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The Office of Academic Affairs
The University of Texas System

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How should U. T. System academic institutions consider potential increases in tuition and fees?

A guiding philosophy for the FY 2019 and FY 2020 tuition and fee setting process

Introduction & Purpose

It is the commitment of The University of Texas System that every qualified student should have an opportunity to pursue postsecondary education at one of The U. T. System institutions. Because tuition and fees are critical to access institutions within the System, the cost of attendance should not prevent qualified students from attending a U. T. System institution.

At the core of The U. T. System tuition philosophy is a commitment to keep costs to Texas undergraduate students at the lowest practical level while maintaining the high quality of education expected from the citizens of the state. Certainly, economic factors impact higher education institutions, and issues such as inflation, regional economic growth and decreasing, inflation-adjusted state appropriations significantly impact the costs. Beyond these factors, other institutional priorities impact a university's tuition and fees, and it is important to understand the systemwide philosophy that guides decisions about tuition and fee rates.

The purpose of this report is to outline eight key principles that guide decisions about how potential tuition and fee increases at an academic institution can be evaluated: Access, Affordability, Institutional Commitments to Invest in Student Success Outcomes, Quality, Efficiency, Transparency, Flexibility, and Shared Responsibility.

1. Access

The University of Texas System is working hard to ensure that no qualified student is denied a U. T. education because of financial reasons. Before any tuition and fee increases are considered, the potential impact on access for all current and prospective students, specifically low-income students, should be carefully analyzed.

Students with low household incomes that do not have one hundred percent of their tuition and fees covered by grants and scholarships may be more price sensitive to even small increases in tuition. All U. T. academic institutions serve low-income students, and several are located in regions where the median household income is less than the national and state median (U. T. El Paso, U. T. Rio Grande Valley, U. T. San Antonio, and U. T. Tyler). U. T. System academic institutions are focused on serving their regional populations, with two-thirds or more of resident undergraduates coming from local areas at every institution except at U. T. Austin and U. T. Permian Basin (Table 1). Furthermore, the percentage of undergraduate students who are Pell-eligible is substantial at each academic institution, and represent more than 50% at two institutions (Table 2).

Table 1: Percentage of Resident Undergraduates Enrolled at Each U. T. System Academic Institution AY 2014-2015, Reported by Texas Geographic Region

	UTA	UT Austin	UTD	UTEP	UTPB	UTSA	UTT
High Plains	0.6%	0.9%	0.3%	0.1%	2.1%	0.3%	0.2%
Northwest	0.7%	0.6%	0.3%	0.1%	4.3%	0.3%	0.3%
Metroplex	81.1%	24.3%	79.7%	0.9%	8.4%	3.1%	18.9%
Upper East Texas	2.0%	1.5%	1.1%	0.0%	0.8%	0.2%	63.3%
Southeast Texas	0.6%	1.4%	0.4%	0.0%	1.8%	0.5%	2.4%
Gulf Coast	6.0%	30.6%	8.7%	0.5%	5.3%	16.9%	9.3%
Central Texas	4.8%	22.2%	5.9%	0.6%	7.8%	8.8%	3.8%
South Texas	3.1%	15.4%	2.7%	0.6%	7.1%	67.3%	1.5%
West Texas	0.5%	0.8%	0.2%	0.2%	54.8%	0.8%	0.1%
Upper Rio Grande	0.5%	2.1%	0.5%	97.0%	7.6%	1.9%	0.1%

Source: Texas Higher Education Coordinating Board, *Access and Affordability at Texas Public Universities, 2014-2015*. Note: Areas highlighted in blue represent the region with the highest percentage of enrolled students at each institution. Areas highlighted in orange represent geographic regions that constitute more than 10 percent of enrollment. Note: Columns may not sum to 100 percent due to rounding. U. T. Rio Grande Valley began enrolling students in Fall 2015, therefore, no data were available for this analysis.

