

Agenda Item: I.D.

DATE: November 14, 2013

SUBJECT: 2014-15 Student Fee Recommendations

ACTION RECOMMENDED: Approval

BACKGROUND INFORMATION

The Complete College Tennessee Act requires THEC to make student fee and state appropriation recommendations concurrently. Numerous factors impact the tuition recommendation including affordability and financial aid, the income profile of students attending Tennessee public institutions, and institutional revenues and cost inflation.

These recommendations are particularly informed by an analysis of the income profile and financial aid packages of Tennessee students. One of the clearest measures of ability to pay is the income data of students and families as measured by the Federal government's Free Application for Federal Student Aid — or FAFSA — which calculates a family's Expected Family Contribution (EFC). This measure is a proxy for a student's ability to pay for college and is the basis for awarding need-based financial aid such as the Federal Pell grant and the Tennessee Student Assistance Award (TSAA). A macro level analysis that accompanied THEC staff recommendations for student fees at this time last year highlighted the fact that 62 percent of university and community college students had an EFC low enough to qualify for the Pell grant and, by definition, the TSAA in 2011. In 2007 that figure was 52 percent indicating that Tennessee students' and families' ability to pay had deteriorated during the Great Recession of 2008.

More intensive analysis on student level financial aid data, which has been part of THEC's grant from the Lumina Foundation focusing on potential reforms to student financial aid, revealed that roughly half of university students borrow money for college. And while Tennessee's average debt levels are among the lowest in the nation for students who receive a degree, there is extensive borrowing among the many students who do not graduate. Borrowing also occurs even at the upper reaches of the income scale, indicating that students and families are borrowing perhaps because they have access to Federal loan money, even though it is not evident that an acute financial need exists.

RECOMMENDATION SUMMARY

The THEC staff recommendations are maintenance fee increases of two to four percent at universities, community colleges and colleges of applied technology. Scenarios for tuition increases in 2014-15 of two, three or four percent at the universities, community colleges and colleges of applied technology are presented and summarized in Attachment I. These recommendation ranges are a companion piece to the recommended state appropriations increase of \$29.6 million. It is also recommended that UT and TBR further implement differential tuition rates, which might consider program, cost, student level, institution or other factors.

ATTACHMENT I

2014-15 Tuition and Mandatory Fees Recommendation

THEC Recommendation Summary

Universities	2% to 4% Maintenance Fee Increase
CCs	2% to 4% Maintenance Fee Increase
TCATs	2% to 4% Maintenance Fee Increase

2014-15 Projected Tuition and Fee Levels

	2013-14		2014-15 Tuition Scenarios ²		
	Maintenance Fee	Mandatory Fees	2.0%	3.0%	4.0%
APSU	\$5,874	\$1,284	\$7,275	\$7,334	\$7,393
ETSU	6,198	1,345	7,667	7,729	7,791
MTSU	6,222	1,618	7,964	8,027	8,089
TSU	5,844	930	6,891	6,949	7,008
TTU	6,096	1,287	7,505	7,566	7,627
UM	7,410	1,256	8,814	8,888	8,962
UTC	6,065	1,490	7,677	7,737	7,798
UTK¹	8,648	1,414	10,235	10,321	10,408
UTM	6,336	1,178	7,641	7,704	7,767
CC Avg	3,504	283	3,857	3,892	3,927
TCATs	2,946	230	3,235	3,264	3,294

1 - The 2013-14 maintenance fee rate for new students at UT Knoxville (Freshmen and entering transfer students) is a flat rate for 15 semester credit hours, regardless of the number of credit hours taken by the student. This policy was approved in 2012 by the UT Board for introduction in Fall 2013. UTK's maintenance fee is a weighted average across the undergraduate population.

2 - Percent increase applied to maintenance fee only.

ATTACHMENT II

2014-15 Tuition Model Analysis Scenarios

The following scenarios utilize the THEC Tuition Model to estimate the tuition increase required to maintain the 2013-14 estimated total revenue per FTE. The scenarios assume zero percent enrollment growth and a three percent increase in cost inflation. This analysis is presented for information and is meant to provide guidance on the tuition recommendation analysis.

Average Increase Needed With a \$29.6M (3.6%) Increase in State Appropriations

Model Assumptions	Universities	CCs	TCATs
Fixed Costs	3.0%	3.0%	3.0%
Enrollment	0.0%	0.0%	0.0%
State Appropriations	4.4%	2.5%	-0.6%
Average Tuition Rate Increase	2.8%	3.6%	11.9%

Average Increase Needed With Overall Flat Appropriations

Model Assumptions	Universities	CCs	TCATs
Fixed Costs	3.0%	3.0%	3.0%
Enrollment	0.0%	0.0%	0.0%
State Appropriations	0.8%	-1.0%	-4.0%
Average Tuition Rate Increase	5.1%	6.7%	20.2%

Average Increase Needed With a \$47.7M (5.8%) Reduction in Appropriations

Model Assumptions	Universities	CCs	TCATs
Fixed Costs	3.0%	3.0%	3.0%
Enrollment	0.0%	0.0%	0.0%
State Appropriations	-5.0%	-6.8%	-9.6%
Average Tuition Rate Increase	9.0%	11.8%	33.8%

ATTACHMENT III

Tuition and Mandatory Fees History

Maintenance and Mandatory Fees History

	2008-09	2012-13	2013-14	1 Year Change	5 Year Change
APSU	\$5,526	\$6,918	\$7,158	3.5%	29.5%
ETSU	5,201	6,997	7,543	7.8%	45.0%
MTSU	5,700	7,492	7,840	4.6%	37.5%
TSU	5,102	6,702	6,774	1.1%	32.8%
TTU	5,244	6,948	7,383	6.3%	40.8%
UM	6,128	8,234	8,666	5.2%	41.4%
UTC	5,310	7,212	7,555	4.8%	42.3%
UTK ¹	6,250	9,092	10,062	10.7%	61.0%
UTM	5,255	7,056	7,514	6.5%	43.0%
CC Avg	2,773	3,684	3,787	2.8%	36.6%
TCATs	2,285	3,146	3,176	1.0%	39.0%

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Mandatory Fees Only History

	2008-09	2012-13	2013-14	1 Year Change	5 Year Change
APSU	\$1,224	\$1,224	\$1,284	4.9%	4.9%
ETSU	899	1,075	1,345	25.1%	49.6%
MTSU	1,398	1,594	1,618	1.5%	15.7%
TSU	800	930	930	0.0%	16.3%
TTU	942	1,200	1,287	7.3%	36.6%
UM	1,150	1,256	1,256	0.0%	9.2%
UTC	1,100	1,490	1,490	0.0%	35.5%
UTK	822	1,290	1,414	9.6%	72.0%
UTM	855	1,078	1,178	9.3%	37.8%
CC Avg	267	282	283	0.4%	6.0%
TCATs	200	200	230	15.0%	15.0%