

**INTEGRATING TUITION AND FEE POLICY AND STRATEGIC PLANNING:
PROPOSED BOARD OF GOVERNORS TUITION AND FEE POLICIES**

October 21, 2004

TUITION AND FEE POLICIES SUMMARY

POLICY #1: CEILING ON COMBINED TUITION AND FEES FOR RESIDENT UNDERGRADUATES (PAGE 6)

- Institutional discretion to charge less but not more

POLICY #2: DISCRETION OVER MIX OF TUITION AND FEES BELOW CEILING (PAGE 9)

- The same level of General Revenue funding will be provided to each university for each undergraduate student, regardless of level of tuition and fees charged
- The financial aid fee will increase to 5% of the total Tuition and Fees; the minimal level of capital improvement and building fees will be the level charged in 2004-05
- Few restrictions on “tuition” and “fee” if both are under resident undergraduate ceiling

POLICY #3: 25% TUITION AND FEE SURCHARGE FOR HOURS BEYOND 110% OF REQUIREMENTS (PAGE 11)

- No impact on Bright Futures or Prepaid College plan
- 25% at 110% policy is similar to North Carolina’s
- High enough to provide incentive, but low enough to be affordable for students with good reasons to take additional credit— double majors, minors, professional enhancement, last minute change of major, etc...

Exceptions?

- Relatively few, since surcharge is moderate (not punitive)
- Credit taken outside CC/SUS/FRAG and high school acceleration credit
- Critical teacher shortage areas

POLICY #4: BLOCK TUITION AND FEES (PAGE 15)

- Universities must implement a block tuition policy. Model policy preferred, but not required.

Model policy:

- Block rate for 9 or more credits based on 15 credit rate.
- Students who take fewer than 30 fall/spring can make up at the same institution at no cost during summer
- \$100 fee for course withdrawals in excess of one per year
- Bright Futures eligibility reduced by 15 credits per term regardless of number actually taken.

POLICY #5: DISCRETION TO SET TUITION AND FEES FOR MANY STUDENTS (PAGE 17)

- No restrictions on university tuition and fees for graduate and professional students, nonresident students, non-degree-seeking students
- Flexibility to set tuition by program, campus, instructional method, schedule, etc.

POLICY #6: ACCOUNTABILITY FOR TUITION POLICY (PAGE 20)

- Ensures that tuition policy is linked to strategic plan
- Mechanism to track and hold boards of trustees accountable for tuition policy choices

FUTURE POLICY DIRECTIONS FOR CONSIDERATION (PAGE 21)

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Deleted: <#>Moderate level of surcharge with low threshold (few exceptions) for imposition. ¶

Deleted: <#>Even with 25% surcharge, tuition and fees are below national average. ¶
<#>No impact on Bright Futures or Prepaid College plan ¶
<#>Potentially applies to enough proportion of students to result in real savings and/or additional revenue (depending on whether students pay surcharge or reduce courses). ¶

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INTRODUCTION

The policies presented on the following pages represent an attempt to strike a balance in a system that is both highly centralized—with a new Board of Governors and a history of legislative involvement in the setting of university tuition and fee rates—and highly decentralized—with University Boards of Trustees overseeing each of eleven very different institutions.

With the ambitious goals of the Board of Governors' strategic plan, and the likely limitations on new sources of state appropriations, there will be more and more pressure to turn to tuition and fees for revenue needed to fund the system. This need has to be weighed against the risks involved in raising tuition and fees too high, and thereby undermining student demand or public support.

Yet in most cases, the difficult decisions should be left to the University Boards of Trustees. If the institutions are to be held accountable for their performance, they must also have the authority to determine the best policies to implement their strategic plans. By focusing on results in the context of strategic planning, and by allowing universities latitude in how they achieve those results, the state will gain by having more efficient, innovative, and locally responsive universities, and students will gain from improved and expanded programs that more closely match student and employer demand.

As a group, the following policies provide much more autonomy to the institutions in setting tuition and fees than they have had in the past, while still maintaining state-level limitations in a few key areas. The underlying assumptions of these policies include:

- Policies (institutional and state-level) should be designed to advance strategic plan goals
- Increased authority makes accountability more meaningful
- Where there is no compelling interest in uniformity, institutions should be free to set their own policies
- There is a compelling interest in protecting Florida residents' low-cost access to the credit hours needed to earn a bachelor's degree
- Policies should protect the basic commitments of Bright Futures and the Florida Prepaid Program
- Policies should benefit students, the state, and the individual institutions

Where We Are Now

A recent survey—*State Tuition, Fees and Financial Assistance Policies, 2002-03*—conducted by the State Higher Education Executive Officers (SHEEO) reveals that the degree of uniformity and centralization in Florida's tuition policy is unusual among the fifty states. Most states have considerably more variation, either because of local control over tuition and fee policy or because of state-level policies that create differentiated tuition levels for institutions.

