

UNIVERSITY OF MINNESOTA  
**Annual Operating Budget:  
Role of Tuition**

June 7, 2007

## Today's Tuition Discussion: Purpose

**Question:** Why reexamine our tuition structure and its role in the University's budget now?

**Answer:** **Several reasons:**

- A strategic goal and plan focused on financial access and affordability for students, as well as quality and continuous improvement for the U
- Strong legislative support for the first time in five years, which makes significant tuition reform feasible
- Our ongoing commitment to serving the state of Minnesota, its students and their families

## Today's Tuition Discussion: Accountability

**Tuition reform is necessarily a part of our commitment** to exceptional students and an exceptional organization. Other key initiatives include:

- **Access and affordability:** The Founders Free Tuition Program is becoming a national model for providing support to low-income students.
- **Student success:** Aggressive four-year graduation goals for all campuses are bolstered by new college transition initiatives, an award-winning orientation programs, and improved retention and advising.
- **Learning and engagement:** New student learning and success outcomes define what U graduates should know and be able to do to be productive members of society and good global citizens
- **Distinctive education:** Investments in a new Honors Program, the Baccalaureate Writing Initiative, and undergraduate research opportunities ensure that a U education is second to none.

**Without ongoing reform and accountability,** we cannot expect significant investment – from the legislature or Minnesota families.

## Today's Tuition Discussion: Policy Questions

Question: Does our current strategy support student success?

Answer: **Not as well as it should** – only UMTC encourages students to save money and graduate in four years with 13-credit tuition band, and UMTC and UMD nonresident rates are too high.

Question: Does the current strategy position us well for the future?

Answer: **Not as well as it could** – the number of prospective students in reciprocity states is declining, Wisconsin reciprocity is costing resident students and the U, and resident rates at UMM and UMD are well above market.

Question: Can we change our tuition structure to address student success and future challenges?

Answer: **Absolutely** – as outlined at the May meeting.

## Today's Tuition Discussion: Impact of Reform

**The proposed reforms will have a dramatic effect** on access and affordability when coupled with the current level of legislative support:

- This fall, our students will see the lowest tuition increase in nine years a maximum increase of 4.5%.
- A temporary 2-year scholarship program for low- and middle-income families will ensure even smaller increases for most Minnesota resident students – roughly 3/4 will see an increase of less than 2%.
- Non-resident students will also begin to find the U increasingly affordable.
- A system-wide approach to tuition banding will enable all undergraduate students to save significantly on their education while encouraging timely graduation.

**We must continue to serve Minnesota students** while attracting new talent to the state.

## Background: Objectives for Undergraduate Education

**Last spring we began a review of our tuition structures and practices** to determine how best to support our undergraduate education objectives.

