

MEMORANDUM

To: Board of Regents
From: Board Office
Subject: Tuition Rates and Mandatory Fees
Date: September 5, 2000

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RECOMMENDED ACTIONS

Consider the proposed 2001-02 academic year tuition rates and mandatory fees, effective with the summer session 2001, as set forth below and in Table 1 on page 55.

TUITION

The Board Office recommends a 7.2% increase in base tuition, derived from the following two components:

1. By 5.2% to maintain quality and effectiveness; and
2. By 2.0% to improve quality to achieve the aspirations of the Board's strategic planning goals of excellence.

MANDATORY FEES

In addition to the above base tuition increases:

1. Consider the implementation of multi-year restructuring of tuition and mandatory fees at the three universities that will eliminate a portion of designated tuition and establish separate mandatory fees as outlined in this memorandum.
2. Consider increases in mandatory computer, student health, and health facility fees for the 2001-02 academic year as set forth on page 8.

PROPOSED SURCHARGES (University of Iowa)

In addition to the above base tuition increase,

1. Consider increasing the nonresident tuition rates for undergraduates at the University of Iowa by an additional 1%.
2. Consider the following permanent tuition surcharges at the University of Iowa for the 2001-02 academic year. Any subsequent year's implementation of these surcharges is to be brought to the Board for approval. All surcharges would be in addition to any other Regent tuition increase.

Henry B. Tippie College of Business

- Consider the implementation of the second \$1,065 tuition surcharge for resident and nonresident students entering the Masters of Business Administration (MBA) program the fall of 2001. This additional surcharge would represent a total increase of \$2,130 over the two years.
- Consider the first year of a three-year plan for three annual tuition surcharges of \$1,065 for resident and nonresident students entering the Masters of Information Systems and the Masters of Accountancy programs. Students entering the program in the fall of 2001 would be charged the additional \$1,065, whereas students entering the program in subsequent years would be charge more.

College of Dentistry

Consider continuation of the second year of a four year implementation of a \$2,000 surcharge for resident and nonresident students entering the Dentistry program in the fall of 2001. The first year of the Dentistry surcharge was for students entering the program in the fall of 2000.

College of Law

Consider a surcharge of \$200 per academic year for all resident students and \$300 per academic year for all nonresident students.

College of Medicine

Consider a tuition surcharge of \$3,500 for resident and nonresident students entering the Medical education program in fall of 2001.

College of Pharmacy

Consider a tuition surcharge of \$3,000 for resident and nonresident students entering the Pharmacy education program in fall of 2001.

Physical Therapy

Consider a tuition surcharge of \$1,350 for students entering the Masters of Physical Therapy program in the fall of 2001.

EXECUTIVE SUMMARY

TUITION

POLICY AND PROCEDURE FOR BOARD ACTION

The Board of Regents Strategic Plan identifies the following four key result areas: quality, access, diversity, and accountability. The Board's tuition policy (including rate setting for mandatory fees) reflects aspects of all of these areas. For example, the Board's policy is intended to promote broad access for Iowa residents to the Regent institutions, but also requires consideration of resources necessary to promote excellence.

Iowa law requires the Board to have a policy for the establishment of tuition rates that provides some predictability for assessing and anticipating changes. Consistent with this requirement, the Board's tuition policy provides as follows:

Resident undergraduate tuition at the Regent universities shall be set annually to keep pace with the Higher Education Price Index and to provide support to finance university programs at levels sufficient to implement the Board's aspirations for excellence as outlined in the Board's strategic plan.

In December 1997, the Board approved this language to make the Board's tuition policy compatible with its strategic plan. Previously (since 1990), the Board's policy restricted a tuition increase to a rate no higher than the percentage change in the Higher Education Price Index (HEPI), unless this rate was insufficient to "finance university programs at a level that maintains their quality or effectiveness."

In order to increase tuition or mandatory fees, the Board of Regents is required by law to take action no sooner than 30 days after notification of the proposed increase to presiding officers of each student government organization at each affected institution and no later than November preceding the fiscal year in which the increase would apply.

