

Tuition Differential Fee Report



STATE
UNIVERSITY
SYSTEM
of FLORIDA
Board of Governors

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Note concerning data accuracy: The Office of the Board of Governors believes that the accuracy of the data it collects and reports is paramount to ensuring accountability in the State University System. Thus, the Board Office allows university resubmissions of data to correct errors when they are discovered. This policy can lead to changes in historical data. The data in this document are based on university file submissions as of December 2010.

Executive Summary

The tuition differential fee was created in statute in 2007 and was first charged by five state universities in the 2008-09 academic year. The 2009 Legislature expanded the statute to include all eleven state universities. The 2009 tuition differential fee statute includes specific provisions for need-based financial aid and performance accountability, and it set an upper limit of all tuition and fees at the national average for public universities. The universities are to use the funds generated by the tuition differential fee to invest in undergraduate instruction and undergraduate student support services.

The Board of Governors implemented the tuition differential fee throughout the State University System and is monitoring university implementation and performance.

- The Board's tuition and fee regulation (Appendix II) defines the process for proposing, approving, and monitoring the success of each university's tuition differential fee. This regulation includes requirements for use of financial aid funds generated by the fee to ensure that undergraduate need-based aid increases at least as much as the law envisions.
- Most recently, the Board reviewed and approved university tuition differential fee proposals for the 2010-11 academic year. The proposals came to the Board as part of a broader annual university work plan submission, as outlined in a planning and performance monitoring regulation (Appendix III).
- The Board continues to monitor the fiscal and programmatic uses of the tuition differential fee revenue.

In 2009-10, each of the eleven state universities charged a tuition differential fee, with rates ranging from \$5.74 to \$13.74 per credit hour and reported 2009-10 revenues of \$39.8 million. The funds provided \$11.9 million in need-based financial aid and \$27.8 million to support undergraduate education through investments in faculty and advisors, course offerings and course sections, and other undergraduate educational resources.

In the current (2010-11) academic year, the tuition differential fee rates range from \$12.80 to \$22.00 per credit hour. These funds will contribute an estimated \$22.8 million to institutional need-based financial aid and \$53.1 million in undergraduate educational services in addition to that financial aid.

Background

The tuition differential fee was first created in statute in 2007. The charge was levied for the first time starting in fall 2008 by the five universities authorized to do so by the Board of Governors at that time (FIU, FSU, UCF, UF, and USF). Chapter 2009-98, *Laws of Florida*, expanded the tuition differential to allow the Board of Governors to consider proposals from all eleven state universities and made other changes, as well.

The 2009 law codified a process by which each university board of trustees may annually propose to the Board of Governors (the “Board”) a tuition differential fee to improve undergraduate instruction. To balance these quality improvements with affordability, 30 percent of tuition differential revenues are to be set aside for undergraduate need-based financial aid. The law limits the annual increase in the aggregate sum of tuition and the tuition differential fee to 15 percent growth per year, and it sets a cap on in-state, undergraduate tuition and fees at the national average of four-year public institutions. The law also requires an annual report from the Board to the Legislature regarding the impacts of these new revenues on the State University System (the “System”). This report provides a summary of Board and institutions’ implementation of the tuition differential statute.

In the 2010 legislative session, the Legislature amended this statute to include explicitly the recipients of STARS prepaid scholarships as “students who exhibit financial need” and therefore qualify for tuition differential-funded need-based aid. The statutory change also clarified that waivers of the tuition differential fee granted to students receiving need-based awards may be counted toward the 30 percent need-based aid requirement.¹

¹ The tuition differential fee statute, with the 2010 changes highlighted, is in Appendix I.

Tuition Differential Fee Proposals and Approval Process

The 2010-11 university proposals for tuition differential fee increases included:

- an accounting for how 2009-10 revenues were spent;
- an outline of planned expenditures for 2010-11; and
- a description of accountability metrics by which the university will monitor the impact of the tuition differential expenditures.

Following the process outlined by the Board, university boards of trustees submitted tuition differential fee proposals to the Board of Governors. (The universities' proposals are attached in Appendix IV.) The Board of Governors met June 18-19 to receive and discuss university work plans. The work plans included the universities' tuition differential fee proposals, and the Board voted to approve the universities' proposals at that June meeting.