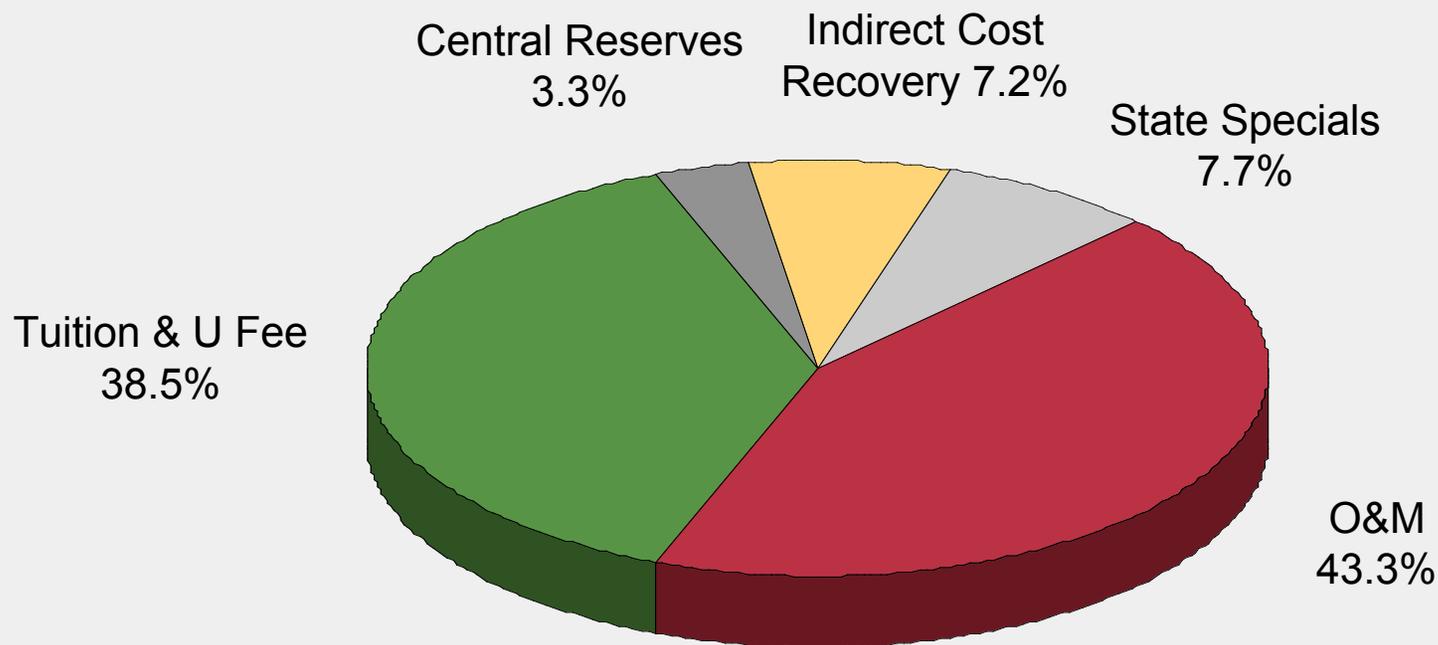
### **Those objectives include:**

- Maintaining our historic commitment to Minnesota residents by continuing to enroll roughly 10% of the state's new high school graduates
- Recruiting more high-ability students to improve our academic profile
- Increasing the diversity of undergraduate students on each campus
- Increasing the enrollment of international students
- Meeting aggressive retention and graduation goals set by the Regents
- Graduating sufficient numbers of baccalaureate students to meet workplace needs

**We also examined how best to deal with demographic changes** in Minnesota and reciprocity states over the next 10 years.

## Background: The Role of Tuition in the University's Budget

**Tuition revenue is an increasingly important source of funding** for the University's operations. It is a major component of the **unrestricted** funds supporting the University's core operations.



## Background: FY 2007 Tuition and University Fee Rates

	<b>Resident</b>	<b>Nonresident</b>	<b>Wisc</b>	<b>MSEP**</b>
Crookston Undergraduate	\$7,200	\$7,200	\$5,627	\$10,800
Morris Undergraduate	\$9,695	\$9,695	\$6,975	\$14,543
Duluth Undergraduate	\$8,580	\$19,688	\$6,843	\$12,870
Twin Cities Undergraduate	\$8,563	\$20,193	\$7,372	\$12,845
Graduate School	\$10,277	\$17,375		
M.B.A. Day Program	\$23,659	\$33,267		
Law School	\$19,975	\$29,475		
Dentistry*	\$26,539	\$45,522		
Medical School (Year One)*	\$28,868	\$35,969		
Pharmacy	\$16,267	\$27,655		
Veterinary Medicine	\$18,919	\$36,355		

\* Includes Summer

\*\* Midwest Student Exchange Program (MSEP) = 150% of Resident

## Background: Recent Tuition Changes

**Every year there are some changes to the University's tuition rates and structures.** The most significant changes over the past 10 years include:

- Elimination of nonresident tuition rates for the Crookston and Morris campuses.
- Establishment of a 13-credit tuition band for undergraduate students on the Twin Cities campus.
- Reduction of nonresident tuition rates for students in Medicine on the Duluth and Twin Cities campuses and establishment of guaranteed four-year rates for each entering class.
- Creation of the Founders Free Tuition Program for Pell-eligible Minnesota resident undergraduate students.

## Tuition Reforms in Support of Objectives

**The review identified four proposed reforms** that would benefit the University's undergraduate students on each campus and position the University to meet its objectives for undergraduate education.

- Establish 13-credit tuition bands on the Crookston, Duluth and Morris campuses.
- Reset the tuition rates for Duluth and Morris below the Twin Cities rate.
- Reduce the nonresident tuition rate for undergraduate students on the Duluth and Twin Cities campuses.
- Seek a change in the Wisconsin tuition reciprocity agreement or withdraw from the agreement and establish tuition rates for Wisconsin students that are the same as for Minnesota residents.