Table 2: Percentage of Pell-Eligible Undergraduate Students Enrolled at U. T. System Academic Institutions (AY 2016)

	% Receiving Pell Grants, All Undergraduate Students
<i>Flagship</i>	
U. T. Austin	24.1%
<i>Emerging Research Universities</i>	
U. T. Arlington	40.1%
U. T. Dallas	31.7%
U. T. El Paso	56.1%
U. T. San Antonio	42.9%
<i>Comprehensive Universities</i>	
U. T. Permian Basin	26.1%
U. T. Rio Grande Valley	62.4%
U. T. Tyler	35.8%

Source: Texas Higher Education Coordinating Board, Financial Aid Database

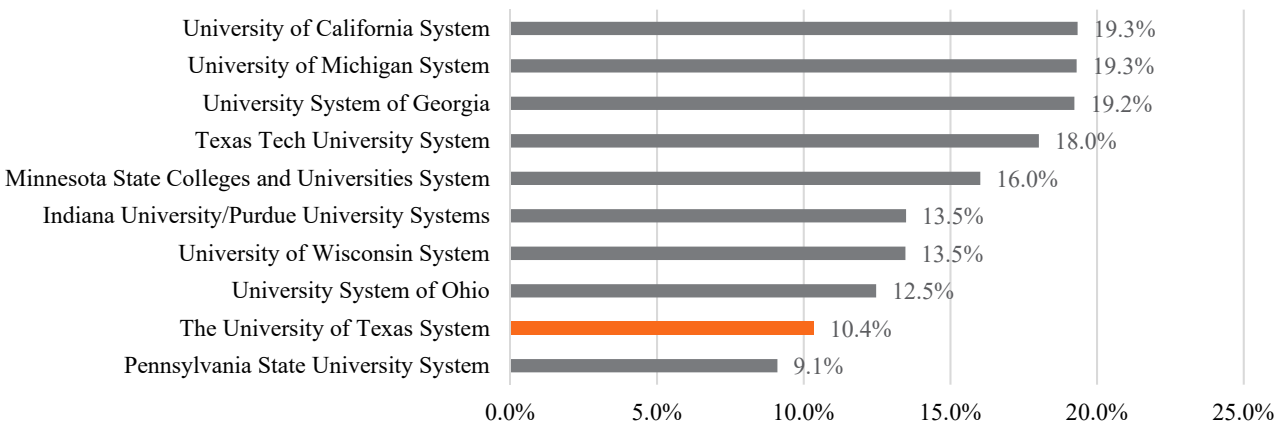
In the context of evaluating potential increases to the published total academic costs at academic institutions and the potential impact on student populations, it is clear that access and affordability are inextricably linked.

2. Affordability

Affordability is crucial to access. The U. T. System and its institutions will seek to offset any increasing costs with financial aid benefits, including grant and scholarship funding. Net price and student debt will serve as guiding metrics to help ensure affordability.

