



UNIVERSITY OF MINNESOTA
TWIN CITIES

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Received at Nov. 2
Tuition & Fees

October 31, 1988

TO: The Honorable Wendell R. Anderson
The Honorable Charles H. Casey
The Honorable M. Elizabeth Craig
The Honorable Jack P. Grahek
The Honorable Wally Hilke
The Honorable Elton A. Kuderer
The Honorable David M. Lebedoff
The Honorable Charles F. McGuiggan
The Honorable Wenda W. Moore
The Honorable David K. Roe
The Honorable Stanley D. Sahlstrom
The Honorable Mary T. Schertler

Dear Ladies and Gentlemen:

The issue of tuition and fee levels was discussed at some length at your October meeting as part of the legislative request approval. While the position taken (to present the real needs of the University while expressing concern about the possible tuition implications) seems proper, we must be careful that tuition policy is not pushed into the background by the pressure of events. That will result in hasty and perhaps ill-advised action as we develop our budget after legislative adjournment. Therefore, Rick Heydinger and I have scheduled further discussion of cost of attendance issues at the November meeting.

At the October meeting, we provided some basic information about tuition levels. Since then we have gathered some additional data and added to the October report to include collateral information. That revised report is enclosed. It provides some important data and I encourage you to review it in detail.

It is important that our representatives before the 1989 Legislature be able to express a clear position on tuition issues, endorsed by the Board of Regents. It can be accepted that no one wants cost of attendance to limit access more than is absolutely necessary. Thus we must agree on an optimum strategy. Should emphasis be placed on low posted tuition rates or enhanced student aid? Is setting a maximum percentage increase in advance of legislative action a desirable strategy? This could have the effect of unilaterally reducing the state's offset, a practice that does fall within state guidelines. Should a campaign to have the Legislature reduce the present 33 percent offset be a first priority? If we are to advocate reduction, what should the goal be?

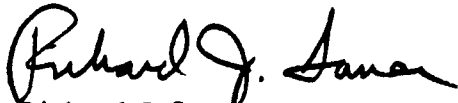
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Board of Regents
October 31, 1988
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Also attached is a resolution that was passed unanimously at the October HECB Board meeting in Bemidji. This resolution reaffirms the three components for higher education funding: average cost funding, cost-related tuition, and shared responsibility for financial aid. The resolution was motivated by the Board of Regents action on the biennial request in Duluth. HECB does not view this as a criticism of our initiative. Instead they want to remind "the public" of the initiative, and the interdependent nature of the existing policies comprising the state's approach to higher education funding. However, it would also be difficult to view this resolution as an endorsement of any effort to reopen the question of tuition offset, particularly if our action is taken unilaterally.

I look forward to a constructive discussion of these and collateral issues at the November meeting.

Sincerely,



Richard J. Sauer
Interim President

RJS:pln

Enclosures

- c: Chancellors
- Vice Presidents
- Student Representatives to the Board of Regents
- Barbara Muesing, Secretary to the Board of Regents
- Mark Brenner, Chair, Senate Consultative Committee
- Carrie Simenson, Chair, Student Consultative Committee
- David Berg, Assistant to the President and Director,
Management Planning and Information Services

This report addresses the need for contextual information, both currently and over time, about the level of student tuition and fees in the State of Minnesota and at the University of Minnesota.

Throughout this report, unless otherwise stated, the measurement used is "Tuition and Required Fees," a measure of the price impact on students whether the price is designated as a "tuition" or a "fee." Usually the number used is for an average undergraduate liberal arts student. That concept is well defined among the AAU Data Exchange universities where most differential tuition rates occur.

A first step is to compare University of Minnesota tuitions to other schools. Schedule A does this for 1988-89. We have displayed 52 public and 52 private institutions including all public AAU institutions and most private AAU institutions. All colleges and universities in Minnesota are present. Representative schools in the upper midwest region have been added as well as most other state universities and a few high and low outliers to indicate national ranges.

No private school in Minnesota or the region charges less than the University of Minnesota. Nationally there are four or five less expensive private colleges, none well known. Minnesota is 2% below the mean of all Big Ten publics and 7% above the mean of the AAU publics.

The State of Minnesota currently assumes that 33% of all instructional costs will come from sources other than direct state appropriations. An obvious question is what assumption is made in other states. The question is difficult for two reasons. Many states pay no attention to this ratio, setting tuitions through use of other analyses such as cost of living indexes, personal income measurements, or simply comparison with rates in other similar institutions. Where the ratio is computed, or where fully allocated instructional costs are determined for other reasons, the cost definitions may differ from that used in Minnesota. Here is what we know about this in the Big Ten states.

Some reasonably detailed data from Wisconsin indicate that resident undergraduates at Madison are paying 35.3% based on the Minnesota definition, as nearly as we can adjust the numbers. This is not a systemwide or even campuswide figure and cannot be directly compared with our 33%. At Minnesota, a comparable figure for resident undergraduates would be about 40%.

The Indiana Higher Education Commission recommends a tuition level of 35% of instructional cost; we don't know the detailed definition. Iowa also appears to work with a stated figure of 35%. In Illinois the state standard is 33% of a cost base that excludes all fringe benefits. Michigan and Ohio appear to have no set standards.