How Tuition is Set

Current state tuition policy is based on a per credit hour charge, which is determined centrally by the legislature. For resident undergraduate students the tuition is the same per credit hour across all universities. For graduate, professional and out-of-state students the tuition varies within a narrow range because of the limited discretionary increases that the legislature has recently allowed.

Unlike Florida, most states have a flat rate for full-time students at some or all of their institutions, although credit hour-based tuition is also quite common. Most of the states with credit-hour based tuition are also low-tuition states.

In Florida, tuition is the same regardless of program (except for professional schools). Such uniformity is common elsewhere, although many states and institutions also allow variation in tuition rates by program or major, in addition to variations among institutions.

Recent Tuition Increases

Tuition increases in Florida, at least for resident students, have been considerably lower than the average increases at public institutions in other states. For the last three years, tuition increases adopted by the legislature include:

| <i>Fiscal Year</i> | <i>Resident Increases</i> | <i>Non-Resident Increases</i> |
|--------------------|---|--|
| 2002-2003 | 5% across the board; plus up to an additional 5% discretionary for graduates | 10% across the board; plus up to an additional 10% discretionary for graduates |
| 2003-2004 | 8.5% across the board; plus up to an additional 6.5% discretionary for in-state graduates & professionals | 8.5% across the board; plus up to an additional 6.5% discretionary for graduates & professionals |
| 2004-2005 | 7.5% undergraduate; 12% graduate & professionals, plus up to additional 2.5% | 12.5% undergraduate; 12.5% graduate & professionals; up to additional 2.5% |

According to a report by the American Association of State Colleges and Universities and the National Association of State Universities and Land Grant Colleges, Florida ranked 49th among the 50 states in resident undergraduate tuition and fees, with only Nevada having lower average resident tuition and fees. A large increase in tuition at the University of Nevada Las Vegas this year means that Florida is now probably the lowest-tuition state.

Florida's resident graduate tuition and fees are more in line with other states. For 2003-2004, the University of Florida ranked 37th out of 50 state "flagship" institutions in the Washington Higher Education Coordinating Board's survey of tuition and fees, and our comprehensive institutions ranked 22nd. For out-of-state undergraduate students, tuition and fees are moderate

to high. The University of Florida ranked 26th in the country, while our comprehensive institutions ranked 2nd.

Fees

Every institution is required to charge capital improvement and building fees of \$4.76 per credit hour, and a financial aid fee equal to 5% of tuition. In addition, local fees, including the Health, Athletic and Activity and Service Fees, are authorized by University Boards of Trustees. Committees, with at least one-half students, make a recommendation to the university president with final approval by the trustees. Local fees are capped at 40% of tuition with a maximum 5% increase per year.

Nationally, there is little standardization of the definitions of “tuition” versus “fee.” In surveys of college costs, both are grouped together as the price of attendance to the student.

Strategic Planning

While it is helpful to look at Florida’s tuition and fees policies in a national context, decisions should be driven primarily by their relationship to our own strategic plan. The table on the following page illustrates how the proposed policies relate to the Board of Governors’ core strategic planning goals.

STRATEGIC PLANNING SUMMARY TABLE FOR TUITION AND FEE POLICIES

| <i>Strategic Plan Goal</i> | <i>Implications for Policy</i> | <i>Policy Recommendations</i> |
|--|--|--|
| A. Access to and Production of Degrees | Dramatically increasing the numbers of degrees, especially bachelor degrees, will require significant increases in both funding and efficiency. Policies need to be geared to promote efficient student progress toward degrees. | <ul style="list-style-type: none"> ▪ Tuition and fees ceiling for Florida resident undergraduates up to 110% of required hours. (See Policy #1) ▪ Tuition and fees flexibility otherwise. (See Policy #5) ▪ Require at least a 25% tuition and fees surcharge for courses in excess of 110% over requirements. Higher surcharge at universities' discretion. (See Policy #3) ▪ Block tuition and fees policies (See Policy #4) ▪ Flexibility to allocate all fees, subject to overall cap (See Policy #2) |
| B. Meeting statewide professional and workforce needs | Policies should reflect the emphasis on targeted degree programs. Many current policies treat all degree programs equally. | <ul style="list-style-type: none"> ▪ Tuition and fees flexibility (See Policy #5) ▪ Waive excess hours tuition and fees surcharge for low-demand targeted programs (such as critical teacher shortage areas) (See Policy #2) |
| C. Building world-class academic programs and research capacity | Policies must also be world-class and allow for innovation. | <ul style="list-style-type: none"> ▪ Broad institutional management flexibility to allow for maximum creativity and for the rapidly changing conditions in certain fields (Policies #2, #3, #5) ▪ Accountability for results (Policy #6) |
| D. Meeting community needs and fulfilling unique institutional responsibilities | In some cases, this may be the most important part of institutions' strategic plans. Policies should reflect that emphasis. | <ul style="list-style-type: none"> ▪ Broad institutional management flexibility to allow for maximum creativity and for the rapidly changing conditions in certain fields or in local communities (Policies #2, #3, #5) ▪ Accountability for results (Policy #6) |

