

DATE: November 16, 2016

SUBJECT: 2017-18 Student Fee Guidance

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. The FOCUS Act has expanded THEC’s authority on student fee levels, requiring that THEC issue binding tuition ranges each year. These ranges apply only to resident, undergraduate students on the tuition (maintenance fee) rate, as well as the total maintenance and mandatory fee charge.

Average full-time, annual tuition and mandatory fees for 2016-17 is \$8,977 at public universities, \$4,224 at community colleges, and \$3,647 at the Tennessee Colleges of Applied Technology (TCATs). Tennessee’s public higher education tuition and fee levels are considered average compared to peers across the states in the Southern Regional Education Board. Over the last five years, tuition and mandatory fees have increased an average of four to five percent across the sectors, while state appropriations have increased an average of nearly four percent per year.

Tennessee’s financial aid resources are among the highest in the US, according to data provided by the National Association of State Student Grant Aid Programs (NASSGAP). Tennessee had the fifth largest financial aid program in the nation, and the fourth largest per capita. Funding for the lottery scholarship and the Tennessee Student Assistance Award comprise the majority of financial aid. In part due to these funding levels, Tennessee college graduates had the 14th lowest debt level in the nation, according to data published by the Project on Student Debt. It should be noted, however, that no data is available for debt among students who do not graduate.

Taking into account an appropriations request for formula units of \$48 million, THEC staff recommend a tuition (commonly referred to as maintenance fees at Tennessee public higher education institutions)

guidance range of zero to four percent at universities, community colleges, and the TCATs. Scenarios for tuition increases in 2017-18 of zero, two, and four percent are presented and summarized in Attachment I. Attachment II presents estimated tuition levels under flat and reduction funding scenarios as well.

At this time, the staff recommendations are that the Commission considers the tuition range as guidance only, with flexibility to approve final binding tuition ranges later in the fiscal year once clarity around the state budget and overall impact on higher education funding is determined.

ATTACHMENT I

2017-18 Tuition Recommendation

THEC Recommendation Summary

Universities	0% to 4% Tuition Increase
CCs	0% to 4% Tuition Increase
TCATs	0% to 4% Tuition Increase

Tuition and Fee Levels

	2016-17		2017-18 Scenarios		
	Mandatory Fees	Tuition	Tuition Increase ¹		
			= 0.0%	= 2.0%	= 4.0%
APSU	\$1,473	\$6,522	\$7,995	\$8,125	\$8,256
ETSU²	1,597	7,002	8,599	8,739	8,879
MTSU	1,660	6,930	8,590	8,729	8,867
TSU	1,039	6,528	7,567	7,698	7,828
TTU	1,171	7,380	8,551	8,699	8,846
UM	1,637	7,860	9,497	9,654	9,811
UTC	1,776	6,768	8,544	8,679	8,815
UTK³	1,810	10,858	12,668	12,885	13,102
UTM⁴	1,408	7,375	8,783	8,931	9,078
CC Avg	294	3,930	4,224	4,303	4,381
TCATs	230	3,417	3,647	3,715	3,784

1 - Percent increase applied to tuition and not to the mandatory fees.

2 - ETSU is phasing in mandatory fees approved for the renovation of the DP Culp Center. Freshman and Sophomores are paying an additional debt service fee of \$240 and an additional Student Activity fee of \$50 in FY16. As these classes progress, the additional fees will remain part of the mandatory fees.

3 - UTK tuition rates for students admitted in the Fall of 2013 and later are flat rates for 15 semester credit hours, regardless of the number of credit hours taken by the student. This policy ("Fifteen in Four") was approved in 2012 by the UT Board for introduction in Fall 2013. The tuition rate presented here is a weighted average.

4 - The 2016-17 UTM tuition rate for full-time students who have completed fewer than 60 credit hours is a flat rate for 15 hours a semester regardless of how many hours the student is enrolled in. Part-time students and full-time students who have completed more than 60 credit hours are charged a flat rate for 12 hours regardless how many hours the student is enrolled in. The tuition presented here is an average of those two tuition rates.