RATIONALE FOR INCREASES IN BASE TUITION RATES

Implement Board Mission and Policy (Maintenance and Quality)

The Board's mission statement challenges its institutions "to become the best enterprise of public education in the United States through the unique teaching, research and outreach programs established for each university and school." The Board policy anticipates maintaining quality, through a HEPI adjustment, and improving quality, through authorization of additional resources. The policy recognizes the joint aspiration of the Board and Regent institutions to achieve excellence. The Board Office recommendation reflects this aspiration and factors both maintenance and improvement into its recommended action.

The fundamental reasons for increasing the rates in tuition are, as mentioned above, to keep pace with inflation as measured by HEPI and to support aspirations for excellence as outlined in the Board's strategic plan.

The recommended increase of 7.2% utilizes a HEPI rate of 5.2% and a quality factor of 2.0%. The projected range for the FY 2000-01 Higher Education Price Index is 2.6% to 6.4%.

As of June 2000, the actual HEPI rates for fiscal years 2000 and 2001 are estimated to be higher than the top end of the original projected ranges. The HEPI component approved by the Board for tuition increases the past two years has been at the lower end of the ranges. In other words, the Board has not utilized a HEPI rate during the past two years that has sufficiently recognized the actual rate of inflation for higher education. One result is that the Regent institutions have lost some ground in having the resources to maintain quality as measured by actual inflation costs.

The 2.0% quality factor is consistent with the increase approved by the Board in the previous two years and will assist the institutions in achieving quality in their strategic plans. This quality factor provides one benchmark and is not intended to be an exclusive factor with respect to future application of the Board's tuition policy. In fact, some flexibility in this area is essential for the Board as it addresses quality and improvement in strategic plans.

Assure Access and Accountability

The Regent universities' 2000-01 tuition and fees were among the lowest in each university's respective peer group of comparable institutions. During the past five years, per capita income in Iowa has kept pace with national averages but tuition has not done so as evidenced by the following:

- Regent tuition increases have averaged 4.1%, which is less than the average of national tuition increases of 4.8%.
- The average of Iowa's per capita income increases of 4.7% have been relatively close to the average of the national per capita income increases of 4.8%; the projected increase in Iowa per capita income for the year 2001 is 6.4%.
- The Regent 1999-2000 tuition and fees as a percentage of Iowa's per capita income for 1999 (11.7%) are less than the percentages for regional and peer states (which average 14.3%) and the national average (13.4%).
- The Regent institutions' tuition as a percent of per capita income has decreased by 2.5% while the national average tuition as a percentage of per capita income has remained constant.

The fact that Iowa's per capita income has risen faster than Regent tuition means that Iowans do have increased resources to purchase and invest in higher education. Iowans are able to obtain a high quality education at Regent universities for a reasonable price. The proposed tuition and fee increases will provide needed resources to enhance quality but are intended to assure that the price remains reasonable for Iowans, thus supporting the state's historical goal of broad access.

The Board Office recommends that the universities continue to allocate a proportional share of the proposed tuition increases for student financial aid. This allocation will maintain access for needy students by offsetting the increases in tuition rates. As noted in the Annual Student Financial Aid Report presented in general docket memorandum G.D. 5 this month, total student financial aid dollars increased 4.8% in FY 2000.

The revenues from tuition and fee increases are to be utilized to maintain and improve quality. After financial aid set aside, net revenues are to be utilized to meet the unavoidable and nondiscretionary rising costs of maintaining programs. In striving to achieve the Board's aspirations of excellence, the universities will use the revenues to improve the quality of undergraduate and graduate education for students, enhance student academic programs, and provide other enrichments to students' educational experiences. Summaries of how the universities will use these tuition revenues are provided in Attachment A – Tuition in the "Use of Tuition Proceeds" section on pages 16-17. Additional details will be provided to the Board in October.

MANDATORY FEES

REDIRECTION OF TUITION TO MANDATORY FEES

For the 2000-01 academic year, the Board approved a fundamental change in the structure of tuition and fees at the University of Iowa. The change took tuition revenues at the University of Iowa that historically had been designated for student activities and student services, and established them as separate and distinct mandatory fees.

For many years, the Board has set tuition and mandatory fees in the fall of each year. During the following May Board meeting, the Board has allocated (designated) a portion of tuition for specific purposes such as student activities, student services, and debt service. Last October, the Board changed this system by approving a request of the University of Iowa to establish new mandatory fees for certain student activities and student services rather than using tuition revenues.