POLICY #1

TUITION AND FEES CEILING FOR RESIDENT UNDERGRADUATES

- 1) Total Florida resident undergraduate tuition and fees for degree-seeking students may not exceed the fixed amount per credit hour determined by the Board of Governors in its annual legislative budget request.
- 2) Universities may reduce tuition and fees or set different rates by program, campus, scheduled time, mode of instruction, or any other factor, as long as all rates charged are below the specified maximum.
- 3) The amount of the cap will be reviewed every year. In determining the level of the cap for the following year, the Board will take into account the effect on the Bright Futures and Florida Prepaid programs, the rate of inflation, national trends in public institution tuition and fees rates, and other sources of funds available to the universities.
- 4) The Board of Governors will include the proposed resident undergraduate tuition and fees ceiling in its annual legislative budget request.

ANALYSIS

What does this change?

In its most important aspects, this policy represents a continuation of Florida's low-tuition and fees policy for resident undergraduates. The main differences between this policy and past practice are that

- it sets a ceiling rather than specifying a rate
- the ceiling covers all tuition and fees

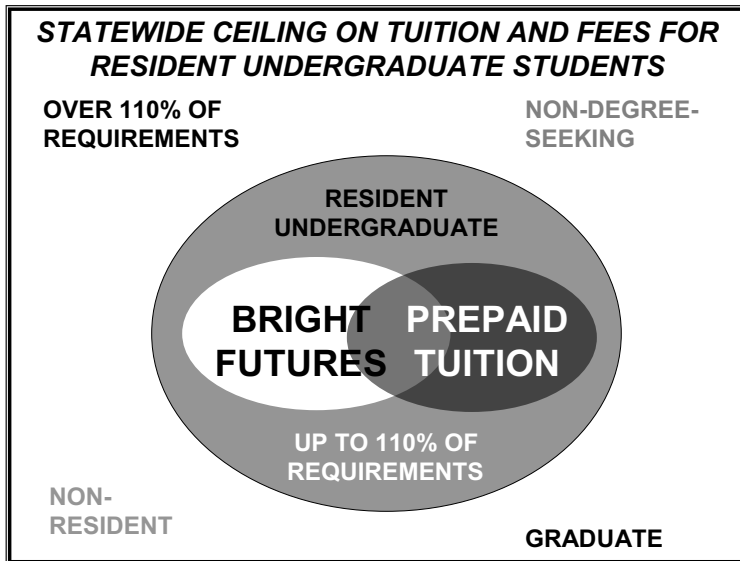
Currently, total undergraduate resident tuition and fees at Florida institutions fall within a narrow range of \$95.89-\$106 per credit hour. For all practical purposes, this amounts to a uniform tuition and fees policy for undergraduate residents, since the differences are so small compared to those in most other states.

The differences are due entirely to differences in local fees charged by the institutions. A ceiling would allow institutions that have kept local fees down more discretion to raise tuition and fees than those at the upper end of the range. Institutions that do not wish to raise tuition and fees would not be required to do so.

Justification

Florida has long been committed to maintaining low rates of in-state tuition and fees for resident undergraduates. Underlying this commitment is a philosophy that all qualified

students are entitled to a state-financed undergraduate education. While many economists and analysts recommend a higher-tuition and fees/high financial aid policy to maximize access, in practice states have found this difficult to implement as tuition and fees increase in tough times have not been accompanied by corresponding increases in need-based financial aid. Although expensive to the state, Florida's policy of low-cost undergraduate access has succeeded in keeping costs down for students and their families, especially compared with what has been happening in other states.



Florida's Bright Futures program has reduced the cost even further for a large proportion of state university students. Along with the huge numbers of contracts issued through the Florida Prepaid tuition program, this means that more and more students enter the system with very little or no tuition and fees left to pay.

Tuition and fee increases for these students therefore have very little net benefit in terms of raising revenue because the additional funds have to come out of programs that are already implicitly guaranteed by the state. They also risk undermining broad public support for the system.

This policy therefore creates a "protected" status for resident undergraduate tuition and fees that supports the state's commitment to low-cost tuition and fees, while allowing universities flexibility in setting other tuition and fee rates.