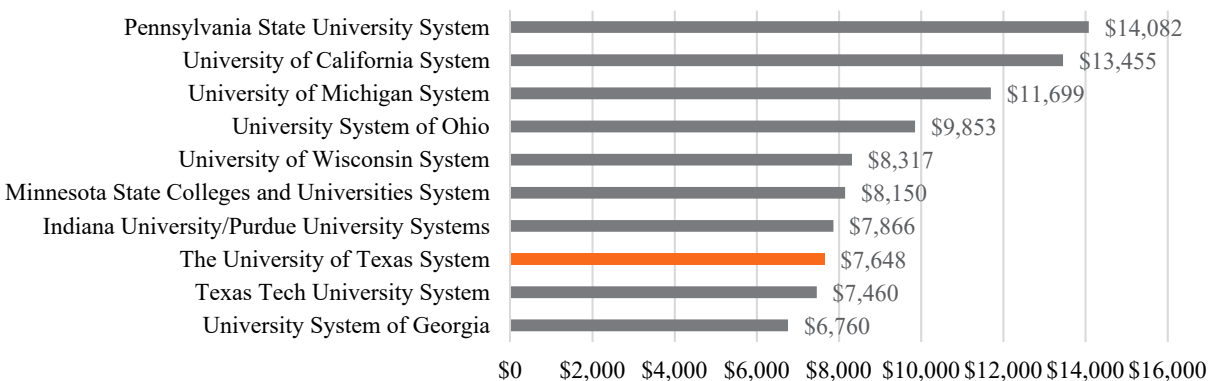
In an analysis of 10 comparable university systems nationwide, the U. T. System ranks second lowest in the percentage increase in resident tuition and fees for full-time undergraduate students between AY 2010 – 2011 and AY 2015 – 2016. Second only to the Pennsylvania State University System at 9.1%, U. T. System saw a 10.4% increase; however, total tuition and fees for Pennsylvania State University System are nearly double those of the U. T. System, and the highest overall among the 10 compared.¹ AY 2015 – 2016 undergraduate resident tuition rates for full-time students placed the U. T. System as the 3rd least expensive among the 10 compared.²

Figure 1: Percent increase in undergraduate resident tuition and fees between AY 2010-11 and AY 2015-16 at comparable 4-year public university systems



Source: U.S. Department of Education, National Center for Education Statistics, IPEDS.

Figure 2: AY 2015-16 undergraduate resident tuition and fees at comparable 4-year public university systems



Source: U.S. Department of Education, National Center for Education Statistics, IPEDS.

Additionally, U. T. System maintained a smaller percentage increase in undergraduate resident tuition and fees between AY 2010-2011 and AY 2015-16 than many other comparable Texas public four year systems.

Table 3: Average Percentage Tuition and Fee Increase Among Comparable Public Four Year University Systems: AY 2010 – 2011 to AY 2015 - 2016

	Percentage Increase
Texas State University System	30.6%
Texas A&M University System	25.8%
University of Houston System	23.2%
Texas Tech University System	18.0%
University of Texas System (Academic Institutions)	10.4%

Source: Integrated Postsecondary Educational Data System (IPEDS) 2015 – 2016 Data; public higher education systems chosen from the five most populous states, from systems with highest enrollment levels nationally, and from systems with the highest levels of research and development expenditures; analysis conducted by U. T. System Office of Strategic Initiatives

Institutions have made a considerable effort to offset any increases to tuition and fees that have occurred through grants, scholarships, and tuition waivers, especially for students with family incomes of less than \$60,000.

Net tuition and fees are estimated by subtracting grants, scholarships, and tuition waivers from listed tuition and mandatory fees for full-time resident undergraduate students. Across all academic institutions and all income levels, net tuition and fees increased by \$592 between AY 2010 and AY 2016 (inflation adjusted to 2016 base year). This was largely due to a decrease in average Texas Grant award amounts and the ending of the summer Pell Grant program eligibility, rather than a significant increase in tuition and fee costs.³

Despite challenges with federal and state grant aid availability, a tuition affordability analysis conducted by the U. T. System Office of Strategic Initiatives found that between AY 2010 and AY 2016, total tuition and fees were fully covered (on average) for resident, full-time undergraduate students with family incomes of less than \$60,000. For students whose family income is between \$60,001 and \$80,000, 79% of total tuition and fees is covered (on average) by grants, scholarships, and tuition waivers.⁴

Table 4 below lists the average annual net tuition by income level for full-time resident undergraduate students who received grants, scholarships, or tuition waivers and who are attending the flagship institution, emerging research universities, and the comprehensive universities. Across all institutions, full-time resident undergraduates with a family income of less than \$60,000 who received grants, scholarships, or tuition waivers had all of their tuition and fees covered. Even for U. T. Austin full-time resident undergraduates with a family income of greater than \$80,000 and who received grants, scholarships, or tuition waivers, more than half of annual tuition and fees are covered.

