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Tuition and Fee Presentation

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*(as prepared)*

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Today, we embark upon one the most important responsibilities given to this Board of Regents – which is to set tuition and fees for both our academic and health institutions. The presidents of our academic institutions – along with student representatives – will address the Board about their tuition and fee proposals for the next two years. And the Executive Vice Chancellors will also be available to answer any questions that you may have concerning the academic and health institution proposals.

Before we begin those presentations, I want to give the Board a brief overview – to offer a context for what follows.

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Since our beginning, we have been given a mandate to be an institution of the first class. Succeeding generations of leaders have done their best to live up to that mandate. And now, almost 130 years since the first meeting of our Board of Regents chaired by Chairman Ashbel Smith, we are a system of nine academic universities, six health institutions and, as we like to say, unlimited possibilities.

It was not easy to arrive at our current position of excellence and strength. It is not easy to maintain that position. And it is even more difficult to rise to the higher levels to which we aspire. Doing so requires us to advance competitiveness and excellence through our ability to consistently recruit and retain great faculty, staff and students. Our students expect and deserve an outstanding educational experience in a learning environment that is second to none in all fields. We are educating the next generation of leadership for Texas and we owe them a well-rounded

education that cuts across all disciplines – one that shows pre-med students the glories of the arts and the humanities, one that demonstrates to the history major the virtues of the natural sciences and mathematics.

We also are being asked to educate more students every year. The targets of the *Closing the Gaps* initiative require higher education to absorb several hundred thousand more students and increase degrees in the STEM fields by 125 percent within the next five years. As the largest system of public higher education in Texas, this goal presents a special responsibility for us and underscores our obligation to offer an outstanding education in all fields of scholarship and research, including the STEM fields, the performing arts, the humanities and health professions.

As former UT Austin President H. Y. Benedict said, "Public confidence is the only real endowment of a public university." And we must earn and protect that confidence every day of our lives.

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President Benedict served during the Great Depression and he would have agreed that being first class also means operating efficiently and being constantly aware of the concerns of Texas families during difficult economic times. Over the last several years, UT System institutions have undertaken several initiatives designed to improve operating efficiencies and reduce costs.

One of these initiatives is the continuing effort to encourage and incentivize students to graduate in a timely manner. While we understand that some of our campuses have many part-time students, we also know that extending the time required to graduate creates higher costs for students because they pay more semesters of tuition and incur the opportunity cost of not being in the workforce as graduates. If we can encourage our students to graduate a year earlier, to get into the workforce and earn a competitive salary, the cost savings to them will far outweigh any increase in tuition – by a long shot.

In our efforts to be efficient, we have also embarked upon cost containment measures which have saved more than \$200 million since 2007. These measures include shared services among institutions – such as purchasing alliances that marshal collective buying power, prudent finance and debt management practices, and efforts to eliminate duplication.

Additionally, we have complied with the state leadership's request to develop plans for a 5 percent budget reduction from appropriated General Revenue funds. And we remain committed to do our part to help the state through its current budgetary challenges by continuing to explore ways to cut costs and introducing new efficiencies whenever possible, even though these efforts are not easy.

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To incentivize timely graduation, our campuses have developed innovative approaches which make more courses available on evenings and weekends and encourage the expansion of distance education, dual credit and early college preparation programs. UT academic institutions are using creative programs such as flat-rate tuition, guaranteed four-year tuition rates, rebates linked to timely progress, discounts for off-peak-hour courses, and guaranteed financial aid programs to encourage students to graduate on time. These incentives allow students to save money by graduating sooner – savings that more than offset tuition increases. Many of these ideas, in fact, were contributed by our students in their active participation during the tuition setting process at each of the institutions. Other important efforts that should be highlighted are university work-study programs and increasing residential living at our campuses, all aimed at improving student retention and graduation.

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Education is a responsibility shared among our institutions, our Legislature and our students and their families. While education benefits the individual, it is of equal or greater value to the society as a whole. An investment in higher education and health care is an investment in the future of Texas because it contributes to an educated and healthy citizenry and stimulates knowledge-based and sustainable economic development. The quality of education and health care determines the quality of life and vibrancy of our great state.