National Context

States with large scholarship programs, such as Georgia and Louisiana, have also limited tuition and fee increases, although Florida's average tuition and fees are low even compared to those states. Legislatures or state-level boards exercise some state-level control over tuition and fee increases for resident undergraduates in most states. Institutions often have more flexibility with nonresident or graduate tuition and fees.

POLICY #2

DISCRETION TO DESIGNATE FEES

- 1) Except as specified in this policy, University Boards of Trustees may determine the types and amounts of fees charged at their institutions.
- 2) A minimum of \$2.32 per credit hour must be charged as a Building fee
- 3) A minimum of \$2.46 per credit hour must be charged as a Capital Improvement Trust Fund fee
- 4) A fee of no less than 5% of the total tuition and fee rate must be charged for student financial aid and the proceeds used to provide need-based institutional aid.
- 5) Any changes in fees, including any new fees, must be made with the same level of input from students as was provided before the implementation of this policy.
- 6) The same level of General Revenue funding will be provided to each university for each undergraduate student, regardless of level of tuition and/or fees charged

ANALYSIS

What does this change?

Currently, tuition is set at a fixed rate, as are the capital improvement and building fees and the student financial aid fee. Local fees, subject to a cap of 40% of tuition, with a maximum annual increase of 5%, are set by the institutions. This policy

- eliminates the 40% cap and allows universities to determine their own tuition and fee structure subject to the total cap set by the Board
- raises the student financial aid fee from 5% of tuition to 5% of total tuition and fees
- provides a floor for the capital improvement and building fees
- requires that tuition not be taken into account in determining the level of state funding

Justification

The bottom line for the student—and for Bright Futures and the Florida Prepaid program—is the amount of the check needed to get in the door. Universities have a range of different expenses—for professors salaries, advising, athletics, construction, technology, libraries, health centers, transportation, utilities, etc.—that have to be funded, and students can either be charged for them individually or in a lump sum. Nationally, there is wide variation in how tuition and fees are categorized, and the

designation of those is a matter reasonably left to the management of University Boards of Trustees, provided that avenues for student input remain open.

Increasing the financial aid fee to 5% of the total amount, rather than 5% of tuition, underscores the Board's commitment to ensuring that institutions provide need-based aid to keep up with any tuition and fee increases they may impose. Institutions share that commitment and, in most cases, are already dedicating that much or more to need-based aid programs.

A floor is set for the capital improvement and building fees to ensure that no uncertainties arise regarding bond commitments made with those fund sources.

This policy is based on the assumption that general revenue funding will neither be reduced if an institution increases tuition within the overall ceiling, nor increased if an institution reduces tuition.

National Context

Nationally, most public institutions have more authority over their local fee structure than they do over tuition, although this has often resulted in tension when institutions are perceived as using fee increases to make up for limitations on tuition increases. By comparison, Florida's universities are more restricted in the types of fees and the level (with the 40% cap) that they can charge.

POLICY #3

TUITION AND FEES SURCHARGE FOR EXCESS CREDIT HOURS

- 1) Starting in summer 2006, students paying the Florida resident undergraduate tuition and fees rate who have taken in excess of 132 credit hours, or 110% of the requirements in their primary major, must be charged a minimum surcharge of at least 25% of resident undergraduate tuition and fees for any courses that do not apply toward a degree in the primary major declared as of the end of the spring 2006 term.
- 2) Starting in summer 2008, students paying the Florida resident undergraduate tuition and fees rate who have taken in excess of 132 credit hours, or 110% of the requirements in the primary major declared as of the end of spring 2007 must be charged a minimum surcharge of at least 25% of resident undergraduate tuition and fees for any courses in which they enroll.
- 3) The limit on the number of credit hours a student may take without incurring the surcharge includes:
 - a) any credit hours taken at a State University System institution after high school graduation
 - b) any credit hours applicable to an Associate of Arts degree taken at the resident undergraduate tuition and fees rate at a Florida Community College after high school graduation
 - c) any credit hours taken while benefiting from a Florida Resident Access Grant at a private institution in Florida
 - d) credit hours earned through departmental exams at an SUS institution or a Florida community college, and credit hours earned through exams or other acceleration mechanisms while enrolled at a Florida community college or state university after high school graduation
- 4) Not included in the limit are:
 - a) credit hours taken with no Florida subsidy at private or out-of-state institutions
 - b) credit hours taken in vocational areas that are not applicable to an AA degree
 - c) any credit hours taken prior to high school graduation
 - d) any credit hours earned through acceleration mechanisms prior to high school graduation
 - e) credit hours taken after reaching the 132 credit hour/110% limit to attain certification in a critical teacher shortage area
 - f) credit hours taken after reaching the 132 credit hour/110% limit to complete a degree in a field that is
 - i) on the Board of Governors' list of targeted programs
 - ii) certified by the university as having enrollments below capacity