Proposal Framework

- A university board of trustees may submit a proposal to the Budget and Finance Committee of the Board of Governors by May 31 of each year to establish an undergraduate tuition differential fee to be effective with the fall academic term.
- The proposal must include the trustees' approval date, the campus or center location where the tuition differential fee will apply, the course or courses for which the tuition differential fee will be assessed, the percentage increase of the tuition differential fee from the prior year, the total amount per credit hour, the total tuition differential fee amount for 30 credit hours, and a description of the initiatives and estimated expenditures for the 70% of funds used to support undergraduate education and the 30% of funds providing student need-based financial aid.
- Each proposal must indicate how the university will monitor the success of the tuition differential fee.

Board Review and Approval

The Budget and Finance (Budget) Committee meets in June each year to review the proposals and make a recommendation on each proposal to the full Board. In addition to reviewing the proposals, the Budget Committee examines data gathered as part of the University Annual Reports, instituted pursuant to Regulation 2.002, as well as detailed reporting of financial aid sources and disbursements sufficient to ensure statutory compliance.

The Board will act upon the Budget Committee recommendation at its June meeting each year. If a university board of trustees' proposal is denied, within five days the university board of trustees may request reconsideration by the Board's Tuition Appeals Committee. The Tuition Appeals Committee will meet

within ten days after the Board's denial to consider a university board of trustees' request for reconsideration.

Financial Aid Oversight

In accordance with the Board's Tuition and Associated Fees regulation, Board staff developed a student financial aid compliance report to ensure fulfillment of the requirement that 30 percent of revenues are expended on undergraduate need-based financial aid, and that tuition differential fee revenues are not supplanting other need-based financial aid revenues. In addition to addressing the financial aid provisions of the tuition differential fee statute, this compliance report will allow the Board to monitor university compliance with statutory and proviso language related to need-based financial aid funded by the financial aid fee and the direct appropriation to universities for financial aid.

The Board regulation also requires universities to keep the need-based financial aid revenue generated from the tuition differential fee in a separate Education and General account in order to accurately determine whether tuition differential fee revenues are being used to supplant other undergraduate need-based financial aid revenues. This policy is reflected in a new data element to the Operating Budget reports that separately identifies the amount of money budgeted and expended for undergraduate need-based financial aid. The Board's Budget and Fiscal Policy Office has added a supplemental financial schedule, entitled the Tuition Differential Collections, Expenditures, and Available Balances report, as part of its annual Operating Budget reports that details actual and estimated expenditures of tuition differential collections. This schedule captures expenditures by established categories (i.e., salary and benefits, other personal services, expenses, operating capital outlay, and student financial assistance).

2009-10 Tuition Differential Fee Summary

In 2009-10, all eleven state universities charged a tuition differential fee. Four of the universities (FIU, FSU, UF, and USF) charged \$13.74 per credit hour, the maximum allowable rate. UCF charged \$8.41 per credit hour, and the six universities that charged a tuition differential fee for the first time in 2009-10 (FAMU, FAU, FGCU, NCF, UNF, and UWF) charged \$5.74 per credit hour. USF charged its full tuition differential fee at its main campus and for undergraduate credit hours at its Health-Science Center, but its regional campuses only charged \$5.74. In total, universities generated \$39.8 million from the tuition differential fee in 2009-10, \$11.9 million in need-based financial aid and \$27.8 million to support undergraduate education.

Tuition Differential Fee Per Credit Hour and Revenues

University	Per Credit Hour Fee, 2009-10	Revenues, 2009-10
FAMU	\$5.74	\$1,102,404
FAU	\$5.74	\$2,995,868
FGCU	\$5.74	\$938,067
FIU	\$13.74	\$7,428,377
FSU	\$13.74	\$5,245,543
NCF	\$5.74	\$95,973
UCF	8.41	\$5,441,298
UF	\$13.74	\$6,228,342
UNF	\$5.74	\$1,319,264
USF-Tampa and HSC	\$13.74 at Tampa and HSC, \$5.74 at Regional Campuses	\$7,960,006
UWF	\$5.74	\$1,017,329
SUS TOTAL		\$39,772,471

Source: Board of Governors.

Seventy percent of the tuition differential fee revenue must be spent on undergraduate education. The universities reported that these revenues were used to hire additional undergraduate faculty and academic advisors and to preserve or increase course offerings.²

² A recent audit identified spending from these funds (\$36,891) erroneously supporting graduate student stipends at Florida A&M University. The University has since corrected the error and reimbursed the tuition differential account that amount.

The statute also requires that 30 percent of revenue be spent on undergraduate need-based financial aid and contains an additional non-supplanting provision regarding those funds.³ The Board's regulation [see Appendix II, section 7.001(13)(b)4] outlines for universities the parameters by which to determine compliance with that statute, and universities submitted to the Board office in December 2010 the information necessary to monitor statutory compliance.