This redirection from tuition to mandatory fees at the University of Iowa had significant consequences:

- Tuition dollars became available for academic areas and needs.
- Students paid mandatory fees rather than tuition to support specific programs that promote student activities and services.
- Students continued to pay the same amount for tuition, plus any base tuition increase approved by the Board for next year (i.e. students continued to pay the same level of tuition but the funds are spent for different purposes).

The Board required the University to return for specific approval of any increase in fees and directed the University to do the following as it implemented this change:

- Consult with students regarding the proposed expenditures of the newly available tuition revenues released by redirection of tuition to fees (statutory procedure remains same for consultation regarding student activities).
- Report to the Board on revenues and expenditures for all tuition and fees generated by this proposal (including the disposition of unallocated funds).
- Address the applicability of mandatory fees for part-time students, off-campus students, and summer session students.

Last year, the Board approved the University of Iowa's proposal to phase in the redirection of tuition to fees over two years. The University of Iowa is now requesting to implement the second year of this plan, which would establish two additional mandatory fees for the 2001-02 academic year: the Student Union Fee of \$58 and the Consolidated Health Fee of \$20. This proposal would allow the University to redirect \$1.9 million of tuition revenues to fund selective, strategic investments in financial aid and financial aid services, revitalization of university libraries, and transformation of the instructional equipment in classrooms, laboratories, and studios at the University. This is consistent with the University's proposal last year and the Board's initial approval of the redirection of tuition.

The Board Office recommendation does not increase the proposed new fees (student union and consolidated health), which results in an additional \$78 in fees to be paid annually by students. With the redirected fees of \$76 approved by the Board last year, the total increase over the two-year period would be \$154. These amounts are separate from any tuition increase that the Board would approve. The SUI Student Government has previously expressed support of the University's two-year plan to redirect tuition dollars.

The University also proposes a \$2 increase for the 2001-02 academic year in the student activities fee (5.7%) and the student services fee (4.9%) to bring the total increase over the two-year period to \$158. The Board Office, however, is not recommending the \$2 increase in either the student activities fee or the student services fee at this time, primarily because there may have been an understanding that no increase in these particular fees would occur during the initial two-year implementation period. The Board may want to solicit further input on this matter from SUI and students.

Iowa State University and the University of Northern Iowa are now proposing to establish a similar redirection of tuition to mandatory fees so that an additional portion of their tuition revenues may be utilized for academic programs.

- Iowa State University proposes a multi-year plan to redirect current designated tuition toward a student activities mandatory fee of \$56 for the 2001-02 academic year, \$130 for the 2002-03 academic year, and \$178 for the 2003-04 academic year. The University would commit the redirected tuition revenues of \$1.5 million in the 2001-02 academic year to selective strategic investments in student financial aid, university library support, information technology, and expanded course offerings for heavily enrolled classes. The Government of the Student Body of ISU has indicated general support for this redirection of the tuition to mandatory fees.
- The University of Northern Iowa has proposed a single year plan to establish a new mandatory fee of \$129 for the 2001-02 academic year. The Board Office recommends that UNI's proposal be implemented over two years, with a maximum of \$84 in the 2001-02 academic year. The University would commit the redirected tuition revenues of about \$488,000 (for the adjusted fee) to strategic initiatives to improve quality, including study abroad, first year student experience program, advising services, additional faculty to meet student demands, and faculty/staff professional and career development. The Board Office believes that the Northern Iowa Student Government is in support of the redirection of designated tuition over two years with a maximum amount of \$84 for the 2001-02 academic year.

The following table summarizes the universities' proposals, which are exclusive of any tuition increase that the Board would approve:

Increased Costs for Mandatory Fees to Redirect Tuition 2001-02	
SUI	\$78
ISU	56
UNI	84

PROPOSED INCREASES IN ESTABLISHED MANDATORY FEES

During the early 1990's, the Regents approved three types of mandatory fees - health fees, computer fees, and health facility fees. In approving the student health fees, the Board, after several months of study, eliminated the existing voluntary health fees and approved mandatory student health and health facility fees for the benefit of all students. The mandatory computer fees were initiated in the fall of 1990 for FY 1992. Prior to this time, institutions had been charging numerous, miscellaneous computer fees for courses/programs. The Board consolidated these miscellaneous computer fees into a comprehensive mandatory computer fee for students at all three universities.

