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Driving Student Success and Academic Excellence through Tuition and Fee Increases

The University of Texas System Office of Academic
Affairs

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Background and Purpose

The purpose of this report is to outline the factors that influence the need for U. T. System academic institutions to propose tuition and fee increases in order to sustain operating revenue for FY 2019 and FY 2020. Decreases in operating revenue from declining state appropriations pose significant funding challenges for U. T. System academic institutions. In addition to national inflationary trends in both the consumer price index (CPI) and higher education price index (HEPI), many of Texas's major metropolitan areas are booming, creating extraordinary salary pressure for skilled staff such as auditors, accountants, fundraisers, IT staff, and information security personnel. Furthermore, other economic factors also contribute to higher education cost escalation, including the rising costs of information technology, and high-quality, but often costly, student success initiatives.

In addition to the general economic factors discussed above, some U. T. academic institutions face unique regional economic and institution-specific challenges that require increases beyond those needed to adjust for inflationary trends. For example, several institutions received reductions in special items appropriations in the 85th Texas Legislative Session that decreased critical funding for faculty salaries. Additionally, the high cost of living in the Midland-Odessa metropolitan area and the unprecedented economic growth in San Antonio, Tyler, and the Metroplex further strain institutions' ability to recruit and retain talented faculty and staff. Growth in high-cost programs such as nursing and engineering at some institutions also require additional operating revenue to meet growing market demands.

Comparisons with institutional peers indicate that operating revenue per FTE (Full-Time Equivalent) at U. T. System academic institutions remains well below peer leaders and peer medians. Increases in tuition and fees would still place most U. T. academic institutions among the most affordable of state and national peers.

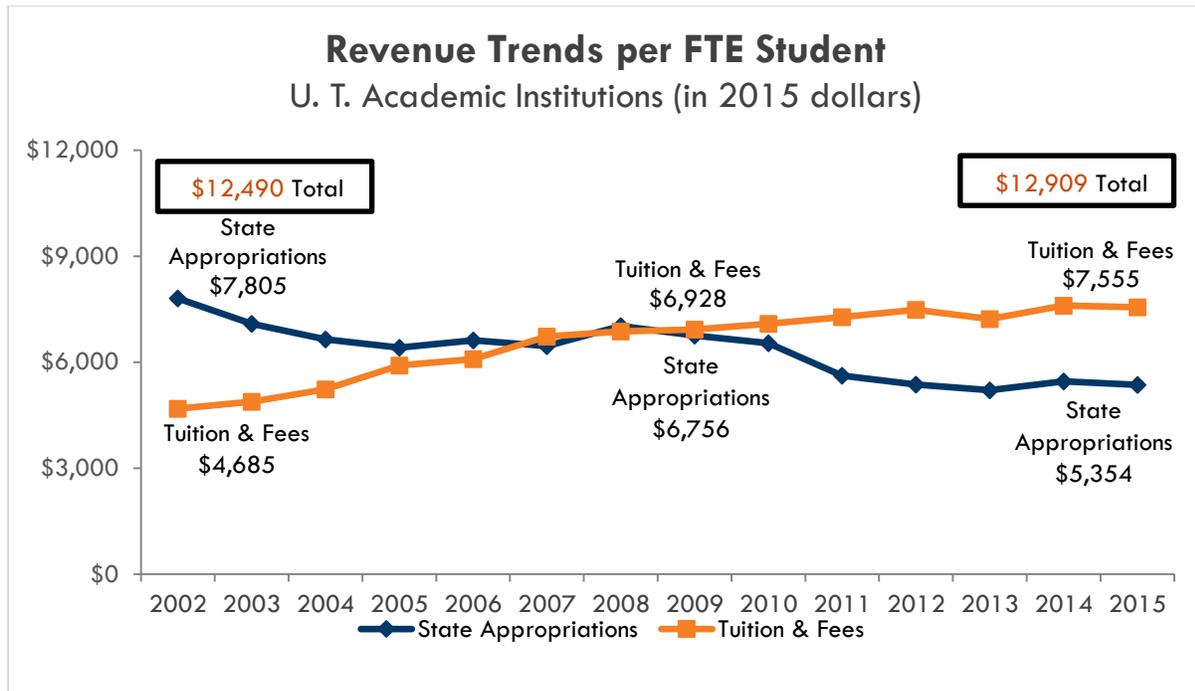
Revenue Trends

One national measure of institutional competitiveness is operating revenue per FTE student. Operating revenue per FTE student is the sum of tuition and fee revenue plus state appropriations per FTE. As demonstrated in Figure 1 below, tuition and fee revenue per FTE largely replaced state appropriations per FTE at U. T. academic institutions as the larger percent of operating revenue between FY 2002 and FY 2015 (in inflation-adjusted dollars). For all U. T. System academic institutions, state appropriations declined from 62% to 41% of operating revenue. Furthermore, when compared to peer institutions, seven out of eight U. T. institutions had lower than average annual operating revenue per FTE student.¹

Given the uncertainty of state support in future years and the need for many U. T. System institutions to grow enrollments in order to support the achievement of the State of Texas' goal for at least 60% of Texans age 25-34 to have a certificate or degree by 2030, institutions must pursue additional operating revenue through tuition and fees.

¹ Integrated Postsecondary Education Data System (IPEDS) Data.