Table 4: Average Net Tuition & Fees for Full-Time Resident Students Receiving a Grant, Scholarship or Tuition Waiver, Academic Year 2016

	Family Income	Average Tuition & Fees*	Average Net Tuition & Fees	% Tuition & Fees Covered by G/S/T**	% FT Resident Undergrads Receiving Financial Aid
Flagship Institution	All Income Levels	\$9,806	-\$1,524	116%	40%
	\$0 - \$40,000	\$9,806	-\$4,583	147%	–
	\$40,001 - \$60,000	\$9,806	-\$2,617	127%	–
	\$60,001 - \$80,000	\$9,806	-\$78	101%	–
	\$80,001+	\$9,806	\$3,725	62%	–
Emerging Research Universities	All Income Levels	\$8,481	-\$505	106%	62%
	\$0 - \$40,000	\$8,345	-\$1,724	121%	–
	\$40,001 - \$60,000	\$8,481	-\$317	104%	–
	\$60,001 - \$80,000	\$8,641	\$1,308	85%	–
	\$80,001+	\$8,845	\$2,405	73%	–
Comprehensive Universities	All Income Levels	\$7,158	-\$1,683	124%	72%
	\$0 - \$40,000	\$7,199	-\$2,588	136%	–
	\$40,001 - \$60,000	\$7,143	-\$1,191	117%	–
	\$60,001 - \$80,000	\$7,050	\$1,205	83%	–
	\$80,001+	\$6,944	\$2,404	65%	–

Table Notes: *Average Tuition and Fees are enrollment weighted.

**Amount in excess of 100% is attributable to the other components of cost of attendance.

G/S/T refers to grants, scholarships, and tuition waivers.

Sources: Texas Higher Education Coordinating Board (THECB), CMB001 – Student Report and Financial Aid Database, IPEDS Data; analysis conducted by U. T. System Office of Strategic Initiatives

Student debt is also a measure of affordability. Tuition and fees make up approximately one-third of the full cost of attending a U. T. institution. While the U. T. System academic institutions do everything possible to cover 100 % of tuition and fees for students with a family income of less than \$80,000, students sometimes need to take out loans to cover other costs of attendance, including room and board, supplies, and other expenses.

In AY 2013-2014, at three institutions (Austin, Arlington, and Dallas) the percentage of undergraduate students who graduated with student loan debt was lower than national and state averages for public four-year universities (Table 5). The average debt of students graduating with any debt was lower than national and state averages at four of the institutions (Arlington, Dallas, El Paso, and Pan American).⁵ Average earnings data indicate that after graduating from a U. T. institution, students earn between \$40,713 and \$48,787 in their first year, nearly double the amount of average loan debt of students who graduate with debt.

Table 5: Percent of Undergraduates Graduating with Student Loan Debt and Average Debt, Academic Year 2013-14

	<i>Percent of Undergraduates Graduating with Debt</i>	<i>Average Debt of Students Graduating with Any Debt</i>	<i>Average First Year Earnings</i>
	2014	2014	2002-2014
National, Public 4-year	60%	\$25,902	N/A
Texas, Public 4-year	59%	\$24,804	N/A
<i>Flagship Institution</i>			
U. T. Austin	55%	\$27,207	\$46,527
<i>Emerging Research Universities</i>			
U. T. Arlington	58%	\$23,210	\$48,787
U. T. Dallas	48%	\$19,613	\$46,040
U. T. El Paso	67%	\$24,000	\$42,830
U. T. San Antonio	66%	\$27,337	\$40,713
<i>Comprehensive Universities</i>			
U. T. Permian Basin	64%	N/A	\$42,735
U. T. Rio Grande Valley	N/A	N/A	N/A
U. T. Tyler	51%	N/A	\$44,153

Sources: The Institute for College Access and Success Project on Student Debt, College Insight Data, The Common Data Set, and The Texas Higher Education Coordinating Board (THECB), CBM009 (Degree Report) and Texas Workforce Commission (TWC) wage records; analysis conducted by U. T. System Office of Strategic Initiatives. Notes: Percent of graduates with debt is the percentage of students who borrowed at any time through any loan program while at the current institution. Earnings are inflation-adjusted to current dollars of the most recently available year of data. Debt data from UTPB and UTT are not available due to the small student population, and since the first cohort began at UTRGV in Fall 2015, UTRGV data are not yet available.

