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University of North Carolina

A New Four-Year Tuition and Fee Plan

July 31, 2014

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Presentation Outline

- **Background and Context**
- **New Four-Year Plan**

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Background and Context

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Background and Context

Constitutional and Legislative Framework

“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*

“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*

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Background and Context

- **Since 2006, the Board of Governors has used four-year plans to set parameters for tuition and fee increases:**
 - **Helps ensure affordability for students**
 - **Provides predictability for students and campuses**
 - **Campuses retain tuition receipts for designated uses**
 - **Provides clear guidance to campuses on the tuition and fee expectations of BOG**

Background and Context

Current Four-Year Plan

- **Approved by BOG in November 2010.**
- **Tuition and general fee increases not to exceed 6.5% (fees for debt service excluded).**
- **If recurring state operating appropriations increase by more than 6%, the tuition ceiling for the next academic year is reduced by 1% for each percentage above 6%.**
- **Combined tuition and fee rates for resident undergraduate students must be in the bottom quartile of an institution's public peers.**
- **Remember there were no undergraduate resident tuition increases in 2014-15.**




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New Four-Year Plan ***Academic Years*** ***2015-16 through 2018-19***

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New Four-Year Plan

- **Calculation of new tuition and fee cap:**
 - Resident undergraduate tuition increases shall not exceed 5%.
 - Cap may be increased if annual change in appropriation per resident FTE is reduced.
 - Cap will be decreased if annual change in appropriation per resident FTE is greater than 5%.

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New Four-Year Plan

- Resident undergraduate tuition and fee rates must still remain in bottom quartile of public peers.
- Professional and specialized graduate programs with differential tuition rates are not subject to the cap.
- Board of Governors may consider changes to the tuition cap if:
 - Significantly higher than anticipated increases in inflationary or fixed costs
 - Extraordinary circumstances impact a campus or the UNC system as a whole
- Tuition and fee rates will be set for 2015-16 and 2016-17 in February of 2015, and for 2017-18 and 2018-19 in February of 2017.

New Four-Year Plan

- ***Tuition set-aside for need-based aid will be capped at 15% of total tuition revenues.***
 - ***If the tuition revenue set aside for aid exceeds the cap in the current year, the campus may not set aside additional tuition revenue for need-based aid.***
 - ***Chancellors may increase funds through management flexibility authority, as long as the total set aside for aid does not exceed the cap.***

	2014-15			2018-19		
	Set-Aside	Cap	Outcome	Set-Aside	Cap	Outcome
Campus A	20%	15%	Frozen	17%	15%	Frozen
Campus B	16%	15%	Frozen	13%	15%	Additional Set-aside Allowed
Campus C	10%	15%	Additional Set-aside Allowed	12%	15%	Additional Set-aside Allowed

New Four-Year Plan

Institution	Current Set-Aside %	15% Cap on Need-Based Aid from CITI	
		% Above 15% Cap	Aid Above 15% Cap
Appalachian State University	14.4%	0.0%	\$ 0
East Carolina University	13.6%	0.0%	0
Elizabeth City State University*	20.1%	5.1%	470,584
Fayetteville State University*	16.9%	1.9%	328,869
North Carolina A & T State University	12.8%	0.0%	0
North Carolina Central University*	15.0%	0.0%	2,352
North Carolina State University*	17.9%	2.9%	7,340,741
UNC Asheville	14.7%	0.0%	0
UNC-Chapel Hill*	20.9%	5.9%	19,065,005
UNC Charlotte	9.5%	0.0%	0
UNC Greensboro	13.9%	0.0%	0
UNC Pembroke	10.9%	0.0%	0
UNC Wilmington	11.7%	0.0%	0
UNC School of the Arts	10.6%	0.0%	0
Western Carolina University	11.5%	0.0%	0
Winston-Salem State University*	15.9%	0.9%	190,089

**Total above Cap
= \$27,397,640**

**Total Aid
in 2014-15 =
\$208,288,202**

*Would not be allowed to set aside additional need-based aid from tuition

New Four-Year Plan

Nonresident Undergraduate Tuition Rates

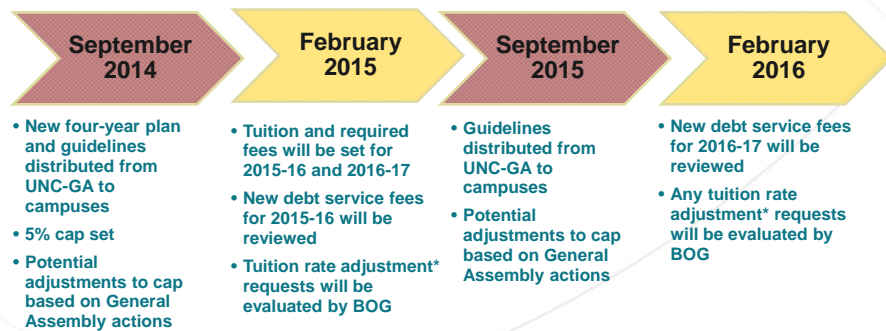
- Rates shall continue to be both market driven and to reflect the full cost of providing a quality education.
- Campuses shall set a goal for tuition and fee rates at or above the third quartile of their approved public peers.