Note: Tuition is used here for ease of understanding though UT and TBR use the term maintenance fee.

ATTACHMENT II

2017-18 Tuition Model Analysis Scenarios

The following scenarios utilize the THEC Tuition Model to estimate the tuition increase required to maintain the 2016-17 estimated total revenue per FTE. The scenarios assume a 0% enrollment growth at universities, a 4% enrollment growth at community colleges and colleges of applied technology, and a 2.7% increase in costs inflation at all institutions. This analysis is presented for information and is meant to provide guidance on the tuition recommendation analysis. Binding tuition recommendations will be made in the Spring.

Average Increase Needed With a \$48.0M (5.2%) Increase in State Appropriations

Model Assumptions	Universities	CCs	TCATs
Costs Inflation	2.7%	2.7%	2.7%
Enrollment	0.0%	4.0%	4.0%
State Appropriations	4.8%	5.7%	7.0%
Average Tuition Rate Increase	1.7%	3.8%	2.5%

Average Increase Needed With Overall Flat Appropriations

Model Assumptions	Universities	CCs	TCATs
Costs Inflation	2.7%	2.7%	2.7%
Enrollment	0.0%	4.0%	4.0%
State Appropriations	-0.4%	0.5%	1.7%
Average Tuition Rate Increase	5.1%	8.5%	12.7%

Average Increase Needed With a \$21.3M (2.3%) Reduction in State Appropriations

Model Assumptions	Universities	CCs	TCATs
Costs Inflation	2.7%	2.7%	2.7%
Enrollment	0.0%	4.0%	4.0%
State Appropriations	-2.6%	-1.8%	-0.6%
Average Tuition Rate Increase	6.6%	10.5%	17.2%

Note: The recommendation is based on an assumed costs inflation rate of 2.7% as determined by the faculty salary portion of the Higher Education Price Index (HEPI). HEPI, a traditionally referenced inflation index produced by Commonfund, an institutional investment firm, measures changes in costs in higher education by tracking eight categories of operational expenses, including salaries for employees, fringe benefits, utilities, and supplies and materials.

ATTACHMENT III

Tuition and Mandatory Fees History

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	2011-12	2015-16	2016-17	1 Year Change	5 Year Change
APSU	\$6,690	\$7,801	\$7,995	2.5%	19.5%
ETSU¹	6,529	8,332	8,599	3.2%	31.7%
MTSU	7,018	8,404	8,590	2.2%	22.4%
TSU	6,346	7,417	7,567	2.0%	19.2%
TTU	6,698	8,353	8,551	2.4%	27.7%
UM	7,696	9,269	9,497	2.5%	23.4%
UTC	6,718	8,356	8,544	2.2%	27.2%
UTK²	8,396	11,948	12,668	6.0%	50.9%
UTM³	6,718	8,326	8,783	5.5%	30.7%
CC Avg	3,532	4,121	4,224	2.5%	19.6%
TCATs	2,975	3,554	3,647	2.6%	22.6%

Mandatory Fees Only History

	2011-12	2015-16	2016-17	1 Year Change	5 Year Change
APSU	\$1,224	\$1,453	\$1,473	1.4%	20.3%
ETSU¹	1,063	1,504	1,597	6.2%	50.2%
MTSU	1,498	1,648	1,660	0.7%	10.8%
TSU	880	1,039	1,039	0.0%	18.1%
TTU	1,178	1,171	1,171	0.0%	-0.6%
UM	1,246	1,583	1,637	3.4%	31.4%
UTC	1,320	1,732	1,776	2.5%	34.5%
UTK	1,172	1,758	1,810	3.0%	54.4%
UTM	1,078	1,408	1,408	0.0%	30.6%
CC Avg	280	293	294	0.3%	5.0%
TCATs	200	230	230	0.0%	15.0%

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