3. Investment in Student Success Initiatives and Return on Investment

Student Success is core to the mission of The University of Texas System. A demonstrated commitment of U. T. System academic institutions to invest in initiatives that help students graduate and obtain the skills needed to thrive in the workplace must be evident for tuition increases to be considered.

Over the past several years, U. T. System academic institutions have made considerable investments in student success initiatives, and the number of degrees awarded has increased by 18% since 2011.⁶ In AY 2015, academic institutions awarded nearly 34,000 baccalaureate degrees, accounting for more than one-third of all undergraduate degrees conferred in Texas.⁹ Each institution has worked closely with the U. T. System Office of Academic Affairs over the last year to advance student success through a renewed focus on three critical areas of student success: finances, advising and belonging with the goal of graduating more students on time. While the U. T. System has provided resources as part of this effort, it is expected that institutions will absorb the costs of successful programs within the next two to three years.

While the value of a college education extends far beyond post-graduation earnings, the financial resources required makes increased earnings a key factor when considering return on investment for students and their families, the U. T. System and the state of Texas. Students earning a bachelor's degree from U. T. System academic institutions earn more than those who enrolled but did not complete their degree. Over their first five years of working in Texas after earning their bachelor's degree, students graduating between 2007-08 and 2009-10 made approximately \$57,000 more than those who did not complete their degree.⁷ On average, the bachelor's degree recipients earned \$11,000 more in their first year after graduating than those not completing their degree, a clear indication of return on investment just one year after graduation. When looking at five years after exiting, those earning their degrees had median earnings of \$50,881 compared to \$38,801 for those who did not complete. The earnings difference reaches approximately \$57,000 after just five years.¹⁰

4. Quality

Maintaining the quality of all U. T. System institutions, especially in the areas of faculty recruitment and retention, research, and student success initiatives are of the utmost importance. A University of Texas education is world-class, and quality must be upheld.

Over the last seven years, U. T. System academic institutions have made considerable investments in student success initiatives. Some of those investments include improved delivery of academic advising, expanded tutoring and supplemental instruction, mentoring, gateway-course enhancements, improvements in college-readiness efforts, and strategic graduation rate improvement planning. It is estimated that more than \$50 million in net tuition revenue (all new net tuition revenue) generated because of the Fall 2012 tuition increases were invested in student success initiatives across all nine academic institutions. As a result, first-year persistence rates increased at most institutions, and the number of bachelor's degrees awarded has increased considerably.⁸ Additional student success metrics, such as graduation rates and time to degree, will remain important indicators of institutional quality. As students are able to complete degrees in a timely manner, they will also save money.

The U. T. System and the Texas Legislature have committed to assist U. T. Arlington, U. T. Dallas, U. T. El Paso, and U. T. San Antonio in reaching Tier One status as nationally competitive research universities known for world-class research and academic excellence. In 2009, approximately \$500 million was reallocated among seven emerging research universities in Texas to help them reach Tier One status. In pursuit of Tier One status, U. T. System recognizes that modest tuition increases may be needed, at times, to support institutional needs. Where general budget revenue increases are not sufficient to maintain educational quality, supplemental tuition increases should assist in redressing the imbalance between needs and resources.

5. Efficiency

Institutional leadership must strive for efficiency in the use of financial, operational and human capital resources before any tuition and fee increases are considered. Institutions must remain accountable for the use of resources to further the needs of students and the university.