- 5) Notwithstanding the provisions of 3 and 4, any student who retains eligibility for Bright Futures or whose tuition and fees are being paid by means of a Florida Prepaid contract is exempt from the surcharge.
- 6) As part of the annual submission of institutional tuition and fee rates and policies, institutions must describe how surcharge funds collected are to be used to advance strategic planning goals.
- 7) Advising requirements.
 - a) Each institution must begin advising all students of this new requirement immediately and incorporate it into the regular advising process.
 - b) At least four weeks prior to the beginning of the semester in which the surcharge would take effect, universities must identify and notify all students whose total credit hours attempted indicate that they may be subject to the surcharge.
 - c) Students must be provided information about the statewide policy and an opportunity to prove that some or all of their accumulated credit hours are exempt pursuant to 5, and that they remain eligible for the lower tuition and fees rate.
 - d) An administrative appeal process, terminating with the University Board of Trustees, must be provided.

ANALYSIS

What does this change?

Currently, students are not limited in the number of credit hours they can take at the resident undergraduate rate, which represents approximately 30% of the cost of instruction. This policy imposes a minimum surcharge on students after they reach a certain number of credit hours.

Justification

The rate of the minimum surcharge is very important. Too high a surcharge could prevent students from completing their degrees or keep them from returning to college when both they and the state would benefit if they did so. A high level of surcharge would also generate pressure to make so many exceptions, or set such a high threshold for its imposition, that it might end up having very little impact.

A reasonable level of surcharge, however, could have several benefits, without as many unintended consequences or the need for as many exemptions. Benefits would include:

- providing an incentive for students to graduate sooner, with fewer excess hours, thereby reducing the number of funded credit hours needed, on average, for each degree in the system
- providing universities with an additional management and advising tool

- generating additional revenue for the universities to make up for reductions in fundable (excess) credit hours and to pay for better advising and tracking systems

Setting the Conditions of a Tuition and Fees Surcharge

A surcharge should not be imposed on students who have already saved the state money by accumulating credit hours without a subsidy. The policy should also avoid creating disincentives for students to participate in acceleration programs in high school, such as dual enrollment or AP. A high school junior may not have a major or career in mind when participating in these programs and should not be expected to have the same level of commitment as a college junior, for example. On the other hand, acceleration mechanisms provided by or taken as an undergraduate at a public Florida institution could reasonably count toward the maximum, as the main reason students participate in these is to advance toward their degrees.

Implementation Timeframe

For the first two years, to protect students who are already in the pipeline, after a student reaches 110% or 132 credit hours, any credit hours students need to complete their **current** degree programs would be exempt from surcharge. Credit hours not needed to complete their current degrees would, however, be subject to the surcharge as would any credit hours taken if they decide to change majors or add a second major.

After two years, starting in 2007-08, all credit hours over the 110% limit would be subject to the surcharge.

National Context

Institutions and states with relatively high tuition and fees have a higher built-in incentive for students to limit the number of credit hours taken in excess of requirements. An extra course at the University of Miami might cost a student \$3,420; an in-state student at the University of New Hampshire would have to pay \$923. At the University of Florida, an extra course costs resident undergraduates \$296. The states that have recently adopted tuition and fees surcharges—Texas, North Carolina, and Utah—all have tuition and fees below the national average. The proposed Board of Governors policy, with a 25% surcharge starting at 110% of course requirements, most nearly resembles North Carolina's, which was cited in the recent study by the Office of Program Policy and Government Accountability (OPPAGA) as a successful example of this approach.

Even with a 25% surcharge, Florida resident undergraduate tuition and fees would still be substantially below the national average and lower than the average tuition and fees in 31 states. Tuition and fees would continue to be affordable for those students taking courses beyond the 110% threshold, although the surcharge would increase the cost to students of any additional credit hours.

