**MEETING SUMMARY**

**of the**

**UW SYSTEM TUITION-SETTING POLICY TASK FORCE**

Held at 1820 Van Hise Hall,
1220 Linden Drive
Madison, Wisconsin

Thursday, November 5, 2015
9:00 a.m.

## Welcome and Introductions

Regent Higgins welcomed task force members and shared plans to address the feedback provided from the first meeting:

- Task force staff will draft a brief charter describing the task force's charge, expected outcomes, and a timetable for completion.
- Staff will make all meeting notices and materials available on the Board of Regents website.
- He invited Emily Pope of the Legislative Fiscal Bureau and staff members to key legislators to attend task force meetings.
- He had discussions with UW System's External Relations staff regarding how to communicate the task force's efforts to members of the Legislature.
- Task force staff would serve as the link between the task force and the System's internal resource allocation group in order to coordinate the work.
- Upcoming meetings would include time to revisit UW System's current tuition policies, the current state of financing higher education, and student debt distribution.

## Presentation by and discussion with Dennis Jones, President Emeritus, National Center for Higher Education Management Systems

Regent Higgins introduced national higher education finance expert Dennis Jones, President Emeritus of the National Center for Higher Education Management Systems. Mr. Jones began his presentation by explaining that tuition is one element of higher education finance policy; other elements include state appropriations, student financial aid, and institutional productivity. He explained that when states decrease appropriations to higher education, institutions try to backfill the funding decrease with tuition increases. Quite often, when states are financially struggling, so are students and families. Higher education funding sources, with the exception of student tuition and state appropriations, generally come with strings attached and it is unreasonable to expect institutions to use gifts and endowments to fund the gap created by decreasing state resources.

## Differing Perspectives on Tuition

Mr. Jones noted that students and institutions have very different perspectives on tuition, with students thinking of tuition in terms of price and affordability, while institutions view tuition as a critical source of revenue. Institutions look at tuition in terms of how to obtain adequate funding to support the institutional mission and filling the gap between what is needed and what state appropriations will cover. He also noted that determining need is often problematic. Other considerations include competitive pricing and keeping tuition in line with what competitors are charging, as well as political realities of increasing tuition.

Mr. Jones noted that:

- Wisconsin institutions are not rich in comparison to public institutions in other states.
- Wisconsin's public research institutions receive a little less funding per FTE student than the national average, but FTE funding per student for comprehensive and two-year institutions is in the lower third of all states.
- Some states are able to produce more undergraduates with degrees with similar funding per FTE student.
- Wisconsin is slightly above the national average in terms of the share of higher education funding coming from students via net tuition. In Wisconsin, 48.4% of educational revenue is from tuition, but in most states the share is now greater than 50%. This creates a problem for institutions because as students become a major partner in funding their education, their expectations increase and institutions are forced to be more competitive in offerings and amenities.

Returning to the student perspective on tuition, Mr. Jones noted that students look at tuition in terms of their ability to pay, costs relative to family income, and total cost of attendance. He also emphasized that tuition is a relatively small share of total costs. Most states have targets for increasing the number of graduates, and future enrollment increases will be among students with the least ability to pay for college—first generation students, low-income students, and students of color. Other considerations for students include the net cost and debt. He said that not all debt is bad, but too much debt is really bad, and institutions need to recognize that some communities are debt-averse. Mr. Jones also noted that a consideration for students should be the value of a degree, or their return on investment.

## Well-Designed Systems

Mr. Jones explained that the responsibility for covering the cost of attendance is shared by five partners: the student; the student's parents; the federal government; the state government; and the institution. Each student is expected to contribute towards paying for their educational costs through a combination of earnings, savings, borrowing, or scholarships. He noted that both Minnesota and Oregon have adopted a model which includes an expectation that the student contribution will include earnings from work, but not more than 10-15 hours per week at a minimum wage job, or less than $6,000 per year. He added that it is no longer possible for students to earn enough working to pay their way through college.

The responsibility of parents is determined by using the federal FAFSA (Free Application for Federal Student Aid) methodology, while the federal government's share of responsibility includes both Pell grants and the often-overlooked tuition tax credits. He encouraged the development of approaches that encourage households to take advantage of the $2,500 annual tuition tax credits, adding that states that offer free tuition programs take away the ability to access the tuition tax credit. The fourth partner, the state government grant, should make up the remaining difference between the recognized cost of attendance and the share of costs covered by the federal government, the family, and the student. Finally, the fifth partner, the institution, is responsible for the difference between the recognized cost of attendance and the actual amount charged.

Realities of Creating Tuition Policies

Mr. Jones noted that he has yet to find any "silver bullets" in terms of tuition-setting policies, and there are few examples of states that have developed effective policies. The most common approach is to establish tuition year-to-year, based on state appropriations and political realities. Some states have tried tying tuition levels to changes in state appropriations. In states where the legislatures have tried to loosen controls over tuition, the legislatures eventually reasserts its control if tuition increases are perceived as outrageous. Other attempts at tuition policies include four-year tuition guarantees or five-year tuition plans, but these longer-term tuition policies generally don't work. Mr. Jones noted that tying tuition increases to changes in family income or average state earnings is probably fairer to students than other approaches as it explicitly recognizes students' ability to pay.

Discussion

In response to questions about financial aid, Mr. Jones noted that it is important for states and institutions to be smart about financial aid. The cost of higher education should be a shared responsibility which should include a student contribution as well as an opportunity to maximize federal tax credits. Policies focused on free tuition result in leaving a lot of federal money on the table. He encouraged task force members to think about the total cost of attendance, not just the cost of tuition, and to consider increasing need-based aid rather than trying to make college free.

Mr. Jones also noted that for non-traditional students, tuition assistance from employers isn't often tapped due to cash flow issues as the employee-student is generally reimbursed after successful completion of courses. He suggested that deferring tuition payments until employer payment is available would address this issue.

In response to questions regarding the productivity information he shared, Mr. Jones noted that Colorado, Utah, and Kansas are among the most effective and efficient states in terms of undergraduate credentials and total funding per FTE student. He also noted that some states, such as Arizona and Florida, are more productive because their higher education systems are structured differently. For example, most students start in a two-year institution, and two years of general education credits automatically transfer to four-year institutions. This allows four-year institutions to award a degree in only two years. When asked how quality factors in to this productivity measure, Mr. Jones offered that it is difficult to argue that quality is enhanced or diminished when there is no way to currently measure quality.

In response to a question regarding funding per FTE Mr. Jones noted that Wisconsin is worse off in comparison to other states, but that in general state funding for higher education has not rebounded since the recent recession. Mr. Jones also noted that Wisconsin is an outlier in comparison to other states in terms of the high level of state involvement in day-to-day management of university processes, which results in increased costs for the university system and limited ability to control costs.

With regard to the student loan debt data he presented, Mr. Jones noted that very little data is available on debt loads, and what is available only includes students that graduate with debt, and not those who incur debt but never graduate. He also pointed out that the data presented includes only federal student loans, not private loans or debt taken on by parents. A suggestion was made for the task force to include a statement in its report regarding the magnitude of the debt problem.

**Preview of Upcoming Meetings**

Regent Higgins said that the Board of Regents Office would be contacting task force members regarding their availability for the next meeting. He noted that he would be distributing an evaluation survey via email and asked members to complete the survey.