At most U. T. System academic institutions, administrative costs as a percentage of expenses decreased or remained relatively stable between FY 2012 and FY 2014. Additionally, for FY 2014 the cost per degree for five academic institutions was lower than the median cost of their respective baseline peer group. Most academic institutions have also become more efficient in space utilization and in the strategic delivery of courses through the expansion of online and hybrid courses.

6. Transparency

U. T. System academic institutions continue unprecedented efforts to involve students, faculty, and other campus constituencies in the development of recommendations for tuition and fee rates. Institutional tuition plans are developed locally in creative, responsive ways designed to serve the strategic needs of the state and the academic and financial needs of the campus. The tuition-setting processes at each institution provide for the full involvement and participation of the families and students most affected by these decisions.

U. T. System academic institutions have robust tuition and fee setting policies that solicit student feedback throughout the process and provide many opportunities for student involvement, including serving on a tuition-setting committee, providing input through student body surveys, and expressing the perspective of student government and student leadership.

U. T. System and academic institutions make every effort to provide advance notice of tuition increases to students and the campus community. When there is no established tuition schedule for an upcoming academic year, the tuition from the last year of the current tuition schedule shall remain in effect until the U. T. System Board of Regents approves a new schedule.

Increases in mandatory fees often require approval by student government vote or student referendum before they can be proposed to the Board of Regents for approval. Student fee advisory committees solicit requests from groups across the campus and develop recommendations about student fee increases in alignment with student priorities and needs. These processes are direct ways for student bodies to show support for services that they deem essential for improving the quality the student experience.

U. T. System administration and institutions are mindful of the affordability of additional costs of living involved in pursuing higher education such as housing, meals, transportation costs, and textbooks that are not calculated as part of total academic cost (tuition and mandatory fees). The Office of Academic Affairs has established a rigorous evaluation process that requires an

economic and cost analysis, benchmarks and comparisons, and an assessment of the potential impact on students before any fees delegated to the Executive Vice Chancellor are considered for approval.

7. Flexibility

The U. T. System is using tuition flexibility to make improvements and achieve long-range strategic goals such as increased enrollment and graduation rates, more efficient use of facilities, and higher quality of programs and student services.

Institutions should continue to offer tuition policies such as flat-rate tuition, discounted rates, and rebates that create incentives for students to enroll in full-time coursework. Policies will continue to be implemented in ways that incentivize timely degree completion, further the goals and needs of each campus, and offer flexibility to students.

Tuition rebates of \$1,000 are available for undergraduates meeting certain eligibility criteria. The purpose of the rebate program is to provide a financial incentive for students to complete a bachelor's degree efficiently, taking as few courses outside their degree plan as possible. The program's goal is minimizing the number of courses students take—saving money for them, their parents, and the State of Texas.

U. T. System institutions in Fall 2014 began offering four-year guaranteed tuition plans (flat-rate tuition) and will continue to do so, in accordance with Section 54.017 (c) of the Texas Education Code. Flat-rate tuition provides students and families the option to elect predictable and stable undergraduate tuition pricing. Students enrolled in flat-rate tuition programs who graduate in four years and meet other eligibility requirements are offered additional incentives such as no tuition for additional courses taken beyond 15 credit hours and tuition rebates above and beyond the standard \$1,000 rebate. Students who take advantage of these incentives may see a savings over students who select a traditional rate plan, which is subject to increase annually (upon Board approval).

Differential tuition rates can be considered, as needed, because they create tuition-pricing structures that reflect the various missions of the major university units and acknowledge differing costs of instruction by specific majors.

Most academic institutions offer a variety of tuition innovations designed to help improve time to degree and maintain affordability with flexibility. Tuition discounting of courses offered during off-peak hours and weekends is a more efficient use of resources and provides additional flexibility to students.

8. Responsibility and Shared Benefits

The U. T. System recognizes that students as well as regional, state, and national economies derive benefits from higher education and can all be expected to share in its cost through user charges and taxes.