The Board monitors compliance with this and other state financial aid-related statutes using data and narratives submitted by universities in the latter part of the calendar year. Board staff worked with university financial aid and controllers offices to compile information necessary to monitor compliance and to convey other related information about undergraduate and graduate students receiving institutional financial aid. For the 2009-10 fiscal year, universities submitted these data to the Board office in December 2010. Board staff are analyzing these financial aid submissions as well as tuition differential fee expenditure data and will provide the Board and Legislature with a supplemental report on that information in the early part of 2011.

³ Section 1009.24(16)(a), Florida Statutes includes the following: "This expenditure for need-based financial aid shall not supplant the amount of need-based aid provided to undergraduate students in the preceding fiscal year from financial aid fee revenues, the direct appropriation for financial assistance provided to state universities in the General Appropriations Act, or from private sources."

2010-11 Tuition Differential Fee Summary

In 2010-11, all eleven state universities are charging a tuition differential fee. The charge ranges from \$12.80 to \$22.00 per credit hour. In total, SUS institutions estimate \$74 million will be generated from the tuition differential fee in 2010-11. These funds will contribute an estimated \$22.8 million to institutional need-based financial aid and an additional \$53.1 million in undergraduate educational services.

The 2010-11 tuition differential fee proposals approved by the Board of Governors in June 2010 and subsequent data submitted with university operating budgets provided the following preliminary information detailing the estimated revenues and the planned expenditures of those revenues. Universities provided additional detail in their proposals (see Appendix IV) concerning the specific dollar amounts planned for each use as well as performance indicators these investments are expected to affect.

Planned Uses of the 2010-11 Tuition Differential Fee Revenues

University	Uses
FAMU	First-year experience initiative; hire instructors to teach additional course sections
FAU	Course sections and offerings
FGCU	Hire faculty
FIU	Hire faculty/ advisors; undergraduate journals and databases; undergraduate academic support; disability services for undergraduates
FSU	Hire/train additional advisors and academic coaches, retain advisors, create tutoring center; hire faculty/instructors
NCF	Seminars in critical inquiry; Academic Resource Center
UCF	Department of Writing and Rhetoric; pre-professional advising office; English and math class size initiative; academic advising support; other undergraduate student support
UF	Hire faculty/ advisors
UNF	Hire advisors and enhance advising system; expand distance learning course options; hire faculty to add course sections
USF	Increase course offerings; hire faculty; academic advising and counseling services; registration and scheduling support
UWF	Hire faculty/instructors

Source: Board of Governors.

2010-11 Tuition Differential Fees and Estimated Revenues

Institutions	Per Credit Hour Fee	Estimated 2010-11 Revenue
FAMU	\$12.80	\$2,152,558
FAU	\$12.80	\$4,549,141
FGCU	\$12.80	\$2,762,232
FIU	\$22.00	\$11,880,422
FSU	\$22.00	\$10,572,704
NCF	\$12.80	\$242,703
UCF	\$15.88	\$13,011,795
UF	\$22.00	\$10,473,035
UNF	\$12.80	\$3,028,042
USF	\$22.00 at Tampa and HSC, \$12.80 at Regional Campuses	\$15,131,275
UWF	\$12.80	\$2,082,671
TOTAL		\$75,886,578

Source: Board of Governors.

Performance Accountability

Universities' annual accountability reports, to be reviewed and approved by the Board in January 2011, include performance metrics related to undergraduate education that are specifically identified in the tuition differential statute. In addition, university tuition differential fee proposals and reporting will allow the Board to monitor more specifically the impact of the tuition differential fee at each university based on how the university has elected to spend those revenues. The tuition differential proposals approved by the Board may also include additional metrics individual universities identify in order to track more specifically the impact of the institution's particular uses of the tuition differential fee revenues.

The Board's 2010 Annual Report will contain these statutory performance measures and additional data and narratives. This performance monitoring will inform the Board's review of future tuition differential proposals.

