

Meeting No. 990

FROM THE MINUTES OF THE BOARD OF REGENTS
OF
THE UNIVERSITY OF TEXAS SYSTEM

April 1, 2005

Austin, Texas

2. U. T. System: Approval of tuition and fee plans for U. T. Arlington and U. T. Dallas

House Bill 3015 passed by the Texas Legislature during the 78th Regular Session modified *Texas Education Code* Section 54.0513 to grant authority to boards of regents to set an appropriate charge to students designated as tuition (Designated Tuition) in addition to tuition rates set by the Legislature and other charges set by boards of regents as previously authorized. The statutory changes also gave boards of regents increased latitude to implement innovative charge structures.

Proposals for tuition and fee plans for Academic Year 2005-2006 for The University of Texas at Arlington and The University of Texas at Dallas were submitted for consideration and action by The University of Texas System Board of Regents. Plans for these two institutions were not considered during the March 10, 2005 Special Called Meeting of the U. T. Board of Regents to consider tuition and fee plans for other U. T. System institutions; however, fee submissions were included and approved in the Docket for the March 10, 2005 U. T. System Board of Regents' meeting.

Chancellor Yudof and Executive Vice Chancellor Sullivan presented the following remarks:

Remarks by Chancellor Yudof

We are revisiting the question of tuition today, taking up proposals from two institutions deferred from the last meeting. As the Board will recall from our prior meeting, it was important to keep tuition increases at or below 5% in all but the most extenuating circumstances. We are grateful to both President Jenifer and President Spaniolo for the innovative work they have done as part of their efforts to conform to our request in what is admittedly a very complex process. To enhance timely graduation and to encourage students to take 15 hours a semester or more, one point I would like to make is rates will vary by credit hour. But sometimes people particularly in the range of 11, 12, or 13 hours will pay more per credit hour than those who take a full load and are on the road to timely graduation.

For example, at U. T. Arlington the net increase, that is the additional tuition dollars, is somewhat over 5%, but less than 6%. That assumes no student changes his or her behavior next year,

but we think many students will change their behavior and our projections will be right on target. So, you need to look not at one point along the curve, 12 or 13 or 11 or 9. You have to ask what is the net increase in dollars and have we set up a structure that encourages students to graduate on time.

I also want to discuss the use of flat-rate tuition at our institutions. Flat-rate tuition is nothing new. It may be new to public universities in Texas, but it is not new, and it has become increasingly common across the country in both public and private universities. When I was a student at the University of Pennsylvania, we had flat-rate tuition and I viewed it as a ticket to graduating sooner and paying less for my college education. I paid less per credit hour and I didn't stick around as long with extra semesters. My daughter attended SMU. They had a flat-rate tuition. I got the same bill every semester whether she took 12 hours or 18 hours, and somehow we never opted for less than 15. I want to stress today that calculating the effects of tuition changes cannot be done accurately by looking at what students have done in the past. This is a dynamic model. What we are trying to do is to have differential pricing which yields about 5% new tuition dollars and simultaneously says to students please take 15 hours, please graduate in four years. If you do that you will save money, you will go on with your careers and graduate education, and furthermore, you will create more openings for freshmen in our colleges and universities, therefore, by providing more access to our universities. So part of what we are doing today is not only to look back to this year and what students paid and what they will pay next year, but we are trying to extrapolate how many thousands of students will alter their behavior and we think our students are smart, they are strategic, and we think we will see, as we did at U. T. Austin with its flat-rate experiment, a shift with more and more students taking 15 hours. We think that is what the legislature wants, that is what the parents want, and that is certainly what our Board of Regents has endorsed.

For example, a student taking 14 semester credit hours at U. T. Dallas, which is going over to a flat tuition system, would see a 5% increase in tuition, while a student taking 15 semester credit hours would see a 3.5% increase. And for a student taking 16 hours, there would be no increase at all over current rates. So in many ways what you pay as a student is now more within your control. About half the students taking 15 semester credit hours at U. T. Austin will see their tuition decline by about 1% on average or about half, while students taking 14 semester credit hours at U. T. Austin will see an increase of about 5%, though the rate will vary by college under their system. The other half of the

students, those who are already under a flat tuition regimen in Natural Sciences and Liberal Arts, will see the 4.75% increase that President Faulkner talked about (at the last meeting). So we are trying to set up a dynamic model to change behavior and that has made it very complex for Dr. Sullivan and for the Presidents and their staffs. But I think we are moving in the right direction. We are creating incentives and we are trusting that our students will respond to those incentives as they have all over the country and as they have at U. T. Austin over the period of the experiment with the two colleges and flat tuition.

