

November 13, 2007

MEMORANDUM

To: President Bill Powers
From: Tuition Policy Advisory Committee
Subject: Tuition Recommendations – Academic Years 2008-09 and 2009-10

Continuing established practice, the Tuition Policy Advisory Committee (TPAC) and the Student Services Budget Committee (SSBC) are submitting tuition recommendations for the two-year period 2008-09 and 2009-10. These recommendations provide cost predictability for students and their families. They are consistent with the goals of sustaining high quality education and research, maintaining accessibility to the University, encouraging timely progress toward degrees, providing transparency in pricing and accountability, and generating the revenue needed to meet the financial needs of the University. These recommendations take into account the historical 1.8% annual increase in legislative appropriations.

Upon submission to you, these recommendations will be made available to the University community for review and comment during November. TPAC will meet with individual student governance groups and will host public forums to discuss these recommendations and receive comments. The comments received during this period will help inform your final recommendations to the UT System and the Board of Regents.

A summary of the Committee's key recommendations is outlined below, followed by a more detailed discussion.

Summary of Recommendations

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1. Base the budget projections and tuition recommendations for 2008-09 and 2009-10 on a student population of 49,700;
2. Allow the two-year Energy Fee begun in fiscal year 2006-07 and now at \$50 per semester per student to expire at the end of this fiscal year as planned;
3. Increase the total cost of education (flat-rate tuition) for the average resident undergraduate student by \$318 per semester for 2008-09 and by \$303 per semester for 2009-10 (increases of 7.8% and 6.9%, respectively) and provide additional information with the tuition bill to reflect the areas supported by tuition;
4. Establish a total cost of education charge (flat-rate tuition) for graduate and professional students; and
5. Continue an aggressive UT Grant financial aid set-aside program to provide financial aid grant assistance to students from families earning up to \$80,000 per year. Additional financial aid funding is reserved for the B-on-Time program, tuition assistance for AI/TAs, and for the tuition income foregone due to the Texas Tomorrow Fund program.

A major factor in developing recommendations for 2008-09 and 2009-10 is that the legislative appropriations for operations at The University of Texas at Austin continue to increase by about 1.8% per year. The University's total budget, determined primarily by salaries of highly trained professionals and by the cost to acquire and maintain sophisticated equipment and facilities, has increased about 5% per year. While we believe this is approximately at the general inflation rate for higher education nationally, it has a disproportional impact on tuition increases. Students are being asked to pay the full 5% on their fractional share of the budget plus a significant share of the legislative appropriations shortfall. While a number of factors may be responsible for the lack of adequate State support, the reality remains. For The University of Texas at Austin to continue as a premier institution of higher education and move toward its goal of being the best public institution in the nation, it must be funded at a level competitive with its peers. In the absence of adequate State support, tuition is one of the primary funding sources to accomplish this.

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Discussion of Forecast and Critical Funding Needs

Both the TPAC and the SSBC met throughout the fall semester, and each developed a set of recommendations. Due to schedule conflicts, TPAC and SSBC are unable to provide a consolidated recommendation and are submitting their recommendations separately. The increases in the total cost of education (flat-rate tuition) for the average resident undergraduate student of \$318 per semester for 2008-09 (7.8%) and of \$303 per semester for 2009-10 (6.9%) recommended by TPAC will provide essential new funding for student services, university-wide core academic needs, and college specific activities and services. The TPAC recommendations include funds for a salary merit pool and for fringe benefit increases for all faculty and staff. For planning purposes, the TPAC adopted the guideline that the non-salary portion of the student services (SSBC) budget would increase about 4.2% in each year (2008-09 and 2009-10). The comparable increases for college specific activities and services included in the TPAC recommendations are approximately 3.9% and 3.2%, respectively. The final SSBC budget recommendations, however, are not limited to this guideline and any differences would need to be reconciled before a final increase proposal is established. Should funding to the SSBC be increased to a

level above what is included in the TPAC recommendations contained herein, consideration should be made to use cash balances to fund the differential.