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And yet, as the costs of education and health care have increased, funding has remained a challenge especially as we are increasing enrollment across our system and caring for more of the ill and infirm while at the same time performing innovative research and recruiting world-class

faculty. Why do we do this? We do this because of our pledge to our students and world to be an institution of the first class.

As you see on these pie charts, on the academic side, State Appropriations and Tuition and Fees together provide slightly more than half of the revenue of our campuses – 24 percent from State Appropriations and 27 percent from Tuition and Fees. At our health institutions the combined percentage contributed by State Appropriations and Tuition and Fees is smaller – approximately 16 percent, of which 1 percent of all revenue is derived from Tuition and Fees for our health institutions. It is important to note that it is State Appropriations and Tuition and Fees that are largely directed to the educational mission of our universities. Other revenue streams in this pie chart are largely restricted - such as grants, gifts and revenues that support the clinical enterprise. It is for this reason that there is such a delicate balance between State Appropriations and Tuition and Fees to support the education of our students.

I may also add that state appropriation funding is heavily based on enrollment growth – which has been a disadvantage for UT Austin as a result of being at enrollment capacity – as are several health related institutions and their associated infrastructure limitations.

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As we succeed in *Closing the Gaps* by enhancing enrollment across the System, and despite the increases in General Revenue appropriated during the 81<sup>st</sup> Legislative Session, state support per Full Time Student Equivalent – adjusted for inflation – has not yet returned to 2002 levels. This simply emphasizes how closely linked State Appropriations and Tuition and Fees are. You see that represented on this chart. And, of course, the State Appropriation/student FTE may further drop in Fiscal Year 2010 because of the proposed 5 percent cuts.

Rising enrollment will require us to utilize buildings more effectively and enhance the infrastructure of campuses for information technology. And, more students create a need for careful faculty growth to ensure student faculty ratios are appropriate to provide a first-class educational experience, as well as additional academic advisors and financial aid counselors to make sure our universities remain accessible and affordable. And for this, state appropriations and tuition and fees are very important.

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In this slide you see UT Austin's resident undergraduate Tuition and Fees compared to major state institutions in the 10 most populous states. UT Austin ranks sixth out of ten as it relates to undergraduate tuition and fees.

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And here, you see a national peer comparison of UT Austin's undergraduate Tuition and Fees and State Appropriations. UT Austin receives a combined \$15,500 per full-time equivalent student, the lowest level of funding among these research-intensive public institutions. When adding the Available University Fund, our flagship academic institution remains in the lowest quartile with regard to funding.

We acknowledge that our students have been asked to share more of the costs associated with their education as we advance excellence to be an institution of the first class. It is important to note that the strength of our financial aid programs buffer many of these increased costs. It is important to note that 20 percent of every increase in designated tuition is set aside for financial aid.

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All our financial aid programs offer assistance to low and middle income families. Here are a few examples of Guaranteed Financial Aid programs.

- UT Arlington's Maverick Promise provides full tuition and fees for any student who is eligible for the Pell Grant and has a family income of \$65,000 or less.
- UTPA's Advantage provides full tuition and fees for any student who is enrolled for 15 semester hours and has a family income of \$30,000 or less.
- UT El Paso's Promise provides full tuition and fees for students with a family income of \$30,000 or less.

UT Austin established the UT Grant program after tuition deregulation began in 2003 in order to mitigate the effect of tuition increases on low and middle income students.

- The UT Grant award covered 100 percent of the tuition increase for students with family incomes of less than \$40,000, 75 percent of the tuition increase for students with family incomes of \$40,000 to \$60,000 and 50 percent of the tuition increase for students with

family incomes of \$60,000 to \$80,000. The amount of each year's award was indexed to tuition increases.

- As a result of the money being awarded through the UT Grant program along with other need based grant programs such as the Texas Grant and Pell Grant, UT Austin students with adjusted gross incomes of \$60,000 or less are awarded gift aid that covers on average 120 percent of their tuition and fees in the fall of 2008.
- By awarding grant aid in excess of tuition and fees, UT Austin further assists low and moderate-income students to reduce their reliance on loans, and work to pay for other necessary expenses such as books, rent, groceries, and transportation costs.

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And looking at financial aid overall, the numbers are quite impressive. This chart shows that students with need-based grant aid receive an average 79 percent discount on their academic costs and the average discount among all full-time undergraduate students is 35.3 percent.