*2003-04 Tuition and Fees at Public Four-Year
Institutions,
American Association of State Colleges and
Universities Survey*

| State Rank | | T&F |
|-------------------|----------------------|----------------|
| 49 | Florida | \$2,903 |
| 32 | <i>Florida + 25%</i> | \$3,629 |
| | U.S. Average | \$4,688 |

POLICY #4

BLOCK TUITION AND FEES

- 1) Universities must implement a block tuition policy for resident undergraduates, effective starting in 2005-06.
- 2) Universities are encouraged to adopt the following model policy:
 - a) A flat fall/spring rate is charged for 9 or more credits, based on a 15 credit rate.
 - b) Students who pay the block rate both fall and spring terms but take fewer than 30 total credits can make up the difference at the same institution at no cost in the summer following the spring semester
 - c) A \$100 fee for course withdrawals is charged in excess of one per year
- 3) Universities may implement a policy that varies from the proposed model, provided that total tuition and fees do not exceed
 - a) for a student taking 15 credits in fall and spring terms, the Board of Governors' maximum per credit hour tuition and fees rate multiplied by 15
 - b) for a student taking 10 credits in summer term, the Board of Governors' maximum per credit hour tuition and fees rate multiplied by 10
- 4) Block tuition and fees may not result in higher average per credit hour charges to the Prepaid Tuition program or to Bright Futures than would occur if students were charged the maximum per credit hour rate allowed by the Board of Governors. If the average per credit hour for Prepaid Contract or Bright Futures students at an institution does exceed what could be charged pursuant to the Board's per credit hour maximum, the institution must refund the difference to the program.

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ANALYSIS

What does this change?

Currently, tuition and fees are set by the credit hour at most institutions. Many institutions, however, do have one or more block fees that are charged by term. This would require institutions to charge flat rates for tuition and/or fees for students by term, provided that the total rate for undergraduate resident students does not exceed what a student taking 15 credit hours would pay under the per-credit hour maximum determined pursuant to policy #1.

Justification

A survey requested by the Board of Governors found differences in the types of block tuition policies that individual universities were considering. Universities are encouraged to implement a model policy designed to increase students' average course loads, but may vary from the model policy if they determine that a different policy would be more appropriate.

The model policy includes provisions designed to mitigate unintended consequences, including:

- setting the lower level of the block rate at 9 so that the large number of students currently taking 12 credits do not drop to 9-11 credits; and,
- requiring a \$100 fee for course withdrawals so that students do not sign up for more courses than they intend to complete.

POLICY #5

UNIVERSITY BOARD OF TRUSTEES DISCRETION TO SET TUITION AND FEES

- 1) Starting in 2005-06, individual Boards of Trustees have full discretion to set tuition and fees for
 - a) Graduate and professional students
 - b) Nonresident students
 - c) Non-degree-seeking students
- 2) Tuition and fee rates for these students may vary by program, campus, schedule, instructional technology, or any other factor and may be set by the credit hour or as a block

ANALYSIS

What does this change?

Currently, tuition rates are set at the state level and are generally uniform across institutions, discipline areas, campuses, instructional technologies, etc. This policy allows institutions flexibility to set their own tuition and fee rates for a large percentage of their student populations.

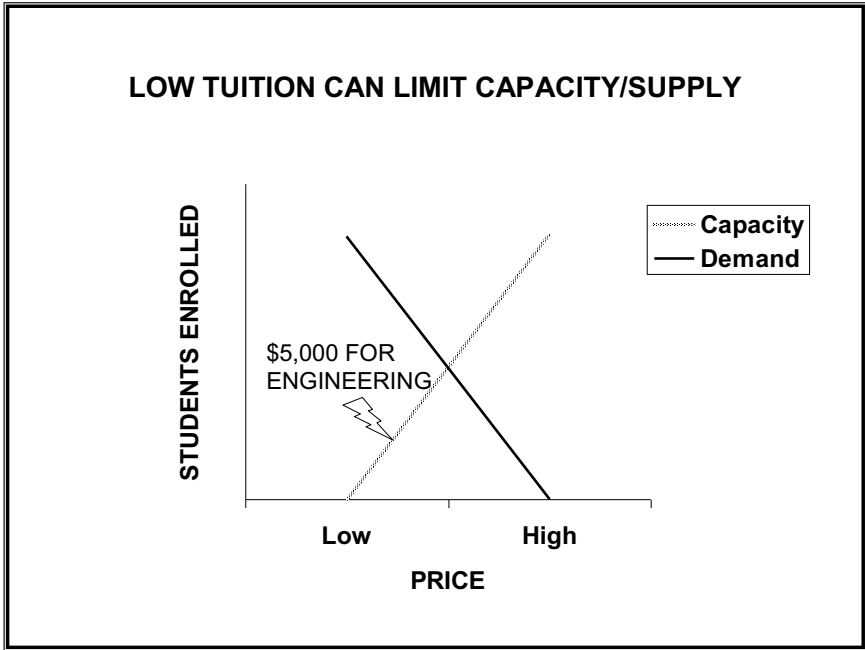
Justification

While there is a compelling statewide interest in maintaining a tuition and fees ceiling for a certain number of credit hours for resident undergraduates, most of the goals in the statewide strategic plan would be better served by a policy of tuition and fees flexibility.