State appropriations per full-time equivalent (FTE) students have decreased from 56% in FY 2004 to 42% in FY 2015 (inflation adjusted to 2015 base year). During the same time period, net tuition and fee revenue, as a percent of institutional revenue per FTE student, has increased from 44% to 59%.⁹ Therefore, the decrease in inflation-adjusted state appropriations has largely been replaced by revenue from tuition and fees, especially for instruction and operations.

Economic impact analysis has found that every \$1 in state appropriations to higher education leads to a \$4 impact on the state economy.¹⁰ The state investment in U. T. institutions pays off, and it pays off quickly. In their first year after leaving a U. T. institution, former students working in Texas earned more in 2015 than the total state appropriations received by U. T. System in that year. In 2015, U. T. System institutions received \$2.07 billion in state appropriations. Students leaving a U. T. institution in 2014 earned \$2.17 billion working in Texas in 2015. The U. T. System maintains that state appropriations should increase the investment in public higher education and reap the benefits of the multiplier effect.

Because there have been relatively small increases in undergraduate tuition and fees at U. T. System academic institutions between Fall 2012 and Fall 2016, institutions are increasingly struggling to find funding sources to offset declining appropriations.

In the absence of increased state appropriations in the future, the U. T. System recognizes that the economic burden must be shared in the most efficient and equitable way possible among public and private stakeholders, as well as students and families.

Conclusion

At the core of The University of Texas System, the tuition philosophy outlines a commitment to keep costs to Texas undergraduate students at the lowest practical level while maintaining the high quality of education expected from the citizens of the state. It is critical going forward that institutions have resources to maintain and deliver high-quality education and to compete nationally. In order to provide a consistent framework within which to consider any increases, the eight factors outlined in this report may serve as a guide.

ENDNOTES:

¹ Integrated Postsecondary Educational Data System (IPEDS) 2010 – 2011 and 2015 – 2016 Data; public higher education systems chosen from the five most populous states, from systems with highest enrollment levels nationally, and from systems with the highest levels of research and development expenditures; analysis conducted by U. T. System Office of Strategic Initiatives

² Integrated Postsecondary Educational Data System (IPEDS) 2015 – 2016 Data; public higher education systems chosen from the five most populous states, from systems with highest enrollment levels nationally, and from systems with the highest levels of research and development expenditures; analysis conducted by U. T. System Office of Strategic Initiatives

³ Texas Higher Education Coordinating Board (THECB), CMB001 – Student Report; THECB Financial Aid Database, IPEDS Data; analysis conducted by U. T. System Office of Strategic Initiatives

⁴ Texas Higher Education Coordinating Board (THECB), CMB001 – Student Report; THECB Financial Aid Database, IPEDS Data; analysis conducted by U. T. System Office of Strategic Initiatives

⁵ The Institute for College Access and Success Project on Student Debt, College Insight Data, and The Common Data Set; analysis conducted by U. T. System Office of Strategic Initiatives

⁶ Texas Higher Education Coordinating Board data from the Graduation Report (CBM009). Data analysis conducted by the Office of Strategic Initiatives.

⁷ Texas Workforce Commission (TWC) Unemployment Insurance wage record data, Texas Higher Education Coordinating Board student data.

⁸ U. T. System Office of Academic Affairs, Proposed Use of New Revenue from Recommended Academic Cost Increases, Allocated Among Student Success Initiatives (Fall 2012 and Fall 2013)

⁹ U. T. System Office of Strategic Initiatives. Notes: U. T. System totals exclude U. T. Brownsville. Tuition and fee revenue is net of scholarship and fellowship discounts and waivers. State appropriations include general revenue support from the State of Texas for instruction and operations, infrastructure support, special items, tuition revenue bond debt service, and group health insurance and employee benefits. Revenue and expense data adjusted to FY2013 base year for inflation using the CPI Urban for September of each year.

¹⁰ Economic impact estimated by the U. T. System Office of Strategic Initiatives (2015)