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The UT System Office of Academic Affairs studied the number and percentage of students receiving financial aid at UT System academic institutions since 2003. The study looked at students receiving financial aid by income groupings.

A major conclusion of the report is that the percentage of students in the middle income range receiving financial aid – those with a household income ranging between \$45,000 and \$100,000– has not changed since tuition deregulation and the total number of students in the middle income group has increased.

Other results of this study include:

- Since tuition deregulation, the number of first time, full-time students has increased by 8.9 percent and the number of freshmen receiving financial aid increased by 19.1 percent. In fall 2007, 53.2 percent of the entering freshmen received financial aid.
- The socioeconomic background of freshmen students has changed very little since tuition deregulation; and,
- The average grant received by freshmen students has increased 35 percent.

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Now, we turn to the actual tuition-setting process.

When the Board was given tuition-setting authority, the Regents created an inclusive and consultative process that was then adapted to each individual campus.

Tuition Policy Advisory Committees charged with developing the proposals are composed of students, faculty, staff, and administrators. The institutions conduct open public forums and consult with campus constituency groups to identify the needs of the students and the institution. They evaluate what is learned and determine how best to use policies and tuition to achieve shared, strategic goals for their respective campus communities. The president then reviews the recommendations and forwards them to the Executive Vice Chancellors for Academic and Health Affairs who, in turn, consult with the Chancellor. The final recommendations are then brought to the Board, just as we are doing today. Multiple levels of review ensure wide participation and support.

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In this process, University of Texas academic institutions worked diligently to develop plans that would limit any increases in total academic costs for undergraduate students to 3.95 percent or \$280 per academic year, excluding student initiated fees adopted via campus referenda for the next two fiscal years. Increases, as always, include the 20 percent set-aside for financial aid. We also want to note that UT Dallas has a special situation because of their guaranteed tuition plan that was begun in 2007. These students will not see their tuition increase if they graduate within four years. However, if they do not graduate within that period, students would experience an increase beyond the suggested limits – as carefully articulated to them upon registration and admission.

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Five UT System academic institution tuition and fee proposals shown on this slide also include student fees authorized through recent student-driven referenda – these fees would be implemented during the 2010 and 2011 fiscal years. Any other student-initiated fees over the next two years will be subject to Board approval.

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With regard to the health science institutions:

Tuition and fees represent 1 percent of all revenue for UT health institutions which oversee hospitals, and up to 4 percent of revenue for institutions, such as the health science centers in Houston and San Antonio, which do not oversee hospitals.

Our medical schools remain well below the national average for tuition and fee costs at public institutions:

- UTMB is at 60 percent
- UT Southwestern is at 62 percent
- UT Health Science Center – Houston is at 47 percent; and
- UT Health Science Center – San Antonio is at 64 percent.

The recommendations made by the presidents of our health institutions for fiscal year 2010 and 2011, range from increases of 4.2 percent to 11 percent for the medical and dental schools, with the largest increase at UT Health Science Center - Houston. Of note, UT Health Science Center – Houston, has not increased tuition since 2005. Despite these proposed increases, UT medical schools will still be at levels below the national average for public schools.

Additionally, for the graduate schools of biomedical sciences, schools of nursing, and schools of health professions, the proposed increases range from 1.8 percent to 7.2 percent.

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We believe that the proposed increases in tuition and fees are necessary to continue to provide the highest quality education needed for our state to enhance the workforce and the economy while advancing Texas' competitiveness. It is imperative that we enhance excellence so that our graduates and Texas can move forward ... and continue to build an institution of the first class.

Further, we believe the increases recommended are critical for our institutions to continue to deliver the highest quality education, health care, research and service to Texas. And we also conclude that, given the advice received from the Tuition Policy Advisory Committees and the financial assistance available to our students, we believe these proposed increases are appropriate.

As I now turn the podium over to the institution presidents, I want thank them for their hard work on these tuition and fee proposals. Once again, they have done an outstanding job on an important, time-consuming and challenging task. We are also grateful to those who served on the campus Tuition Policy Advisory Committees, especially the students who will speak to us today.

Mr. Chairman I concur with the recommendations that are included in the agenda materials that will be presented to you today. Thank you for your time and attention.