One of the things we have to be careful about is some of the comments on the new tuition schedules say 12 hours this year and 12 hours next year, assume no one changes their behavior, and then attach a percentage to it. We do not think that is the accurate way to look at it, because our effort is to change that behavior and obviously to give a price break to those students who are taking a full load. Obviously, I'd like to wake up in the morning, pick up the newspaper, and see a headline that reads, "U. T. System Lowers Tuition" or there will be a headline that says "Full-time Students Down 1% at U. T. Austin". My second best headline would read, "Full-time Students Pay Minimally More than Last Year," and if in the fine print it says that you are going to pay a lot more if you are going to take 12 or 13 hours, I can certainly live with that because it is true.

I think this is the right direction for the U. T. System. I think it will get more of our students on track to graduate in four years. I think it makes the students into willing partners. One way of looking at that is the Board of Regents has shared their authority. The students have discretion in some ways to set their own rates within confines set by the campuses and the Board of Regents, but nonetheless they are empowered to make decisions that will lower their tuition. And so I'm quite proud of the work that is being done at all our institutions to make this happen. Thank you.

Remarks by Executive Vice Chancellor Sullivan

What you see before you are innovative tuition proposals that are intended to influence student behavior along the lines of our strategic initiatives within the U. T. System particularly in terms of improving graduation rates.

Turning to the Arlington proposal first, Arlington has an innovative approach to this, which President Spaniolo is going to explain to you and which would popularly be called a rebate. I recommend that when you consider this further that you think of it as a tuition

reduction. I believe that this tuition reduction is part of U. T. Arlington's policy of encouraging students to take and to complete higher course loads. And I would like clarify the source of funding for the reduction would be Designated Tuition.

In addition, I would also like to mention that the proposal you see in front of you represents a not-to-exceed percentage figure. With that I would like to invite President Spaniolo to talk about his proposal in greater detail.

President Spaniolo spoke of the process used to consult particularly with the students, a process which he said is unparalleled in his experience. Mr. Spaniolo said the Tuition Review Committee was composed mostly of students and the Committee endorsed the administration's proposal to increase tuition to continue to improve the academic quality at U. T. Arlington by supporting the addition of new faculty and merit-based scholarships, and by providing merit increases for faculty to be competitive and to retain the best faculty.

President Spaniolo outlined the specifics of the tuition proposal, saying the hallmark of the proposal is the rebate whereby students who successfully complete 30 hours or more during two regular semesters would receive a tuition reduction of \$200 in the form of a credit for the next semester in which the student is enrolled or at graduation, a student would receive a check. The objective of the rebate is not only to encourage students to sign up for a heavier course load, but to successfully complete 30 or more credits per year. He said tuition increases for 11, 12, and 13 credit hours would be somewhat higher, but the idea is to encourage students to take 15 credits. If a student completes those hours with a 2.75 grade point average, the percentage tuition increase would be just over 1%, or \$85.

Executive Vice Chancellor Sullivan then asked Mr. Casey Townsend, President of the U. T. Arlington Student Body, to comment. Mr. Townsend elaborated on the process used to develop the U. T. Arlington tuition proposal that allowed for maximum student input.

Dr. Sullivan said the U. T. Dallas proposal also provides significant incentives for full-time students to increase their course load up to 15 semester credit hours, but without penalizing part-time students. Tuition increases for part-time students remain at 5%, there is a significant increase for 12 and 13 hours, and no increase beyond 15 hours.