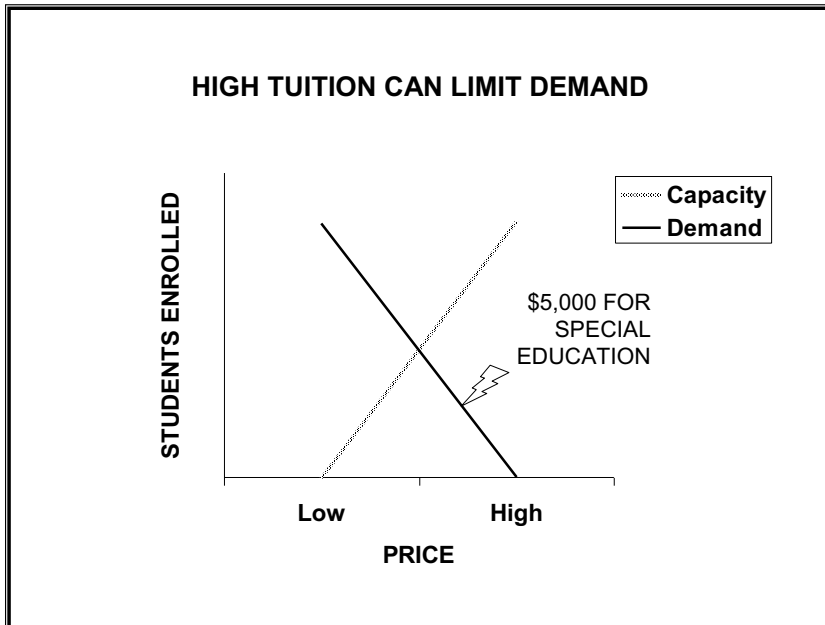
Control over tuition and fees is a critical tool in an institution's arsenal. Among other things it allows institutions to:

- balance capacity and demand by raising tuition and fees when demand is high and capacity is low, and lowering tuition and fees when capacity is high and demand is low
- allow for differences in costs among institutions and programs
- take maximum advantage of external sources of financial aid (for example, graduate fellowships that pay students' tuition and fees)

The first point is critical, since the state's strategic plan calls for increasing access to degrees and raising the percentage of degrees in targeted areas. There is no one-size-fits-all approach for all institutions and all programs. Take two master's degree programs, for example, one in Engineering and one in Special Education.



In the hypothetical Engineering program, enrollment is limited by capacity since demand at the current tuition and fees level of \$5,000 is very high. The number of slots the program can provide with tuition and fees at \$5,000 per student is far below the number of potential students. Maximizing enrollment in this program would require raising tuition and fees (reducing demand but raising capacity) to the level where capacity and demand meet.



Now take a hypothetical Master's in Special Education program, for example. Although also charging \$5,000 tuition and fees, there is not enough demand at that level to fill the program's slots. To maximize enrollment, this program would reduce tuition and fees (increasing demand, but reducing potential capacity) to the point where capacity and demand meet.

Given a fixed level of state funding per student, institutions should have flexibility to set tuition and fees at rates best designed to implement their enrollment and degree plans. For some institutions and programs this may mean raising tuition and fees to help build capacity or quality; for others, it may mean reducing tuition and fees to stimulate demand.

National Context

It is common in many states for institutions to have more control over graduate and nonresident tuition and fees than they do over resident undergraduate tuition and fees. Many states also allow tuition and fees to differ by program area, to account for different levels of cost and student demand. In Florida, only professional schools are differentiated, while other graduate and undergraduate programs have fixed, relatively uniform tuition and fee rates.

POLICY #6

ACCOUNTABILITY FOR TUITION AND FEE POLICY

- 1) University tuition and fee rates and policies for the following academic year approved by the Board of Trustees must be submitted to the Board of Governors no later than July 1 of each year.
- 2) Rate changes and policies must be justified in terms of statewide and institutional strategic planning goals; estimates of the effects of rate or policy changes on achievement of goals must be provided to the Board of Governors.
- 3) Institutional tuition and fee policies will generally not require prior approval. However, in cases in which tuition and fee policies have not had the desired effect, or in which institutions are struggling to meet strategic planning goals, the Board of Governors may require that an institution's tuition and fee policy be approved prior to implementation.

ANALYSIS

What does this change?

Institutions are currently very limited in their ability to set tuition and fees. Accountability for the results of tuition and fee policy therefore lies more with state-level policymakers than with the universities.

Justification

Accountability only makes sense if those held accountable have some control over their own policies and processes. The Board of Governors and the University Boards of Trustees have agreed upon a set of strategic goals, and tuition and fee rates and policies should be seen as tools available to use in reaching those goals. While institutions will have much broader discretion than in the past, they must be able to show that their decisions reflect good strategic planning and that they result in the desired outcomes.