Statutory Performance Measures

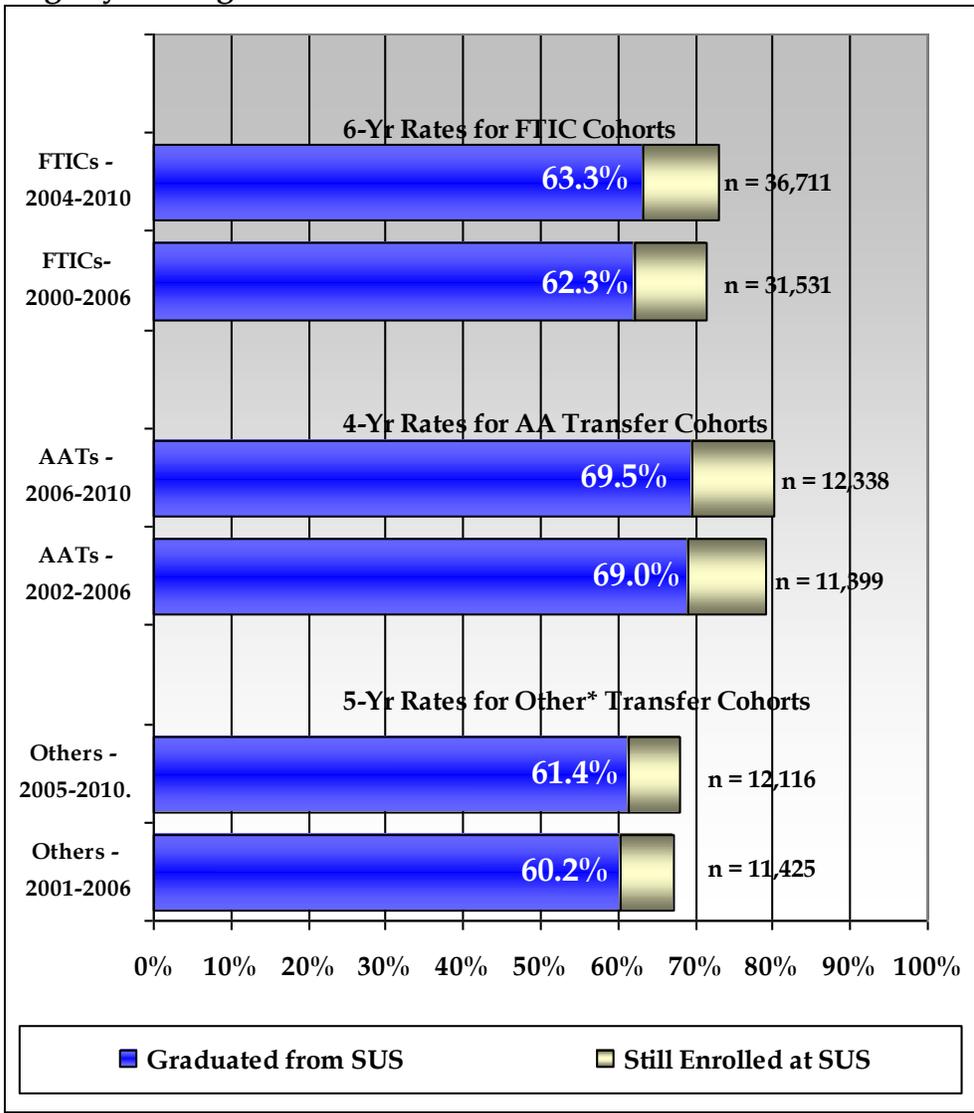
Section 1009.98(16)(e)5, Florida Statutes, lists a set of measures, at a minimum, that universities shall report to the Board.

"Changes in retention rates, graduation rates, the percentage of students graduating with more than 110 percent of the hours required for graduation, pass rates on licensure examinations, the number of undergraduate course offerings, the percentage of undergraduate students who are taught by faculty, student-faculty ratios, and the average salaries of faculty who teach undergraduate courses."

Retention and Graduation Rates

The chart below shows the change over the last five years in the System-wide six-year retention and graduation rate for cohorts of first-time-in-college students (or FTIC students, usually those following a more traditional path of entering the university directly from high school), the four-year rate for AA transfer students (those transferring from a Florida College with an associate in arts degree), and the five-year rate for “Other” transfers (those not in the other two groups).

System-Wide Undergraduate Retention and Graduation Rates Have Improved Slightly During the Last Five Years



