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Colorado Commission on Higher Education

Department of Higher Education

Tuition Policy Informational Paper: *Overview of Tuition Policies*

HB 14-1319 was passed by the Colorado General Assembly and signed by the Governor in May 2014. The bill eliminated the existing funding structure for how state General Fund dollars are allocated to public institutions of higher education as of Fiscal Year 2015-16, and directed the Colorado Commission on Higher Education (CCHE) to develop and adopt a new base funding allocation formula for these funds within specified parameters. **HB 14-1319 also requires that the Colorado Commission on Higher Education (CCHE) provide tuition policy recommendations to the General Assembly by November 1, 2015.**

The Charge

Pursuant to HB 14-1319, by November 1, 2015, CCHE shall submit to the Legislature tuition policies that ensure both accessible and affordable higher education for residents.

- Tuition policies must also reflect:
  - Level of state funding needed for institutions
  - The need of each institution to enhance the quality of programs and offerings to strengthen their financial position
- Tuition policy recommendations must be developed in consultation with governing boards and interested parties using an inclusive and transparent process.

The purpose of this first in a series of informational papers is to provide an overview of tuition policy setting practices, identify key issues and provide CCHE with a framework establishing tuition policies that balance ensuring affordable and accessible higher education while reflecting the reality of the cost drivers that institutions face. Future informational papers in the series will cover:

- Cost Drivers of Higher Education (this will be addressed in a report by the National Center for Higher Education Management Systems (NCHEMS))
- Fees and Fee policy
- Tuition and Fees, Financial Aid and State Appropriations

Tuition Setting In Colorado

Governing boards determine the tuition for the institutions they govern—often within statutorily prescribed limits, such as the 6 percent tuition cap under the College Affordability Act (SB14-001). Tuition setting usually occurs in the spring to allow incoming and returning students to make decisions and plan for the upcoming year. The actual impact of tuition rate increases varies from student to student and depends on a number of factors such as the student's level (undergraduate or graduate), residency status (in-state; out of state; international), selected area of study and eligibility for financial aid.

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The Commission has responsibility to exercise oversight to ensure that educational quality and student access are maintained consistent with the role and mission of each institution.

Historically, tuition setting parameters have been defined either through footnote in the Long Bill or through special legislation. Typically, restrictions focused on a governing boards' ability to increase *tuition rates* for undergraduate resident students. However, in some years, a revenue limit was applied—allowing institutions to apply different rate increases to different categories of students, as long as the total projected revenue fit within the limit.

The following provides a recent history of tuition policy in Colorado.

- **2014-2016**: In 2014 the College Affordability Act (SB 14-001) was passed, providing an historic $60 million (11 percent) increase for Colorado's public institutions of higher education. Tied to this investment in operating dollars was a requirement that resident tuition rate increases be capped at no more than 6 percent for fiscal year (FY) 2014-15 and FY 2015-16. For FY 2015-16, the state provided a total operating increase for public colleges and universities of 11 percent or $66.6 million.

- **2011 to 2014:** The passage of SB 10-003 created a five-year window of tuition-setting flexibility for higher education governing boards in response to reduced state funding. This gave governing boards the authority to raise tuition rates for resident-undergraduate students up to 9 percent for each of five years, from FY 2011-12 through FY 2015-16. A mechanism was provided to allow for increases above 9 percent, by submitting a Financial Accountability Plan for the governing board and having it approved by CCHE.

More on Rate Limits vs. Revenue Limits

Rate limit

Under a rate limit the price of tuition cannot grow beyond a specified rate. For example, assuming a rate limit of 5.0%, a tuition rate for a full-time student of $4,000 in year A would increase to a maximum tuition price of $4,200 in year B.

Revenue limit

Under a revenue limit the growth in the price of tuition is not explicitly stated, instead the income growth an institution can generate from tuition is limited. A revenue limit does indirectly restrict the rates of tuition that the institution can charge, but it allows an institution to implement different tuition rates for different categories of students. For example, with a 5.0 percent revenue limit an institution might raise a $4,000 tuition rate by 10 percent to $4,400 for non-resident students, and then compensate by holding the tuition rate increase for all other students to less than 5.0 percent. Because the number of non-resident students is small compared to the rest of the student population, the institution might only need to shave a fraction off of the tuition rate increase for the remaining student body, depending on the mix of students.

- **Prior to 2011:** Prior to 2010-11 any restrictions on resident tuition increases were detailed in a footnote to the Long Bill. It is important to note that prior to 2011 tuition constraints took the form as either a *Rate limit* or a *Revenue limit*. These limitations are summarized in the following chart.

Summary of Long Bill Footnotes					
	FY06-07	FY07-08*	FY08-09**	FY09-10***	FY10-11
Research Institutions - CU System, CSU System, UNC, CSM	2.5%	7.0%	9.5%	9.0%	9.0%
Four Year Institutions - ASC, FLC, MSC, MSCD, WSC	2.5%	5.0%	7.5%	9.0%	9.0%
Two Year Institutions - CCCS	2.5%	3.5%	5.5%	9.0%	9.0%
*Research and four year institutions were allowed to follow a revenue limitation in FY07-08 as opposed to a rate limit.					
**In addition, FY08-09 footnotes allowed governing boards to increase tuition by up to $5 per credit hour above the specific rate limit provided this increase was approved at a student election.					
***The governor vetoed the tuition footnote in FY09-10 but recommended governing boards stay within their spending authority which was based on 9.0% rate increases.					