President Jenifer said he is concerned about the impact of increasing tuition on access to the University of both current and prospective students to reflect the University's search for not only access to education, but access to excellence. In looking at the impact of increased tuition, Dr. Jenifer commented that diversity of the student body has increased, the economic

status of students remained the same, enrollment increased almost 4%, and the quality of the student body increased significantly based on Scholastic Aptitude Test (SAT) scores.

Dr. Jenifer reviewed the following critical areas for U. T. Dallas and discussed the \$9.54 million shortfall resulting from the \$13 million needed to cover the critical areas and the \$3.46 million expected from the Legislature:

- 1) \$4 million to restore and reverse the deterioration of the faculty:student ratio to 1:22;
- 2) \$3.5 million for business and support operations;
- 3) \$2.7 million to add quality faculty for the Erik Jonsson Research Enhancement Initiative, commonly known as Project Emmitt; and
- 4) \$2.8 million to retain quality faculty.

To develop the U. T. Dallas tuition proposal, President Jenifer said he asked a tuition review committee to present the cost of education in a simple fashion, offer opportunities to reduce the cost of obtaining a degree, and holding harmless needy students. He commended all those involved in the process and concluded the proposed tuition may still not cover expected costs of the identified critical needs areas.

U. T. Dallas Student Body President Laura Rashedi commented the proposal was adjusted for part-time students and information on the budget was well disseminated. She said students support the tuition proposal that was before members of the Board.

Vice-Chairman Krier said she is impressed with the leadership exhibited by the students at the institutions, a comment echoed by other members of the Board. Vice-Chairman Hunt remarked that in 2003, the Legislature granted tuition flexibility to governing boards and at the time he saw it as a way to increase tuition revenue but the Chancellor and the institutional presidents have used the legislation as a tool for an inclusive dialogue with the rest of the stakeholders. Including students in the process is another significant benefit. He said tuition-setting has become a partnership; a delegation of authority. Chairman Huffines asked President Spaniolo about the success of the new incentive program to discount three semester credit hours for timely payments and Mr. Spaniolo responded the program is successful, with an increase from 25% to 40% of students paying on time.

Chancellor Yudof said there have been improvements in graduation rates across the campuses but added more can be done. Flat-rate tuition and tuition reduction are good techniques, but more incentives will be

developed in the future. He said closing the gaps means access and enrollment in underrepresented populations and achieving the aspirations of students to obtain their degrees in a reasonable length of time.

Chairman Huffines thanked Mr. Townsend and Ms. Rashedi for their work and commitment to this process. He emphasized requests for tuition increases beyond 5% would be granted only with special justification. Mr. Huffines acknowledged that tuition setting has been a difficult process; however, several tuition proposals were reduced at the March 10, 2005 Board meeting including that of U. T. Austin. He noted the innovative approaches taken including flat-rate tuition, off-peak class hour pricing, and tuition reduction plans and stated that personally, he felt the tuition increase proposed for 12 semester credit hours at both U. T. Arlington and U. T. Dallas is still too high. The incentives encourage graduation in four to five years, and in many cases make substantial reductions in the cost of tuition, fees, and living expenses. Improving timely graduation rates is one of the highest priorities of the U. T. System Board of Regents and utilizing flat-rate tuition improves those rates. Additionally, the incentive to graduate more quickly gets students into the workforce earlier, contributing to their communities as well as to the Texas economy as a whole. He concluded that education at each U. T. System institution is a good bargain for students and for the State of Texas. The U. T. System's process for setting tuition is unparalleled in the nation as being inclusive, deliberate, and transparent for the students and all constituencies. He thanked everyone involved in the tuition process for their effort and dedication.

Upon motion by Regent Estrada, seconded by Regent Caven, the Board approved the tuition and fee proposals for U. T. Arlington and U. T. Dallas on a not-to-exceed basis as recommended by Chancellor Yudof and Executive Vice Chancellor Sullivan with the following modifications:

1. For U. T. Arlington, the increase for 12 semester credit hours was reduced from 10.64% to 8.9%. The tuition rebate plan was retitled as a tuition reduction plan with the source of funding as Designated Tuition.
2. For U. T. Dallas, the increase for 12 semester credit hours was reduced from 11% to 9%.

/s/Francie A. Frederick
Counsel and Secretary to the Board

May 5, 2005