New Four-Year Plan

General and Debt Service Fees

- Athletics, health services, student activities, and education and technology fees are subject to the 5% cap.
- Debt service fees are not subject to the cap.
- Reserves established and maintained from each fee must be presented and included in any fee increase justification.

Timeline



Final two years (2017-18 and 2018-19) of the Plan will have a similar process.

** Tuition rate adjustments may be needed to offset significant changes in appropriations or to keep resident undergraduate rates in the bottom quartile of each peer group.*

New Four-Year Plan (Comparison to Current Plan)

	Current (2nd) Four-Year Plan 2011-12 through 2014-15	Proposed (3rd) Four-Year Plan 2015-16 through 2018-19
Tuition Increase Caps		
Resident Undergraduate	6.5% Cap	5% Cap
Resident Graduate	No Cap	No Cap
Tuition Increase Floors		
Nonresident Undergraduate	None	Goal of third quartile of peers or higher
Nonresident Graduate	None	None
Significant Appropriation Cuts		
Resident Undergraduate	No Effect	Cap allows increase by amount cut per resident FTE
Resident Graduate	No Effect	Cap allows increase by amount cut per resident FTE
Significant Appropriation Increases		
Resident Undergraduate	Cap is reduced by % increase per FTE > 6%	Cap is reduced by increases > 5% per resident FTE
Resident Graduate	No Effect	No Effect
Required General & Debt Service Fees		
All Students	6.5% Cap	5% Cap
Athletic Debt Service	Blended with Other Debt Fees	Discrete from Other Debt Fees
CITI Set-Aside for Need-Based Aid		
All Students	No Cap	15% of Tuition Revenue
Tuition Rate Setting		
All Non-Debt Service Tuition & Fees	Each Year	Every Other Year

BOG Discussion

Questions?

THE UNIVERSITY OF NORTH CAROLINA
Tuition and Fees: A Four-Year Plan for Academic Years 2015-16 through 2018-19

Background and Context

A fundamental goal of the University of North Carolina is to place a world-class education within reach of every qualified state resident. That has been our charge since 1789, when the very first General Assembly proclaimed that the benefits of a University of North Carolina education should “be rendered as diffusive and universal as possible.” It remains our obligation today, with a constitutional mandate that “higher education, as far as practicable, be extended to the people of the State free of expense.” If the University is to continue as the state’s economic engine and a beacon of opportunity for North Carolinians, it must remain accessible to all those who earn admission.

Through a balance of ongoing state investment, expanded private fundraising, and modest tuition revenue, UNC campuses continue to serve the state and provide low-cost, rigorous higher education to its people. After several years of constrained public funding and an accompanying focus on increased efficiency, the University has emerged from the Great Recession with a stable financial profile and unshaken confidence in the lasting value of public higher education. UNC remains a strong, globally respected, and competitively funded institution, fortunate to have earned the support and trust of state leaders. It is imperative that we retain that trust by continuing to provide an affordable high-quality education for our students.

Tuition-Setting Framework

The tuition policy of the Board of Governors provides a framework for the Board's annual review and action on proposed adjustments in tuition and fees. Through this process, the Board fulfills its responsibility under General Statute 116-11(7), which states in part that “The Board (of Governors) shall set tuition and required fees at the institutions, not inconsistent with actions of the General Assembly.” The Board has sought to exercise its statutory authority in an objective, transparent manner that (1) ensures affordability for students; (2) provides predictability for both students and the constituent institutions; and (3) allows the constituent institutions to retain tuition and fee receipts for designated uses.

Since 2006, the Board has adopted four-year plans that set parameters for campus proposals seeking annual adjustments in tuition and/or fees. This updated four-year plan will provide guidance to the campuses during academic years 2015-16 through 2018-19. At the end of this next four-year period, the plan will again be evaluated and modified by the Board as it deems appropriate.

Calculation of Tuition and Fees Cap

During the covered plan period (2015-16 through 2018-19), the maximum rate of increase in campus-initiated tuition rates for resident undergraduate students shall be 5% per year. Revenues generated from these adjustments will be used to cover general operating inflationary increases and significant changes in fixed personnel costs, strategic investments that improve student outcomes, and faculty and staff compensation. This cap will remain in place unless significant changes in appropriations per resident FTE occur during the plan period.

The Board of Governors recognizes, however, that institutions vary appreciably in their missions, program mix, and overall funding availability. In compelling circumstances, the Board may consider variances to this cap when setting annual tuition rates for individual campuses. Reasons for which a campus might be permitted to deviate from the cap include, but are not limited to (1) dealing with significantly higher than anticipated increases in inflationary or fixed personnel costs; (2) evaluating resources and programs provided by peer institutions; and (3) other unforeseen circumstances.