National Context

States that have central governing boards but that allow a degree of institutional flexibility in setting tuition and fee usually incorporate some form of consultation, review or approval by the governing board.

FUTURE POLICY DIRECTIONS FOR CONSIDERATION

The tuition and fee policies proposed are grounded in the Board of Governors' strategic planning goals and will provide tangible benefits to institutions, students and the state. Tuition and fees alone, however, will not be sufficient to provide the means to meet the Board's ambitious goals. Universities will also need to find ways to use resources more efficiently, and any requests for new funds from the legislature—for enrollment growth, building, or other purposes—will need to be justified in terms of statewide and institutional strategic plans.

To have its best chance at success, given the huge need for growth, additional funding will have to be available for every year of implementation, at the same time as universities work to improve their efficiency. This does not mean, however, that the Board will abandon the strategic plan in allocating funds should there be stable funding or budget cuts. In those cases, the plan will guide funding decisions to protect and advance, as much as possible, the core goals of the system and its institutions.

Just as the best way to get a racehorse to lose weight is not to cut off one of its legs, universities must be assured of a certain level of funding, based on past practices, to maintain their current levels of operations and to have a foundation from which to grow. But funding policy must remain flexible no matter what resources are available.

New funds coming into the system need not be allocated according to old priorities. Rather, the strategic plan may require that new resources be directed at the goals the Board has set. In addition, the Performance and Accountability process will ensure that a certain percentage of base funding can be reallocated if the Board determines that such reallocation would better meet the requirements of the strategic plan. Finally, although revenue reductions would seriously endanger the strategic plan, they would make it even more important to use the plan as a priority-setting tool to mitigate any impacts. Regardless of the budgetary context, we will have to think creatively about policies and funding.

Prioritizing enrollment growth funding—completed vs. attempted courses

One policy direction the Board may wish to consider in the future is seeking enrollment growth funding only for completed courses. Currently, all attempted courses figure into an institution's enrollment plans, including failed and repeated courses and courses from which students withdraw. Course withdrawals are the biggest single source of excess credit hours.

It is unlikely that future enrollment growth will be funded at past levels, especially in fields or at institutions where costs are above average. Since the strategic plan calls for increases in access to degrees, priority for funding growth could go to courses that can count toward a degree. This would relegate other courses—failed, withdrawn, or repeated courses—to the status of "overhead," a certain amount of which is inevitable, but which the system should be designed to reduce.

If their base funding were preserved, universities would benefit from this approach because they could keep the savings from improved efficiency with their current enrollments, which would serve as the base for future requests. Thus an institution that increased its successful completions by 2% would get a 2% increase, even if its total enrollments—courses attempted—remained flat. For the purposes of the strategic plan, it's the 2% increase in completions that matters—those are the credit hours that will add up to degrees. Students would benefit from advising and academic support systems that would be put in place to increase successful completion rates.

The legislature and taxpayers would benefit because this would eliminate state funding of one of the major sources of “excess hours,” and only 90-95% as much enrollment growth would be requested as if all attempted courses were included. Because of institutional variations in coding course grades, the summary below of fundable credit hours by outcome is approximate:

| COURSES ATTEMPTED BY OUTCOME, 2002-03 | | | | | | |
|--|-------|-------|------|------|-------|--------|
| | Pass | With. | Fail | Inc. | Other | Total |
| LOWER | 83.8% | 7.9% | 6.8% | 0.7% | 0.9% | 100.0% |
| UPPER | 89.5% | 5.0% | 3.2% | 1.1% | 1.1% | 100.0% |
| GRAD I | 90.8% | 2.6% | 0.9% | 2.6% | 3.1% | 100.0% |
| GRAD II | 87.6% | 1.2% | 0.8% | 3.4% | 7.0% | 100.0% |
| Total | 87.4% | 5.8% | 4.3% | 1.2% | 1.3% | 100.0% |

In the early 1990s, England's universities moved to completion-based funding at a time when enrollment was planned to double and per-student funding could not keep up. In spite of the massive increase in access and a reduction in per-student funding, completion rates did not decline. (See Thomas Weko, *Old Dogs and New Tricks: What Can the UK Teach the US about University Education*. Paper presented to the 8th Annual State Leadership Teams K-16 Summer Institute, July 22-24, 2004, Chicago, Illinois.)

Re-thinking Policy and Funding in a Strategic Planning Context

Like the tuition and fee policies proposed, moving to completion-based funding is an example of how the Board of Governors and individual University Boards of Trustees can start thinking creatively about how to implement their strategic plans with all the resources available to them. The challenge of meeting our goals will require that we consider a range of new and innovative approaches, but do so carefully so that we do not endanger or undermine what we have already achieved.