The college specific budget requests were developed during the compact discussions with the deans during the summer 2007. These proposals reflect the on-going process in which colleges work directly with their students to identify critical college programmatic needs not now included in the costs for University-wide student services activities and/or in the core academic needs the campus has for competitive salary support, enhanced faculty strength, utility costs, new academic initiatives, and facility capital projects and repair and renovation. These compact discussions and the detailed budget requests reveal a significant demand for additional resources and

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facilities to further strengthen and enhance our instructional offerings. Only very modest levels of these college specific requests are being addressed in the TPAC-recommended budget, leaving substantial unmet need as a future challenge.

To maintain the quality of the total educational experience for students, the TPAC recommendations address the essential needs of reducing the student/faculty ratio and providing new student services, academic program initiatives, competitive salaries for staff and faculty, and critical academic capital projects. After a review of the current operating budgets and an examination of the budget projections for 2008-09 and 2009-10, the Committee has determined that an additional \$64.6 million and \$56.4 million in new revenue are needed for essential University functions in 2008-09 and 2009-10, respectively. A summary of incremental critical needs by year follows:

Forecast Incremental Funding Needs

(in millions)

	<u>2008-09</u>	<u>2009-10</u>
Reduce Student/Faculty Ratio	\$2.3	\$2.5
Fund Merit Compensation Program/Fringe Benefits	24.6	25.6
Fund Student Services Initiatives	0.8	0.8
Fund University / College Initiatives	29.7	21.1
Fund Financial Aid Set-Asides	<u>7.2</u>	<u>6.4</u>
Total Incremental Needs	<u><u>\$64.6</u></u>	<u><u>\$56.4</u></u>

A more comprehensive multi-year forecast is included in Appendix 1.

The critical financial requirements of the University include the need to continue adding 30 new faculty per year to reduce the ratio of students to faculty in order to sustain institutional teaching quality, as well as the need to fund a 3% merit compensation program for faculty and staff in each of the two years. The University must fund the incremental cost of student services, and fund college and University initiatives, including initiating the core curriculum revisions, enhancing our general libraries and providing a robust IT infrastructure. It must also fund a modest increase in our facilities repair and renovation budget, and

fund the UT Grant financial aid program targeted at maintaining economic accessibility of this University.

To ensure economic access to the University, consistent with recommendations of its predecessor committees, this TPAC recommends that all fees remain fixed at their 2004-05 levels, and all student cost increases be made by increasing designated tuition and including it as part of the flat-rate tuition structure such that it is subject to the legal minimum financial aid set aside. The Committee believes it is critically important to make any increases in the cost to students by increasing designated tuition for two reasons: 1) it provides for incremental financial aid set-aside, which the Committee believes is vitally important to maintaining accessibility of the University to all students regardless of their economic circumstances and 2) it is transparent to the public.

Discussion of Recommended Funding Sources

To meet these new revenue requirements, a combination of funds from students, the State and University sources (for example, Available University Fund (AUF), indirect cost income, cost savings, gifts, and reallocation of existing resources) will be required. The following table summarizes the Committee's recommended funding sources:

Recommended Funding Sources		
	(in millions)	
	<u>2008-09</u>	<u>2009-10</u>
University		
AUF Forecast Increase	15.1	13.6
Cash Balances	(1.6)	0.6
Cost savings	17.7	0.0
Other income	0.2	0.2
Total University Sources	\$31.4	\$14.4
State of Texas		
Legislative Appropriations	\$0.2	\$10.3
Student cost of education increase	33.0	31.7
Total Funding Sources	\$64.6	\$56.4

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After consideration of the funding increases available in 2008-09 and 2009-10 from University sources, including assumed cost savings, internal reallocations, projected increase in the Available University Fund, known increases in legislative appropriations and the continued use of accumulated cash balances,

the Committee recommends that the budget planning for 2008-09 and 2009-10 be based on an enrollment of 49,700, about 500 students fewer than our current enrollment of 50,201. While the Committee strongly supports the long-term goal of reducing the University enrollment to 48,000, we reluctantly conclude it is not financially practical to reduce further the population of the University at this time.