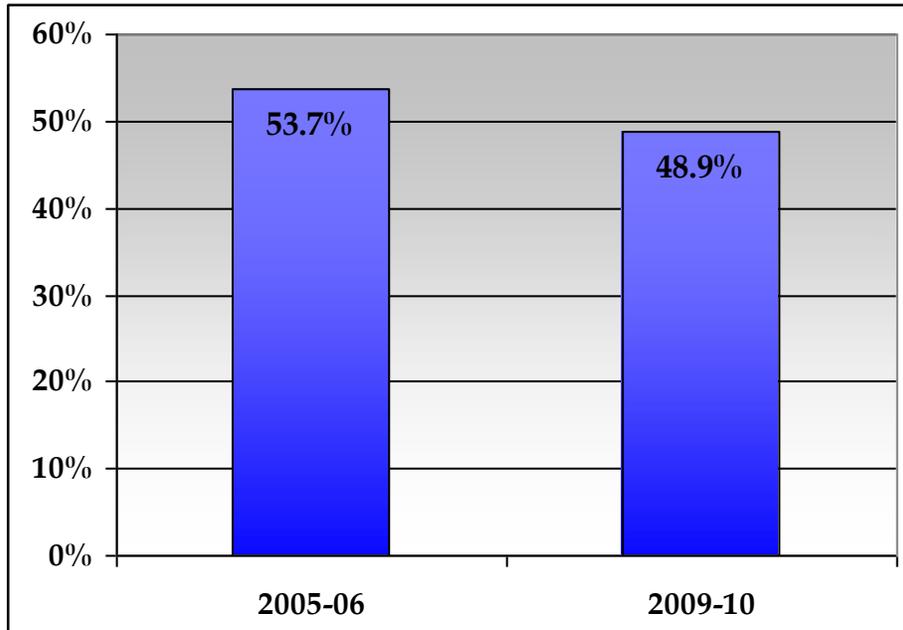
Source: Board of Governors.

Note: Federal reporting requirements focus exclusively on the first-time-in-college students, and typically the focus is on six-year graduation rates of those enrolled full time. However, because more than half of the students in the State University System enter through another path and because so many students attend part time, the Board has expanded its monitoring of student progression to include a much broader set of students and enrollment patterns.

Excess Hours

The following chart reports the percentage of bachelor's degrees awarded within 110% of the hours required for the degree (no excess hours) and how that has changed in the last five years. The data show that the percentage of students graduating without excess hours has declined over the last five years. Students graduate with excess hours for a variety of reasons, such as changes in major and course withdrawals. Relatively low tuition and state financial aid programs that pay for hours in excess of the minimum required may be monetary disincentives to reducing excess hours. Two pieces of legislation passed in 2009 created an excess hours surcharge and required repayment of Bright Futures awards for withdrawn courses, and these both may motivate students to reduce excess hours going forward.

The Percentage of Bachelor's Degrees Awarded within 110% of the Hours Required for the Degree Has Declined During the Last Five Years

