

University of North Carolina

Review of the Board of Governors’ Four-Year Tuition Plan



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August 12, 2010

Constitutional Framework for Setting Tuition and Fees

“The General Assembly shall provide that the benefits of The University of North Carolina and other public institutions of higher education, as far as practicable, be extended to the people of the State free of expense.”

– NC Constitution – Article IX, Section 9



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Legislative Framework for Setting Out-of-State Tuition and Fees

“The Board shall fix the tuition and fees, not inconsistent with actions of the General Assembly, at the institutions . . . in such amount or amounts as it may deem best, taking into consideration the nature of each institution and program of study and the cost of equipment and maintenance. . . .”

– G.S. 116-143

“The Board of Governors shall fix the tuition and required fees charged nonresidents. . . at rates higher than the rates charged residents. . . and comparable to the rates charged nonresident students by comparable public institutions nationwide. . . .”

– G.S. 116-144



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Legislative Framework for Setting Tuition and Fees

“Notwithstanding any provision in Chapter 116 of the General Statutes to the contrary, in addition to any tuition and fees set by the Board of Governors pursuant to G.S. 116-11(7), the Board of Trustees of the institution may recommend to the Board of Governors tuition and fees for program-specific and institution-specific needs at that institution without regard to whether an emergency situation exists and not inconsistent with the actions of the General Assembly. Any tuition and fees set pursuant to this subsection are appropriated for use by the institution. . . .”

– 116-40.22 (c)



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Tuition Policy

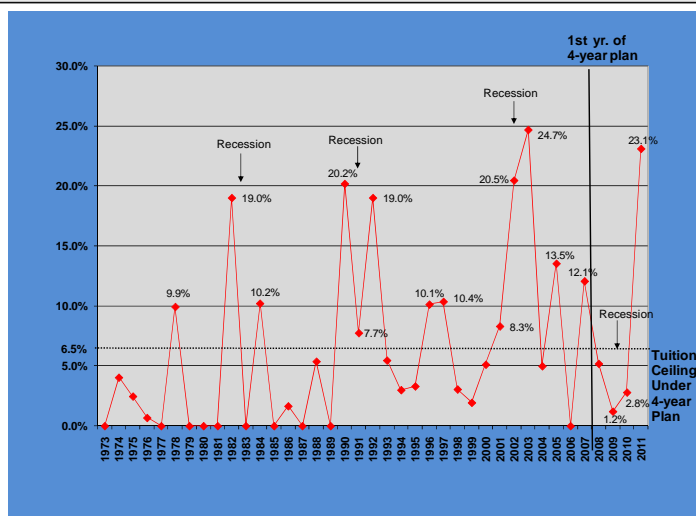
- In 1998, as directed by the General Assembly, the Board adopted a tuition policy. Prior to the adoption of this policy:
 - Tuition had been set by the General Assembly as the State's budget was developed.
 - Tuition increases were erratic (0% increase to 20% increase in the '90s).
 - "Low tuition" was undefined.



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Historical % Increases in UNC Average UG Resident Tuition



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Tuition Policy

- **UNC should maintain its historic commitment to low resident tuition:**
 - Board should play same role in setting tuition as in setting fees
 - Action on tuition and fees should occur earlier than in past practice
 - Process for setting tuition and fees should be inclusive and comprehensive
 - Criteria for Board action spelled out



Justification and Criteria for Campus-Initiated Requests

- **Program quality**
- **Access for North Carolina residents**
- **Financial aid availability**
- **Affordability**
- **Relationship to program cost**
- **Peer comparison**
- **Uses of incremental tuition and fee revenue**
- **Commitment to cost management and increased productivity**



BOG's 4-year Tuition Plan

■ Since 2006:

- Tuition has been set in accordance with the 4-year tuition plan.
- Campuses continue to have the benefit of retaining tuition receipts to improve academic quality.
- Until the most recent tuition increases, students have had predictability and affordability.
- Campuses also have predictability.
- Under the tuition plan, average increases were 5.1% (2007-08), 1.2% (2008-09), 2.8% (2009-10), and 23.1% (2010-11).

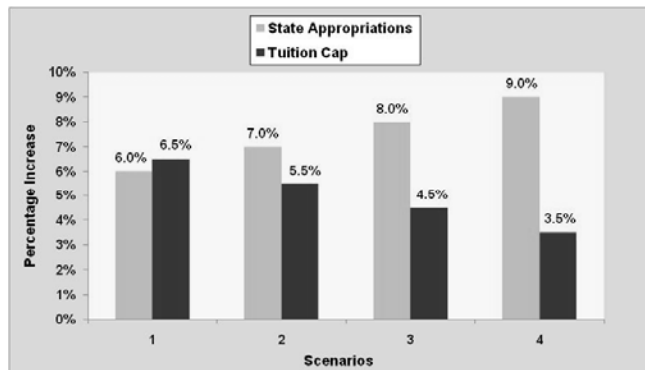


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Tuition and Fees - Four-Year Plan

If a campus receives a recurring appropriation in operations per/FTE that is greater than 6%, then the maximum allowed campus-based tuition increase in the subsequent year for that campus will be reduced by the percentage increase in operating appropriations above 6%.



