

**BOARD OF GOVERNORS  
STATE UNIVERSITY SYSTEM OF FLORIDA  
September 21, 2006**

**SUBJECT: 2007-2008 Undergraduate Tuition Recommendation**

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**PROPOSED BOARD ACTION**

Recommend a 7% undergraduate tuition increase for 2007-2008.

**AUTHORITY FOR BOARD OF GOVERNORS ACTION**

Subsection (d) of Section 7 of Article IX, Education, of the Constitution of Florida as amended

**BACKGROUND INFORMATION**

At the August 10, 2006 Board workshop on the 2007-2008 Legislative Budget Request, the proposed undergraduate tuition increase of 7% was tabled. The following will provide some additional background information as the Board considers this issue.

**SHEEO Tuition Study**

A comprehensive study conducted by the State Higher Education Executive Officers (SHEEO) in 2003 provides a glimpse of how other states have approached tuition decisions. Highlights of the study include:

1. 43% of respondents indicated that their philosophy was to keep tuition low or moderate to maximize access.
2. Formal Tuition Policies
  - a. 2 agencies had tuition philosophies outlined in the state constitution.
  - b. 9 agencies had tuition philosophies outlined in state statute.
  - c. 22 agencies delineate tuition by rule or policy statement.
  - d. 15 agencies indicated no formal policy.
3. Setting Tuition
  - a. The most significant factor reported was state appropriations. In other words, tuition was determined by system needs less state appropriations.
  - b. Prior year tuition increases and cost of instruction were second and third respectively.
  - c. Other policies included using peer tuition or linking increases to an inflation index.

#### 4. Primary Authority for Setting Tuition

- a. In four states, the legislature sets tuition<sup>1</sup>.
- b. In 30 states, coordinating or system boards set tuition.
- c. In 16 states, individual institutions set tuition.

#### Florida Tuition Policy

Previous statutory language limited undergraduate tuition to no more than 25% of the prior year's cost of undergraduate programs. In addition, the Board of Regents could not recommend a fee increase of more than 10% without legislative authority. In 2003, this statutory provision was eliminated.

In 2004-2005 undergraduate resident students paid approximately 31% of the cost of education.<sup>2</sup>

#### 2007-2008 Tuition Recommendation

On August 10, 2006 a business plan was presented that identified the funding needed to educate an additional 56,000 students and move to the national average in tuition. This plan indicated that an additional \$1.9 billion would be needed to meet these expectations. This \$1.9 billion would be funded by a combination of state appropriations and undergraduate tuition.<sup>3</sup>

The business plan presented five options with tuition increases ranging from 3.7% (based on an estimate of long-term average inflation cost) to 14% (movement to national average tuition). The higher the tuition increase the less state appropriations will be required to meet the \$1.9 billion need.

The 7% tuition recommendation made at the last meeting assumes that the Legislature will fund the great majority of system needs through appropriations. A recent USA Today survey of state flagship institutions reported that recent tuition and fee increases averaged 6.4% nationwide, so 7% would likely keep us at or near the bottom in terms of average in-state tuition.

The 7% rate would also be in the middle of the five options and is consistent with the long-term rates of increase that the Florida Prepaid Tuition Program's actuaries can sustain.

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<sup>1</sup> The Oklahoma Legislature delegated tuition authority to universities after the SHEEO study, but is currently considering taking back the authority.

<sup>2</sup> Florida Board of Governors Information Brief on the cost of education, July 5, 2004.

<sup>3</sup> Currently graduate, professional and out-of-state fees are some of the highest in the country, thus increases in tuition for these students probably would not generate significant revenue.

A substantial part of a 7% increase would simply be keeping up with costs. In the most recent year, the Commonfund Institute reported that the Higher Education Price Index, which tracks inflation in goods and services purchased by colleges, rose 5%.

Any additional revenue generated by this tuition increase would assist the universities in maintaining/enhancing instruction and student services, and providing additional financial aid. Also, for every 1% increase in tuition, the financial aid fee (5% of tuition) generates approximately \$300,000, of which at least 75% must go towards need-based financial aid. Thus \$2.1 million (\$1.6m minimum to need-based) would be generated for financial aid.

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**Supporting Documentation Included:** Not applicable.

**Facilitators/Presenters:** Mark B. Rosenberg, Chancellor