The income projections include the known increase in legislative appropriations funds for 2008-09 of about \$0.2 million and a projected 1.8% per year increase in legislative appropriations funding for the 2009-11 biennium. The projected legislative appropriations increase for 2009-10 assumes the historic increase of 1.8% the University has received for more than a decade and yields an estimated \$10.3 million in new appropriated funds for 2009-10, net of any State mandated but unfunded cost transfers. While gross legislative appropriations funding for the current biennium increased more than this amount, the TPAC cautions that only these modest amounts are legally available to the University to pay for its operations. A substantial portion of the amount appropriated by the Legislature is legally dedicated by statute for funding specific operations such as McDonald Observatory and Marine Science Institute or for capital construction of the Experimental Science Building. While the TPAC notes strong appreciation for the Legislature appropriating these monies which fund excellence at this University, it notes with great concern the modest amounts available to pay for basic operations and encourages the University to continue to work with future legislatures to obtain increases in legislative appropriations to pay for basic operations. This proposal continues the policy to establish tuition rates for a two-year period, which improves the cost predictability for students and their families. It also highlights some of the difficulties associated with extended financial projections.

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The TPAC wishes to thank its predecessor 2006-07 committee for its investigative and analytical work on the question of whether the current graduate student tuition and fee structure should be converted to a flat-rate structure. Using that work and after substantial additional work of this committee, the TPAC now recommends that all graduate and professional students be charged a total cost of education (flat-rate tuition) that will cover all tuition, mandatory fees and other required academic charges, that is, the total cost of education. As with the flat-rate tuition for undergraduate students, the individual graduate and professional flat-rate tuitions will vary among the colleges, and all voluntary items, such as housing, food, and admission to athletics events will be charged separately. The advantages of this flat-rate proposal mirror many of those at the undergraduate level such as full disclosure of the total cost of education and better predictability and transparency. The graduate flat-rate tuition, however, will differ from the undergraduate flat-rate tuition in that it is indexed to the number of semester credit hours taken. The proposed graduate and professional flat-rate tuitions are shown in Appendix 2 and include the proposed cost of education increases for 2008-09 and 2009-10 and a cost-neutral

conversion of the current 2007-08 charges to a flat-rate basis. The Graduate Student Assembly, the Vice Provost and Dean of Graduate Studies and the respective deans of the professional schools endorse this total cost of education (flat-rate tuition) proposal.

The Committee recommends a modified UT Grant financial aid program to award grants to students from families earning up to \$80,000 per year. The program incorporates as a base the minimum amounts of increases in tuition that are statutorily required to be set aside as grant aid. The proposed modification to the historical grant aid program put in place by the first TPAC specifically recognizes that the level of grant assistance cannot realistically continue to use the fall 2003 cost of education as a base and must be adjusted over time. The Committee proposes that the current base award of \$1,350 to continuing students from families earning \$40,000 or less per year be increased to \$1,450 in 2008-09 and to \$1,540 in 2009-10, increases of 7.4% and 6.2%, respectively. For new students entering in summer

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2008, the base award will be \$1,250 in 2008-09 and will increase to \$1,450 in 2009-10. During this two-year period, the UT Grant program will be supported with both mandated set-aside funds and institutional resources. For the long term, this program is on a planned trajectory that will match the UT Grant expenditures with the required set-aside income. These UT Grant awards are:

UT GRANT PROGRAM

Continuing Students:

	<u>2008-09</u>	<u>2009-10</u>
Resident Undergraduate Student	Award	Award
Annual Family Income		
\$0-\$40,000	\$1,450	\$1,540
\$40,001-\$60,000	75% of above	75% of above
\$60,001-\$80,000	50% of above	50% of above
Resident Independent Student	50% of above	50% of above
Graduate Student	50% of above	50% of above

New Students

(entering summer 2008 or after)

	<u>2008-09</u>	<u>2009-10</u>
Resident Undergraduate Student	Award	Award
Annual Family Income		
\$0-\$40,000	\$1,250	\$1,450
\$40,001-\$60,000	75% of above	75% of above
\$60,001-\$80,000	50% of above	50% of above

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Resident Independent Student	50% of above	50% of above
Graduate Student	50% of above	50% of above

In addition to the UT Grant program described above, funding for the statutory B-on-Time program, funding for the AI/TA tuition assistance, and funding to cover the tuition income foregone by statute due to the Texas Tomorrow Fund are included in the proposed budget. The amount of increased funding in 2008-09 for each of these components is:

B-on-Time	\$1.1 million
AI/TA tuition assistance	\$1.6 million
Texas Tomorrow Fund	\$1.2 million