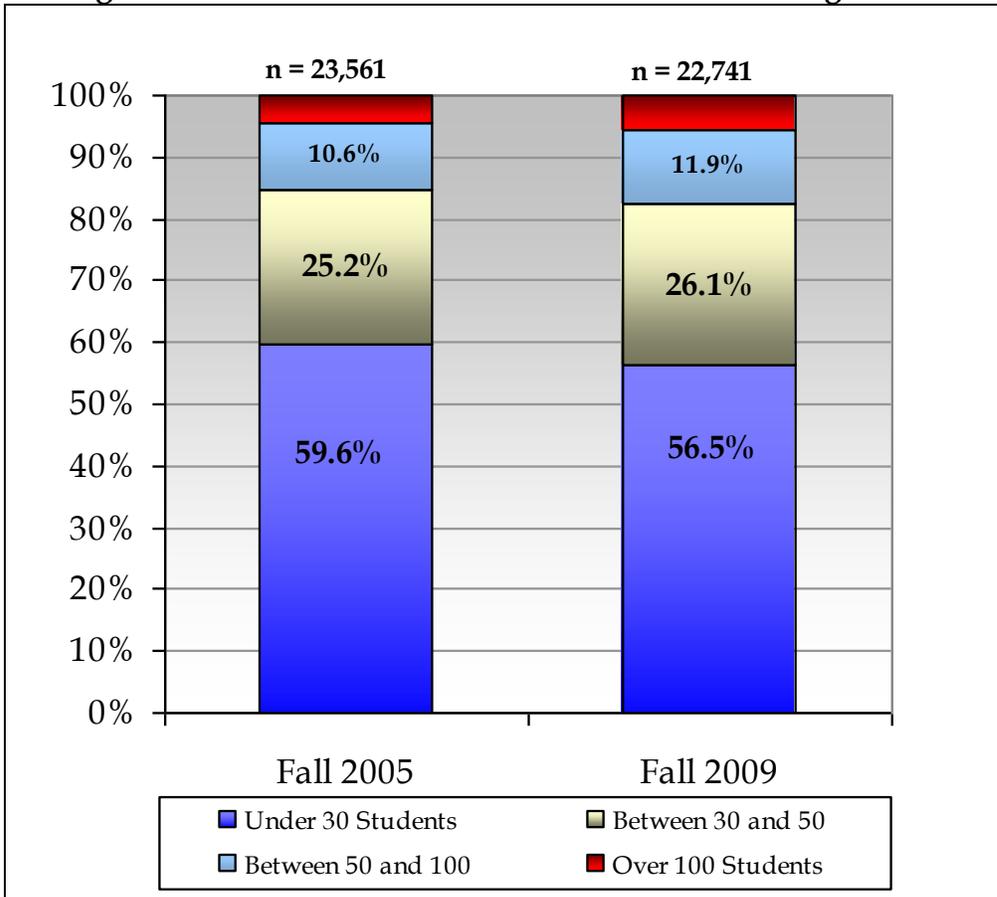


Source: Board of Governors.

Undergraduate Course Offerings

The statute requires a report of change in the number of undergraduate course offerings. Although the number of fall-term course sections was down from five years ago, there was a slight increase between Fall 2008 and Fall 2009 (from 22,430 to 22,741). The following chart reports the distribution of course sections by size and how that has changed in the last five years, showing an increase in the percentage of larger sections and a decrease in the percentage of smaller sections.

Undergraduate Course Section Sizes Have Grown During the Last Five Years

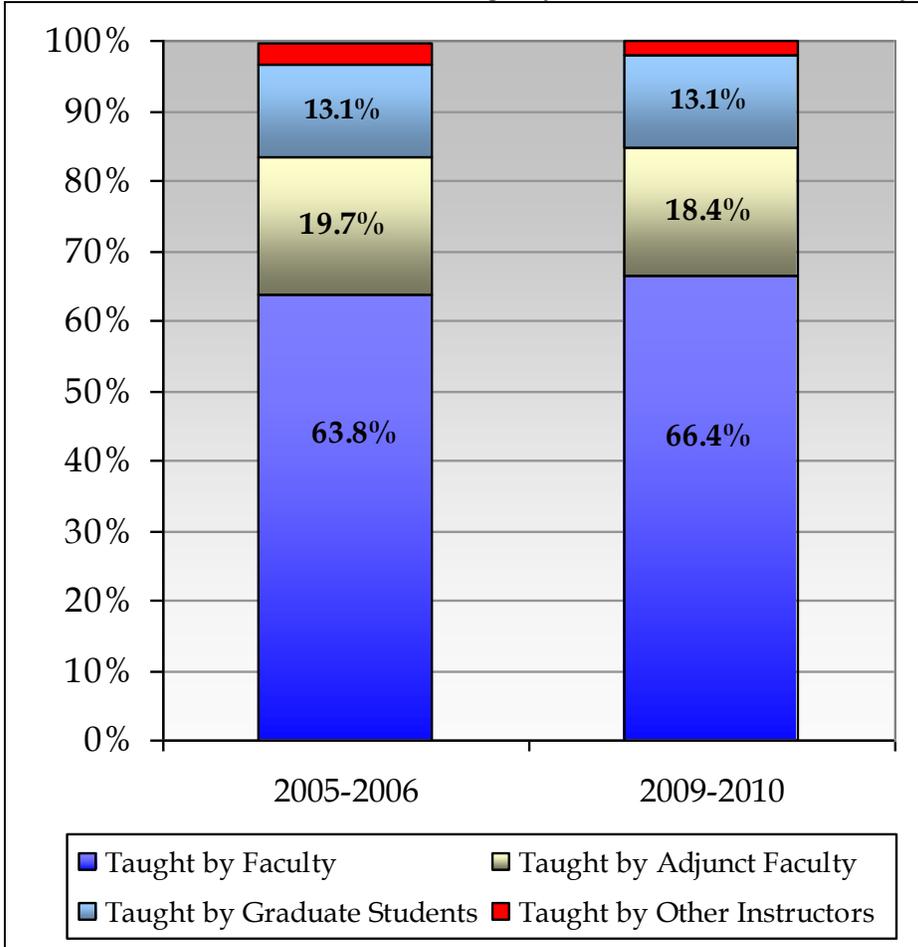


Source: Board of Governors.

Percentage of Undergraduates Taught by Faculty

The statute requires a report of the percentage of undergraduates taught by faculty. The chart below reports the percentage of undergraduate credit hours taught by different types of instructors: faculty, adjunct faculty, graduate students, and other instructors (e.g., administrators not on faculty pay plans).