Allowable increases in student fees required for all students, other than debt service fees, are also capped at 5% annually. Changes in state appropriations per resident FTE do not impact student fees. Debt service fees are not included in the cap because the capital projects financed by the indebtedness are repaid from these fees and are evaluated on their individual merits through a separate process. For those projects to be funded from debt service fees, the Board will consider the total financial impact on students from these charges (both debt service and operating charges), as well as the institution's ability to repay the debt, as demonstrated by a financial analysis to be submitted by the campus when proposing the fee. The Board will also review the utilization of similar existing campus space to gauge the need for additional facilities. For added transparency, debt service fees supporting athletic facilities shall be presented separately from other debt service fees.

Adjustments to Tuition and Fees Cap

While tuition is necessary as a secondary source of funding, the General Assembly has the principal responsibility for supporting the University. For years in which the General Assembly is able to provide sufficient resources, the need for tuition increases should be lessened. Conversely, the need for tuition increases may be greater in years in which the General Assembly is not able to provide sufficient resources. Recognizing that the General Assembly's capacity to fund the University varies from year to year, the 5% cap on annual campus-based tuition increases will be adjusted as follows:

- ✓ For any year in which the General Assembly provides a recurring increase in operating appropriations per resident FTE that is in excess of 5%, the tuition cap shall be lowered commensurately until the cap is reduced to 0%. For example, if the General Assembly provides a recurring 6% increase in operating appropriations per resident FTE, the following year's campus-based tuition increase cap would be reduced by 1.5%. Since appropriations are a larger share of the University's budget than tuition, a 1% increase in appropriations generates sufficient funding to offset 1.5% in tuition revenues.
- ✓ Likewise, if appropriations per resident FTE are nominally reduced year over year, the tuition cap may increase as needed to offset the reduction in state resources.

Fee-supported activities do not receive appropriations. The 5% fee cap is unaffected by changes in appropriation per resident FTE.

Maximum Amount of Tuition Revenues Set Aside for Need-Based Financial Aid

The Board's five-year strategic plan outlines a renewed UNC compact with the citizens of North Carolina. It affirms that UNC will maintain low tuition and fees and provide adequate financial aid to students who are academically prepared to succeed. This four-year plan strengthens that compact

by setting a 15% cap on total tuition dollars that may be used for need-based financial aid. Campuses that exceed this threshold are frozen at their current need-based financial aid amount until their total percentage is below the 15% cap. Campuses under the threshold may continue setting aside additional tuition revenues for need-based financial aid so long as they stay under the 15% cap.

Other Tuition and Fees Parameters

The Board continues to require that combined tuition and fee rates for resident undergraduates remain within the bottom quartile of each institution's public peers, as approved by the Board of Governors.

Combined rates for nonresident undergraduate students should continue to be market driven, and campuses are expected to submit rates that reflect the full cost of providing nonresidents with a quality education. To maintain market-driven rates, each campus shall set a goal over the plan period to charge a combined rate that is at or above the third quartile of each institution's approved peers. Nonresident students in the University must be quality students who contribute significantly to the overall educational experience of the entire student body.

Graduate and professional schools shall continue to establish rates consistent with each program's unique market and academic requirements. Programs with differential school-based tuition rates are not subject to the 5% cap on annual increases or 15% cap on total tuition dollars that may be used for need-based financial aid.

Summary of Process

All campus proposals for adjusting tuition and fee rates must be accompanied by explicit justification plans. Additional tuition revenues proposed to cover general operating inflationary and fixed personnel cost increases shall be presented as individual items for review and approval. These may include, but are not limited to, faculty and staff salary and benefit changes, utilities, and purchased supplies or materials. Increases recommended for strategic investments that improve student outcomes shall also be presented as discrete items for review and approval. These may include, but are not limited to, reductions in class size, increases in sections offered, compensation adjustments needed to reach market rates, improved library and counseling services, and financial aid assistance. Revenues may also be used to offset extraordinary increases in fixed costs. Increases proposed to offset reductions in appropriations per FTE shall be presented as offsets to specific budget cuts.

During this four-year plan period, tuition and fee rates will be set by the Board of Governors on a biennial basis. Rates (both tuition and fees) for academic years 2015-16 and 2016-17 will be set in the winter of 2015, and rates for 2017-18 and 2018-19 will be set in the winter of 2017. Significant changes in appropriations by the General Assembly per resident FTE would require that the Board revisit the 5% cap and previously approved rates in the second year of the biennium.

Since debt service fees are project-based, any changes in these fees will continue to be evaluated annually. Where appropriate, separate school-based tuition rates for new graduate and professional programs will be reviewed and established as those programs are considered for approval by the Board of Governors.