Tuition Policy across the States

The tuition setting process in Colorado is typical across the country. In most states, tuition rates are set by institutional governing boards with the State setting outer limits on tuition rates. Table 1 provides a 50-state overview of the primary tuition-setting authority.

Table 1. Primary Tuition-Setting Authority

	Governor	Legislature	Statewide coordinating body	Governing board(s)	Local district governing board(s)	Individual institutions
Two-year sector	California*	California*	Kentucky	Alaska	Idaho	Delaware
		Louisiana	North Dakota	Colorado	Iowa	Ohio*
		Ohio*	Oklahoma	Connecticut	Kansas	
				Georgia	Mississippi	
				Hawaii	Nebraska	
				Illinois	New York (SUNY)	
				Indiana	Oregon	
				Montana		
				Nevada		
				New York (CUNY)		
				Tennessee		
				Texas		
				Washington		
				West Virginia		
				Wyoming		
Four-year sector		Florida	Iowa	Alaska	Texas	Delaware
		Louisiana	Kentucky	California		Ohio*
		Ohio*	North Dakota	Colorado		Wyoming
		Washington	Oklahoma	Connecticut		
			South Dakota	Georgia		
				Hawaii		
				Idaho		
				Illinois		

	Governor	Legislature	Statewide coordinating body	Governing board(s)	Local district governing board(s)	Individual institutions
				Indiana		
				Kansas		
				Maine		
				Mississippi		
				Montana		
				Nebraska		
				Nevada		
				New York (CUNY)		
				New York (SUNY)		
				Oregon		
				Tennessee		
				West Virginia		
				Wisconsin		

*California and Ohio provided two responses.

Source: State Tuition, Fees, and Financial Assistance Policies for Public Colleges and Universities: 2012-13, State Higher Education Executive Officers Association.

According to 2013 report from the State Higher Education Executive Officers Association, state appropriations, prior year's tuition, financial aid, cost of instruction and institutional role and mission were identified as common factors influencing decisions about state tuition policy—with state appropriations ranking #1 for both the 4-year and 2-year sector. This underscores the point that changes in tuition rates are closely tied to the level of state funding received by institutions of higher education—as state funding decreases students' share of the cost typically increases.

As the student share of financing the cost has grown over time, and with state budget conditions remaining tight, states have employed numerous strategies to restrict the tuition increases. These include:

Guaranteed Tuition

- Creating guaranteed tuition plans that enable students to pay the same tuition rate for four years. In 2004, Illinois adopted its Truth in Tuition Policy, which stipulates that the tuition rate a student is charged in their first semester will be the tuition rate for four continuous years.

Multi-year tution setting

- Establishing multi-year tuition rates. Mississippi sets tuition rates in two- year cycles and the State University of New York system adopted a *rational tuition policy* that allows institutions to raise tuition up to $300 a year in each of the next five years (2012-2017) for resident undergraduate students.

Formulas to determine an upper limit for rate increases.

- In 2009, Missouri began using a formula that if an institution's tuition and fee increase exceeds the state average increase for 4-year public institutions, along with the national urban consumer price index (CPI-U), the institution must either remit five percent of its state appropriation or request a waiver.

These policies attempt to address the affordability of higher education. However, addressing the affordability of higher education without compromising quality is a difficult task.

Next Steps

Establishing a statewide tuition policy begins with developing a framework and a set of principles to balance student access and affordability with the resources necessary to maintain a high quality education. The following provides some key items the Commission may wish to include during the development of state tuition policies to ensure that the directives of H.B. 14-1319 and CCHE's Master Plan are met.

Establish tuition policy in concert with CCHE's Master Plan.	Align state support, tuition, and financial aid policy.	Develop Tuition Policies that Reflect the Share of Responsibility	One-size Does Not Fit All
• Tuition policies should be designed to help the state meet the goals outlined in CCHE's Master Plan 1. Increase the attainment; 2. Improve student success 3. Enhance access 4. Develop resources through increases in state funding	• The major elements of higher education financing policy - appropriations, tuition, and financial aid - need to be considered in concert in order to address college affordability and student access and success. Linking these three elements is essential for making strategic policy decisions that contribute to student access and success while maintaining quality.	• Tuition policies should assess and determine the appropriate balance of the role of the state in providing general fund support for higher education and the proportionate share student's pay.	• Tuition rates should reflect each institution's own unique niche - reflecting differing sectors, missions, program offerings, geographic locations, competitive environments, level of state support, and other distinct characteristics.

Further Reading

1. *State Tuition, Fees, and Financial Assistance Policies for Public Colleges and Universities: 2012-13*, State Higher Education Executive Officers Association. http://www.sheeo.org/sites/default/files/publications/Tuition%20and%20Fees%20Policy%20Report%2020131015.pdf
2. *Improving Postsecondary Education Through the Budget Process.* National Association of Budget Officers. http://www.nasbo.org/sites/default/files/pdf/Improving%20Postsecondary%20Education%20Through%20the%20Budget%20Process-Challenges%20and%20Opportunities.pdf