For 2001-02, the universities have proposed increases to the computer fees and health fees. No changes are proposed for the health facility fees.

Computer Fees

		<u>Actual</u> <u>2000-01</u>	<u>Proposed</u> <u>2001-02</u>
SUI	All students except Business Administration, Law, Engineering, and Medicine students	\$110	\$116
	Law students	220	232
	Business Administration and Engineering students	362	382
	College of Medicine students and students in division of associated medical sciences	136	144
ISU	All students except Engineering, Computer Science & Management Information Systems students	108	144
	Engineering students	350	366
	Computer Science & Management Information Systems students	280	292
UNI	All students	122	134

Health Fees

Health Facility Fees

	<u>Actual</u> <u>2000-01</u>	<u>Proposed</u> <u>2000-01</u>	(No increase proposed)
			<u>Actual</u>
SUI	\$102	\$107	\$10
ISU	102	110	16
UNI	102	106	-

The University of Iowa proposes inflationary increases of 5.5% for all categories of computer fees to support the increasing use of computer and computer-related technology. Each summer, more faculty receive special training to incorporate technology into their classes, increasing the demand for access to technology and technology rich classrooms.

Iowa State University proposes a 33.3% increase in its basic computer fee and an inflationary increase of 4.6% in all other categories of computer fees for the 2001-02 academic year. These fees support microcomputing, as well as other student instructional computing facilities and services, such as print services, short courses, computer training opportunities, and library databases and other information services. Individual colleges use funds for hardware maintenance, hardware and software upgrades, student laboratory monitors, and printing supplies. ISU is also proposing that the basic computer fee be increased to \$190 per year for the academic year 2002-03. The University would return to the Board for approval in the subsequent year.

The University of Northern Iowa proposes a 9.8% inflationary increase per academic year in computer fees. UNI computer fees are used to maintain and improve academic and instructional computing services in a wide variety of methods. Students are expected to use e-mail and the Internet. Faculty use multimedia increasingly to enhance teaching and provide discipline-specific computer experiences for students.

The proposed increases in health fees, ranging from \$4 to \$8, are to meet growing student demand and rising health costs.

SURCHARGES – UNIVERSITY OF IOWA

NONRESIDENT UNDERGRADUATE TUITION RATE INCREASE

The University of Iowa is proposing an additional 1% tuition increase for all its nonresident undergraduate students for the 2001-02 academic year. This increase is above the rate of what would be approved by the Board for resident students. SUI proposes to earmark these revenues for scholarships in recruiting high quality nonresident students to the University. This type of differential for nonresident students was last approved by the Board for the 1996-97 academic year. The additional 1% will generate approximately \$530,000 in additional funds.

SPECIFIC PERMANENT TUITION SURCHARGES

The University of Iowa is requesting increases in its tuition surcharges for the following graduate/professional areas: Henry B. Tippie College of Business (MBA Program and Masters Programs in Management Information Systems and Accountancy), College of Dentistry, Masters in Physical Therapy, College of Law, College of Medicine, and College of Pharmacy.

Tuition surcharges represent earmarked amounts for specific colleges and purposes. Students enrolled in these colleges pay the surcharge in addition to the university's base tuition and receive the benefits of additional resources. Base tuition and base tuition increases are not earmarked for special academic units, but are part of the overall general university fund budgeting process.

The Board Office recommends the following tuition surcharges:

University of Iowa Surcharges

	<u>Resident</u>	<u>Non- resident</u>
Business - MBA	\$1,065	\$1,065
Business - Masters of Information Systems & Masters of Accountancy	1,065	1,065
Dentistry	2,000	2,000
Law	200	300
Medicine	3,500	3,500
Pharmacy	3,000	3,000
Physical Therapy	1,350	1,350

ESTIMATED REVENUES

The estimated gross revenues from proposed increases in tuition rates and surcharges are \$20.9 million. After tuition aid set aside of \$3.1 million, the net tuition revenues generated from the proposed tuition increase and permanent tuition surcharges are estimated to be \$17.8 million. Details of estimated revenues by university are outlined on page 53.

The estimated cost of attending the Regent universities, including proposed tuition and fees, room and board, and other costs is projected to average \$11,713 for the 2001-02 academic year.

ORGANIZATION OF MEMORANDUM

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