The Percentage of Undergraduate Credit Hours Taught by Different Types of Instructors Continues to Shift Slightly to Tenure-Track Faculty



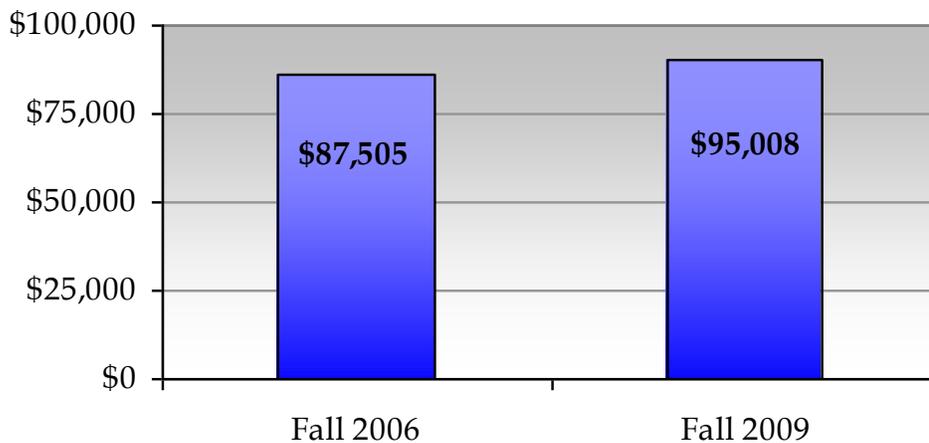
Source: Board of Governors.

Undergraduate Faculty Compensation

As required by statute, the chart below reports the average compensation of faculty teaching undergraduates and how that has changed over the last five years. This chart captures the annualized (fall and spring) salary and benefits paid to faculty who taught at least one undergraduate course.

Faculty compensation will vary among universities and over time for a variety of reasons. Research-intensive universities nationally tend to pay higher salaries than universities with less of a focus on research. Science, engineering, health, and business faculty tend to earn more than faculty in liberal arts, education, and social sciences. And, in many cases, salary compression can lead to newer faculty earning as much or more than established faculty. Institutional and System-wide averages will reflect all these factors. Moreover, although there have been no state cost-of-living adjustments to employee salaries since 2006-07, as universities have managed through budget reductions, some have provided salary increases or bonuses to faculty in an effort to focus remaining resources on maintenance and improvement of the quality of instruction and research.

Average Compensation Paid to Faculty Teaching Undergraduates Rose 1.8% Annually, on Average, from 2006 to 2009

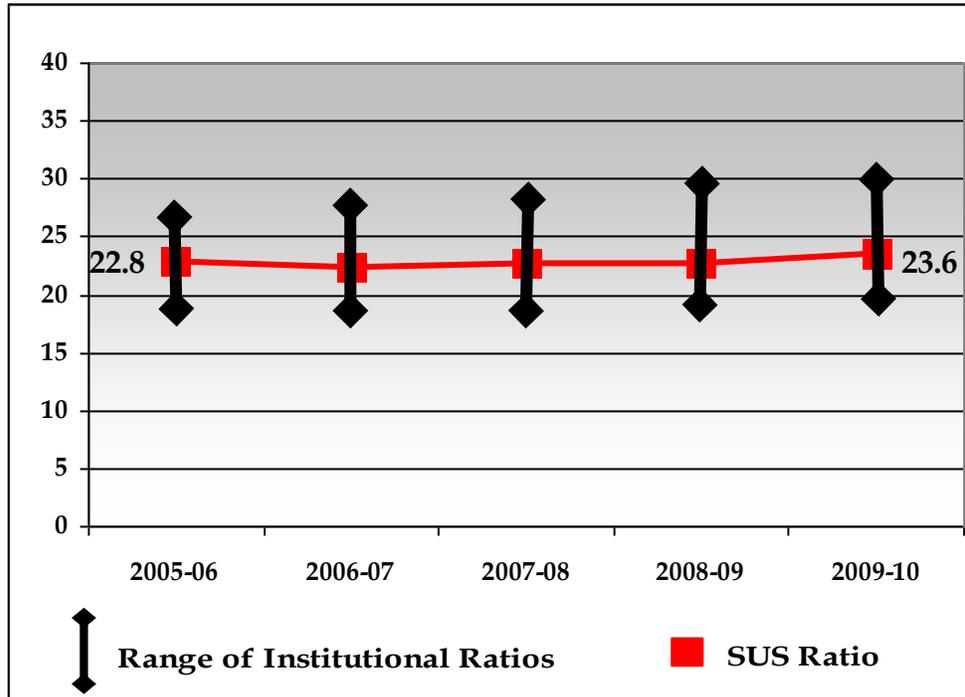


Source: Board of Governors.