## Proposed Reform: System-Wide Tuition Banding

**Reform 1:** Establish 13-credit tuition bands on the Duluth, Morris, and Crookston campuses

**What it does:** This reform rewards full-time students for their efforts and enables them to save significantly on their total cost of education. Students who take more than 13 credits a semester do not pay for those additional credits. As a result, students achieve real savings, graduate in a timely manner, and recognize their earning potential more quickly. *Students can save an estimated \$20,000 in tuition, fees and other costs by graduating in four years instead of five.*

**Why it matters:** This reform will improve access and affordability, help us recruit more high ability students, and enable us to meet our aggressive retention and four-year graduation rates.

## Tuition Banding and Graduation Rates

### Percentage of Undergraduate Students Taking 15 or More Credits

	<i>Fall 2000</i>	<i>Fall 2006</i>
Crookston	67%	54%
Duluth	58%	52%
Morris	66%	56%
<b>Twin Cities</b>	<b>39%</b>	<b>63%</b>

The Twin Cities campus began discounting credits above 12 in Fall 1999 and moved to a 13-credit tuition band in Fall 2002.

It began requiring all students to register for a minimum of 13 credits that same year.

These steps have been effective in improving four-year graduation rates, with students benefiting financially as well.

### 4-Year Graduation Rates

	<i>1999-00</i>	<i>2005-06</i>
Crookston	19.3%	25.7%
Duluth	25.7%	25.6%
Morris	45.4%	47.4%
<b>Twin Cities</b>	<b>25.9%</b>	<b>40.7%</b>

## Proposed Reform: Reset Rates at UMD, UMM

**Reform 2:** Reset the undergraduate tuition rates on the Duluth and Morris campuses so that they are less than the Twin Cities rate

**What it does:** This reform establishes competitive tuition rates for the University's coordinate campuses, recognizing that each provides a unique educational experience and must be strongly positioned to maintain its enrollment numbers and distinctive profile. Resident tuition rates for UMD and UMM are currently above market value (e.g., rates for other Midwest regional campuses), as well as UMTC rates, for historical reasons that no longer apply. As demographics and markets change, we must respond proactively to best serve the state.

**Why it matters:** This reform renews our commitment to Minnesota students statewide and will improve access and affordability, help us recruit more high ability students, and enable us to meet statewide workforce needs.

## Proposed Reform: Lower Nonresident Rates at UMTC, UMD

**Reform 3:** Lower the nonresident undergraduate tuition rate at UMTC and UMD to the resident rate plus \$2,000 per semester in the Twin Cities and the resident rate plus \$1,000 per semester in Duluth

**What it does:** This reform enables the University to change the geographic distribution of its nonresident undergraduate enrollment over the next 10 years. The number of high-school graduates here and in reciprocity states will decline significantly during that period. *We will continue to enroll roughly 10% of Minnesota high-school graduates each year*, however, it will be difficult to achieve our enrollment and desired academic profile unless we recruit from beyond the current reciprocity area.

**Why it matters:** This reform will help us increase the diversity of students system-wide, increase numbers of international students, and graduate sufficient students to meet workplace needs.

## Proposed Reform: Lower Nonresident Rates at UMTC, UMD

### **Context and Perspective:**

The new rates are comparable to the rate already offered to students from Michigan, Missouri, Kansas, and Nebraska through the Midwest Student Exchange Program, where students pay 150% of the resident rate.