Figure 1: Revenue Trends per FTE Student – All U. T. System Academic Institutions



Source: U. T. System Annual Financial Reports and THECB; Tuition revenue = tuition and fee revenue (minus discounts and allowances); Full Time Equivalent includes undergraduate, graduate, and professional students based on fall headcounts. Peer institutions are baseline peers that resulted from the U. T. System and institutional peer setting process in 2012. U. T. System totals do not include UTRGV or AUF funding for U. T. Austin. Please note that the state appropriations data also include tuition revenue bonds and other revenue that cannot be directly dedicated to the support of student services

Institutional Efficiencies and Administrative Cost

In an environment where the cost of operating competitively is increasing and state appropriations revenue (in constant dollars) is remaining flat or declining, institutions have implemented efficiencies that result in lower administrative costs. However, institutional efficiencies have been heavily relied on as primary cost-saving mechanisms for so long that the law of diminishing returns may be taking effect.

Education and related costs per degree and per FTE student are metrics used to compare institutional administrative expenses. Among U. T. System academic institutions, administrative costs as a percentage of expenses remained relatively constant for some and steadily declined for others over the past eight years.² Education and related expenditures per degree granted have remained substantially lower than the median of each institutional baseline peer group at five academic institutions. The cost per degree at U. T. Austin is more than \$17,000 less than the median peer comparison. In FY 2015, education and related expenditures per FTE were less than the median of baseline peers systemwide.³

² UT System Controller's Office data file.

³ Integrated Postsecondary Education Data System (IPEDS) Data; Notes: Full Time equivalent includes undergraduate, graduate, and first professional students based on fall headcounts. Peer institutions are baseline peers that resulted from last U. T. System and institutional peer setting process in 2012.

Faculty Salaries

To remain competitive and to maintain overall institutional quality, U. T. System institutions must have the resources to pay market-based salaries and benefits necessary to attract and retain top talent. An analysis conducted of associate professor salaries adjusted for inflation between 2010 and 2015 indicated that, at two institutions, salaries have increased less than four percent; at one institution, salaries remained flat. At two institutions, salaries decreased by 5-7%.⁴ Furthermore, in-depth faculty salary reviews at certain U. T. institutions demonstrate a need for merit-based gender equity adjustments.

Faculty salaries have remained generally stagnant while the demands for teaching are incredibly high. In AY 2015 - 2016, the average number of teaching load credits earned per faculty member at the U. T. System academic institutions exceeded the requirement previously established in Regents' Rule 31006. Across institutions, faculty earned teaching load credits beyond the minimum requirement by teaching additional courses, teaching courses with high enrollments, and supervising the theses and dissertations of large numbers of graduate students.

Impact on Students and Affordability

The best way for institutions to guarantee a return on investment for students and their families is by the timely graduating of students, which is why each institution is proposing to dedicate a substantial amount of new net tuition revenue to student success initiatives that have proven effective at improving retention and graduation rates. From academic support programs to hiring additional academic advisors to providing additional opportunities for internships and career counseling, these investments in student success programs and services will provide the resources needed to fulfill the responsibility each institution has to help students be prepared and positioned to succeed in college and beyond.

The impact on many students of the proposed increases will be minimal after grants and gift aid are deducted. Most low-income students will still be able to cover all of their tuition and fees because U. T. academic institutions are committed to providing scholarship and grant aid to low-income students and strive to cover 100% of these costs for students from low-income families. In 2016, all U. T. academic institutions covered 100% of tuition and fees for students from families making less than \$60,000 per year, and approximately 80% of tuition and fees for students from families making \$60,000 to \$80,000.

While the proposed increases to tuition and fees for the 2018-19 and 2019-20 academic years might result in some students having to borrow more, debt-to-income ratios indicate that average borrowing will still be low. U. T. System baccalaureates borrow less than average in comparison to Texas public universities.⁵ The median undergraduate student loan debt across U. T. System academic institutions is approximately \$20,000. With first-year earnings for U. T. System graduates at nearly \$45,000⁶ and average loan payments of less than \$200 per month, the debt-to-income ratio of U. T. baccalaureates is 5.3% one year after graduation. This

⁴ The Chronicle of Higher Education, Chronicle Data (2016). Retrieved from: <https://data.chronicle.com/?cid=wcontentgrid>.

⁵ The Texas Higher Education Coordinating Board (THECB), Financial Aid Database (FADS), and CBM001 (Enrollment Report).

⁶ The Texas Higher Education Coordinating Board (THECB), CBM009 (Degree Report) and Texas Workforce Commission (TWC) wage records.

is well below the 9% threshold for moderately risky borrowing and even below the 6% that is considered cautious borrowing.⁷

Conclusion

Increasing tuition and fees will generate critically-needed revenue to combat the rising costs of higher education operations, to maintain and expand the quality of education that students expect of a U. T. institution, and to begin to narrow the competitiveness gap between U. T. System institutions and national peers. New tuition and fee revenue will allow for the investment in student success initiatives that help students graduate, gain employment, and contribute to Texas and regional economies. Finally, rising costs, without the ability to offset those costs, are putting additional pressure on emerging research institutions to reach Tier 1 status in the absence of comparable funding levels of their respective peer institutions.

⁷ UT System Fast Facts 2016. (2017). Retrieved from: <https://www.utsystem.edu/documents/docs/strategic-initiatives/fast-facts-2016>