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Tuition and Fees - Four-Year Plan

(continued)

- The maximum rate of annual increase for campus-initiated tuition and general fees (Athletics, Health Services, Student Activities, and Educational and Technology Fees) for undergraduate resident students should not exceed 6.5%.
- Fees required for debt service are in addition to the maximum percentage increase, but funds required to operate facilities are included in the maximum.
- All proposals for increasing tuition and fees should be accompanied by explicit plans for the use of the increased funds.
- The Board requires campuses to set aside at least 25% of new tuition revenues to be added to the campus' pool of need-based financial aid. For 2010-11, the required set aside was 50%.



Tuition and Fees - Four-Year Plan

(continued)

- In 2006 and 2007, at least 25% of tuition revenues were required to help bring faculty salaries to the 80th percentile of an institution's public peers.
- Remaining tuition revenues are used to improve the quality of the student's academic experience.
- Combined tuition and fee rates for resident undergraduates shall remain within the bottom quarter of each campus' public peers, as approved by the Board of Governors.
- Combined rates for nonresident undergraduate students shall remain below the top quarter of the same approved peer group.



Review of 4-Year Tuition Plan

- In preparation for the Board's review of the 4-year tuition plan, President Bowles appointed a work group to review the plan and consider changes that may be needed.
 - Chancellor Harold Martin, NCA&T
 - Provost Stan Aeschleman, ASU
 - Provost Kwesi Aggrey, NCCU
 - Associate Provost Steve Farmer, UNC-CH
 - Vice Chancellor Charles Maimone, UNCW
 - Director of Financial Aid Julie Rice Mallette, NCSU



Committee Recommendations

Should the 6.5% cap on tuition and fee increases be continued?

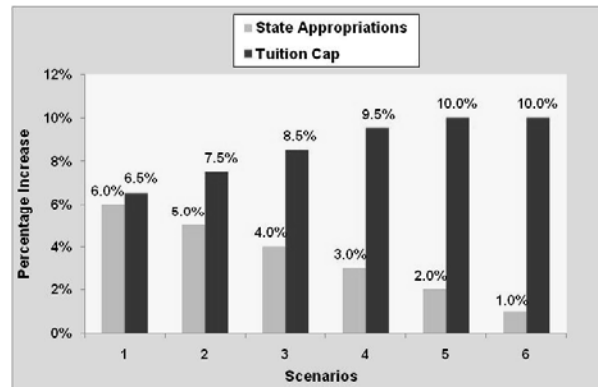
Continue the current cap with two changes:

- Allow campuses the ability to propose tuition increases in excess of 6.5% when the increase in State appropriations is less than 6%.
- Decouple the caps on tuition and fees.



Recommendation #1

Allow campuses the ability to propose tuition increases in excess of 6.5% when the increase in State appropriations is less than 6%.



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Recommendation #2

■ Decouple the caps on tuition and fees.

- There is a natural relationship between tuition and state appropriations that does not exist between fees and state appropriations. In fact, increases in State appropriations may result in the need to increase fees.
- As an example, if an increase in state appropriations provides for an across-the-board salary increase for State-funded employees, those same salary increases are required to be paid to employees of fee-supported activities.



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Issues and Recommendations

Should tuition rates for resident students remain in the bottom quarter of tuition rates of public peer institutions? Should tuition rates for nonresident students remain below the top quarter of those of public peer institutions?

The work group concluded that these benchmarks are reasonable. However, the group recommended that the University revisit the current list of peers for each institution to determine if the peers remain appropriate.



Issues and Recommendations

Is there a way to incorporate “quality relative to peers” into the tuition setting process?

The work group concluded that this is happening. The Board is focused on student success as opposed to access and tuition revenues are a source of funds for achieving student success.

A review of peers would further take into consideration the “quality” of peer institutions.



Issues and Recommendations

Is there a need for increased discretion for campuses in setting non-resident tuition rates?

The work group finds that the 4-year tuition plan has provided campuses with the discretion needed.



Issues and Recommendations

Should there be different tuition models available for different campuses to follow in setting tuition? As an example, would some campuses be served better by a "high tuition, high aid" model?

The members of the work group find that the current 4-year tuition plan is consistent with the constitutional requirement that "the benefits of the University of North Carolina ..., as far as practicable, be extended to the people of the State free of expense."



Issues and Recommendations

Should similar institutions have similar tuition rates?

The work group found merit in having similar tuition rates at similar institutions and thought that institutions charging a low rate relative to its UNC peers should be given a catch-up opportunity.



Other Recommendations of the Work Group

- The role of students in setting tuition and fees should be more clearly defined.
- Receipts from Educational and Technology Fees should be deposited into Trust Funds.
- The moratorium on increases in special fees should be continued.



Other Recommendations of the Work Group

- The Board should continue to set application fees.
- Five-year financial plans should continue to be prepared for use by the President in recommending fee increases.
- The President and Chancellors should revisit charging by the student credit hour and select a pilot campus.



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