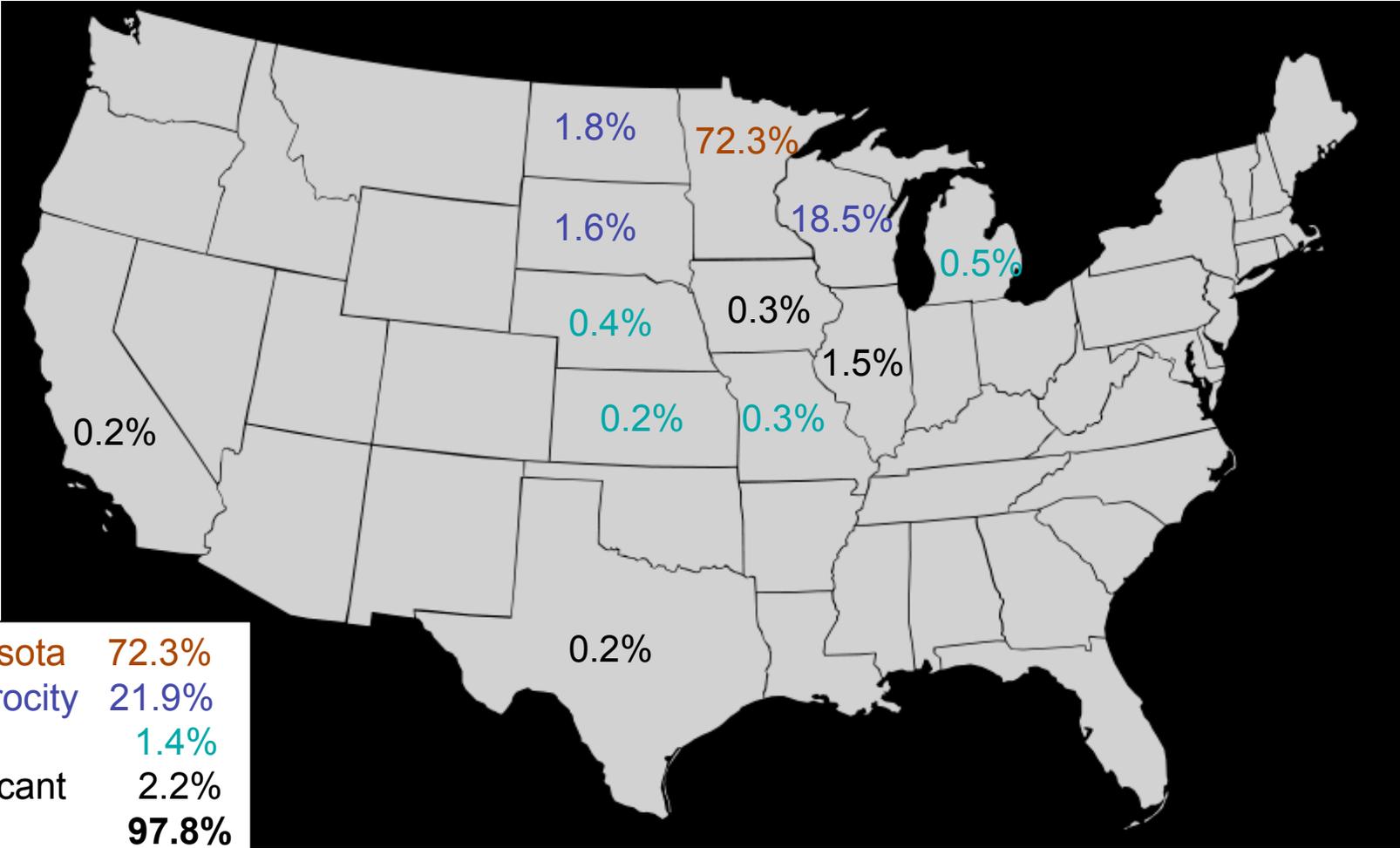
75 percent of the University's other nonresident students already have their tuition deeply discounted through various waiver and scholarship programs, as is also common at peer institutions.

There is no programmatic or cost justification for the current rates.