Financial Impact of Recommendations on Students

For the average resident undergraduate student for 2008-09, the net \$318 increase in the total cost of education (flat-rate tuition) including the effect of reducing the previously instituted energy fee to \$0, is 7.8%. For 2009-10, the \$303 increase in total cost of education is 6.9%. Comparable increases are proposed for the average graduate student. For both undergraduate and graduate students as well as for the first-professional students (MBA/PPA/MPA, Law, and PharmD), the total cost of education (flat-rate tuition) will differ by college/school to reflect the different discipline specific academic program costs. The individual college/school rates are shown in Appendix 2 for full-load students for the fall and spring. The prorated costs for part-time students in the fall and spring and for the summer session are also shown.

A comparison of our 2007-08 resident undergraduate total cost of education with those of our peer flagship institutions (the most recent data available) is shown in the table below. The University of Texas at Austin resident undergraduate total cost of education ranks 9th out of 12 among our comparison peer group. It is anticipated that our peer

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institutions will have the same order of magnitude increase in total cost of education as that proposed for The University of Texas

at Austin for 2008-09 and 2009-10. Our University continues to be one of the best quality of education values among public research universities in the nation.

**Undergraduate Cost of Education vs.
UT Austin's Peer Comparison Group**

Institution	Resident 2007-08	Rank
University of Illinois-Urbana/Champaign	\$ 11,130	1
University of Michigan-Ann Arbor	11,111	2
Michigan State University	9,912	3
University of Minnesota-Twin Cities	9,598	4
Ohio State University-Main Campus	8,676	5
University of California-Berkeley ^a	8,385	6
Indiana University-Bloomington	7,837	7
University of California-Los Angeles ^b	7,713	8
University of Texas-Austin^c	7,670	9
University of Wisconsin-Madison	7,188	10
University of Washington	6,385	11
University of North Carolina-Chapel Hill	5,340	12

Notes:

Undergraduate tuition and fees are based on 30 credit hours enrolled per academic year or full-time tuition as defined by the institution.

^{a)} University of California-Berkeley fees include a health insurance fee of

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\$1,220 that can be waived.

- b) University of California-Los Angeles fees include a health insurance fee of \$675 that can be waived
- c) UT Austin charges a flat rate tuition for all undergraduate students
For reporting purposes, the Liberal Arts flat rate tuition is used as the general undergraduate rate. Flat rate amounts vary by college.

Tuition Rates per Semester:

Appendix 2 contains the following proposed flat-rate tuition amounts per semester for:

2008-09:

Undergraduate Flat-rate Tuition for 2008-09

- Undergraduate Resident
- Undergraduate Continuing Nonresident
- Undergraduate Intermediate Nonresident
- Undergraduate New Nonresident

Graduate Flat-rate Tuition for 2008-09

- Graduate Resident
- Graduate Continuing Nonresident
- Graduate New Nonresident

Professional Program Flat-rate Tuition for 2008-09

Law

- Resident
- Continuing Nonresident
- New Nonresident

MBA/MPA/PPA

- Resident
- Continuing Nonresident

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New Nonresident

PharmD

Resident

Continuing Nonresident

New Nonresident

2009-10:

Undergraduate Flat-rate Tuition for 2009-10

Undergraduate Resident

Undergraduate Continuing Nonresident

Undergraduate Intermediate Nonresident

Undergraduate New Nonresident

Graduate Flat-rate Tuition for 2009-10

Graduate Resident

Graduate Continuing Nonresident

Graduate New Nonresident

Professional Program Flat-rate Tuition for 2009-10

Law

Resident

Continuing Nonresident

New Nonresident

MBA/MPA/PPA

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Resident
Continuing Nonresident
New Nonresident

PharmD

Resident
Continuing Nonresident
New Nonresident

2008-09 and 2009-10:

Undergraduate Double Major

Undergraduate, Part-time Fall/Spring Flat-rate Tuition

Graduate and Professional Double Major

Graduate and Professional, Part-time Flat-rate Tuition

Undergraduate, Summer Session Flat-rate Tuition

Graduate and Professional, Summer Session Flat-rate Tuition

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Respectfully submitted,

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Appendix 1: Operating Forecast for 2008-09 to 2014-15

Appendix 2: Tuition Rates per Semester for 2008-09 and for 2009-10