Student-Faculty Ratios

Student-faculty ratios are included in the Board's Annual Report and reported here for the last five years. System-wide, the ratio rose from 22.8 full-time equivalent students per full-time equivalent faculty member in 2005-06 to 23.6 in 2009-10.

The Student-Faculty Ratio Has Risen Slightly During the Last Five Years



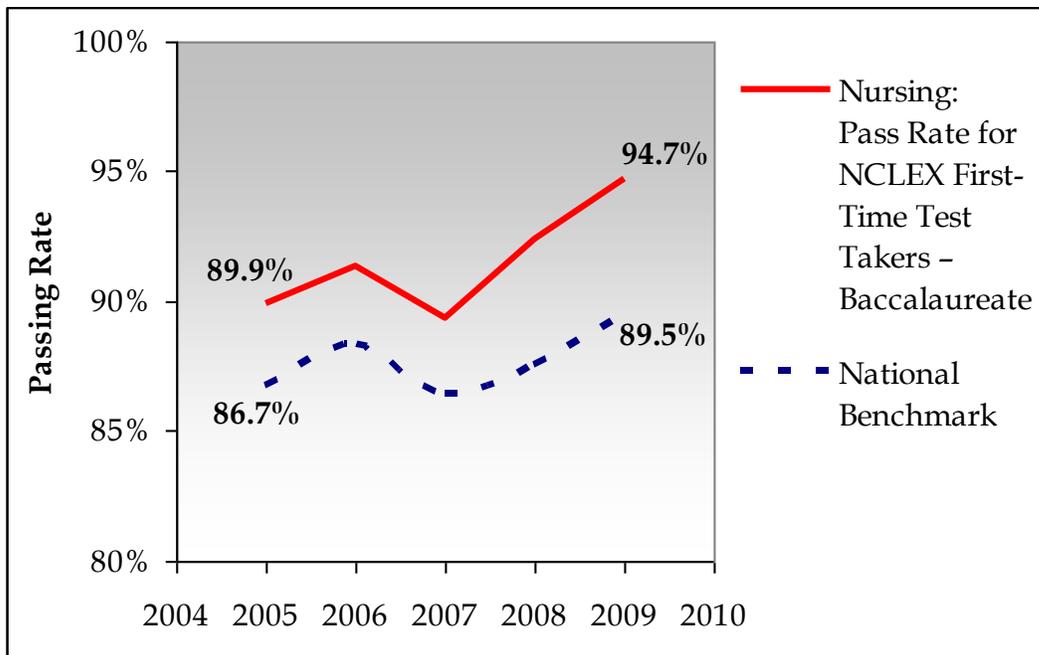
Source: Board of Governors compilation of data from the Common Data Set.

Notes: There are a variety of methods used nationally to compute a student-faculty ratio. Therefore, although these numbers differ from some prior Board of Governors' presentations on this issue, they are consistent with the most commonly used national methodology. For the purposes of this metric, faculty and students are counted excluding those in stand-alone graduate or professional programs, and instructors without faculty status and graduate student assistants are also excluded from the faculty counts.

Licensure Exam Pass Rates

The statute also requires reporting of licensure examination pass rates. For the undergraduate level, the Board's 2010 Annual Report will include only nursing licensure exam data. However, Board staff are working to expand the reporting to include pass rates for undergraduates on education certification exams, as well. Below are the calendar-year pass rates on the National Council Licensure Examination (NCLEX) for Registered Nurses who are graduates of State University System baccalaureate-level nursing programs. The data are presented along with the national benchmark, which is the average first-time pass rate for all baccalaureate-level nursing programs.

Nursing Licensure Exam Pass Rates Have Improved as the Number of University Graduates Taking the Exam Has Increased



Source: Board of Governors.

Conclusion

The tuition differential fee represents a significant change in the state university tuition policy environment and supports significant investments in state university undergraduate education. This policy change has provided the institutions with a mechanism they did not previously have – a source of more predictable funding. Being able to plan a longer-term budget built around the predictability of tuition revenue assists the universities with strategic goal setting and management. Most importantly, the revenue provides for improvements to educational services for all university undergraduates and financial aid to students with need. This annual reporting on the revenue, uses of the dollars, and impact on performance metrics will ensure that the State University System continues to be transparent and accountable to the public and the Legislature with regard to its stewardship of this revenue source.