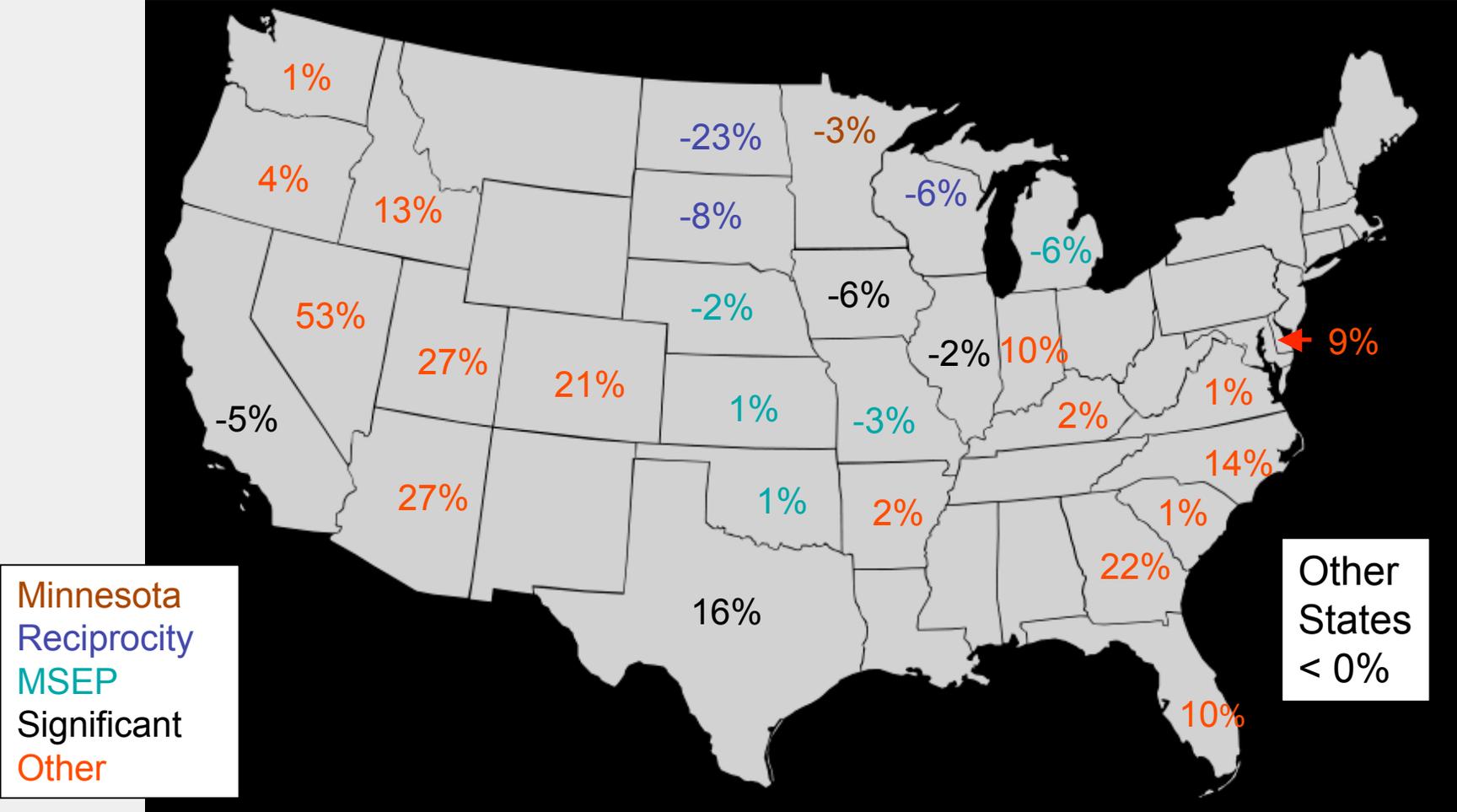
The new rates still cover the fully allocated cost of instruction for undergraduate students.

Resetting the rate is simply a sensible thing to do at a time when all states are concerned about future workforce issues.

# Fall 2006 Freshmen Enrollment, by State



# Projected Change in High-School Graduates, Next 10 Years



## Proposed Reform: Redefine Tuition Reciprocity

**Reform 4:** Negotiate a change in the Wisconsin tuition reciprocity agreement or withdraw from the agreement and establish rates for Wisconsin students equal to Minnesota resident rates.

**What it does:** This reform enables us to maintain the spirit of reciprocity while recouping roughly \$7.5 million in tuition revenue lost each year under the current arrangement. Today, undergraduate students from Wisconsin pay \$1,200 to \$2,700 less to attend the University's campuses than Minnesota residents.

**Why it matters:** The University will continue to enroll more than 7,500 students from Wisconsin. These students will always be an important part of our community. No other campus serves more students from another state than the Twin Cities campus.

This reform will help moderate tuition increases for resident students, maintain our enrollment numbers, and graduate sufficient students to meet workplace needs.

## Tuition Reform: Key Conclusions

- 1. Enrolling Minnesota students will always be our priority.** This is our most fundamental measure of accountability and our primary commitment to the state that has built and supported the University for more than 150 years.
- 2. We serve as a talent magnet for Minnesota.** A significant number of the nonresident students who graduate from the University choose to remain here to live and work. They are an important part of Minnesota's human capital.
- 3. As demographics change, we must respond proactively.** Large research universities in smaller states (e.g., UMTC; UW Madison; University of Washington at Seattle) have always recruited nonresident students from neighboring states. In our case, most have come from reciprocity states, which will see fewer high-school graduates in the next decade.
- 4. The proposed reforms benefit the University and all its students.** The best way to help both resident and nonresident students control the cost of their education is to provide financial incentives that facilitate timely graduation.

## Today's Tuition Discussion: New Policy Questions

Question: Do these reforms support student success?

**Answer:** **Yes** – by controlling tuition increases, providing students with the opportunity for significant savings, and encouraging timely graduation.

Question: Do these reforms position us well for the future?

**Answer:** **Yes** – by improving our competitive position, addressing projected demographic changes over the next decade, and restoring the original intent of reciprocity, all while maintaining our commitment to Minnesota students.

**We will continue to examine and refine our tuition policies** in the coming years to keep pace with changes in funding, demographics and student need.

# UNIVERSITY OF MINNESOTA

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