SCHEDULE A

Undergraduate Resident Annual
Tuition and Fees
1988-89

PUBLIC		PRIVATE	
Cornell-public	\$5,240	Bernington	\$15,670
Temple	\$3,894	Harvard	\$13,665
Pittsburgh	\$3,836	MIT	\$13,400
Penn State	\$3,610	Princeton	\$13,380
MICHIGAN	\$3,170	Dartmouth	\$13,335
William and Mary	\$2,966	Chicago	\$13,285
MICHIGAN STATE	\$2,929	Cornell-private	\$13,140
Delaware	\$2,790	Boston U.	\$12,975
New Hampshire	\$2,768	Yale	\$12,960
Rutgers	\$2,744	Penn	\$12,750
ILLINOIS	\$2,821	Tulane	\$12,730
Virginia	\$2,526	Carlton	\$12,485
Massachusetts	\$2,400	USC	\$12,466
Ohio U.	\$2,394	Duke	\$12,286
Connecticut	\$2,293	NORTHWESTERN	\$12,270
MINNESOTA	\$2,254	NYU	\$12,250
South Carolina	\$2,230	Boston College	\$11,076
OHIO STATE	\$2,040	Grinnell	\$10,870
INDIANA	\$2,038	Macalester	\$10,508
Missouri-Rolla	\$1,993	Ripon	\$10,267
Colorado	\$1,924	Gustavus Adolphus	\$9,250
PURDUE	\$1,916	St. Olaf	\$9,165
Wisconsin-Milwaukee	\$1,915	Hamline	\$9,070
Maryland	\$1,906	Cornell of Iowa	\$9,070
WISCONSIN-MADISON	\$1,857	Augsburg	\$8,115
Washington-Seattle	\$1,797	Coe	\$8,010
Missouri-Columbia	\$1,774	Bethel	\$7,800
South Dakota	\$1,708	St. John's	\$7,765
ICWA	\$1,706	St. Benedict	\$7,765
Iowa State	\$1,706	St. Catherine	\$7,756
Nebraska	\$1,703	St. Norbert	\$7,690
Minn.State Univ. (average w/o Metro)	\$1,681	Mpls.College of Art & Design	\$7,540
South Dakota State	\$1,669	St. Thomas	\$7,524
Oregon	\$1,649	Wartburg	\$7,510
Wisconsin-av. of four border schools	\$1,601	St. Scholastica	\$7,281
California-Berkeley	\$1,530	Concordia-Moorhead	\$7,155
SUNY-Stony Brook	\$1,495	St. Theresa	\$7,150
UCLA	\$1,491	St. Mary's	\$7,065
North Dakota	\$1,472	Marquette	\$6,984
Metro State	\$1,440	Northwestern College	\$6,960
Alexandria AVTI	\$1,435	Dubuque	\$6,435
North Dakota State	\$1,389	Concordia-St. Paul	\$6,120
Kansas	\$1,379	Viterbo	\$5,980
Kansas State	\$1,363	Walcorf	\$5,080
Oklahoma State	\$1,326	Bethany Lutheran	\$4,890
Oklahoma	\$1,317	St. Paul Bible College	\$4,700
Minnesota Community Colleges	\$1,305	North Central Bible College	\$3,880
Arizona	\$1,278	Pillsbury Baptist Bible College	\$2,750
Montana	\$1,250	Minnesota Bible College	\$2,550
Florida	\$1,154	Dr. Martin Luther	\$2,525
North Carolina	\$876	Selma U.	\$1,730
Texas	\$874	Berea	\$148
Mean of Big Ten	\$2,303		
Mean of AAU Institutions	\$2,111	Mean of AAU Institutions	\$12,785
Mean of All Above	\$2,035	Mean of All Above	\$8,753

Sources:AAUDE Data Exchange, "Chronicle of Higher Education", 8/10/88

Adjusting as best as we can for definitional differences, the following is a rough comparison of the Big Ten institutions about which we have any information:

Minnesota	33% +
Purdue	about 35%
Iowa	about 35%
Illinois	estimated 33%
Michigan	40% +
Wisconsin	35% +

Although comparison of gross tuition as a percentage of instructional cost is very difficult, "State Profiles: Financing Public Higher Education 1978 to 1987" (Research Associates of Washington) contains a state by state analysis of net tuition and fees as a percentage of a derived instructional cost figure, i.e. excluding appropriations for Medical, Agricultural, and research functions. The comparison of net tuition after offsetting state appropriations for student aid is probably a fairer comparison of the burden actually imposed on students than is a percentage based on gross tuition rates. The data in this study have generally appeared to be accurate and the study is well regarded. An array of states based on this series probably gives a useful impression of where Minnesota stands relative to other states in burdening students with attendance charges. Schedule B presents the 1986-87 situation.

Also of interest is a comparison of this ratio over time for Minnesota compared with a national average.

	<u>Minnesota</u>	<u>United States</u>
1977-78	17.1%	20.7%
1978-79	18.4%	20.6%
1979-80	19.9%	21.2%
1980-81	20.1%	21.8%
1981-82	23.4%	23.1%
1982-83	23.8%	23.8%
1983-84	24.9%	22.8%
1984-85	24.4%	23.0%
1985-86	23.0%	23.1%

Please note that these numbers measure impact on students after allowing for state provided student aid. Thus in the past nine years Minnesota's burden on students has risen about 35% compared to a national average of 12% and now stands nearly at the national average instead of 17% below it.

SCHEDULE B

Net Tuition and Fees as a Percentage
of Gross Appropriation as Defined
1986-87

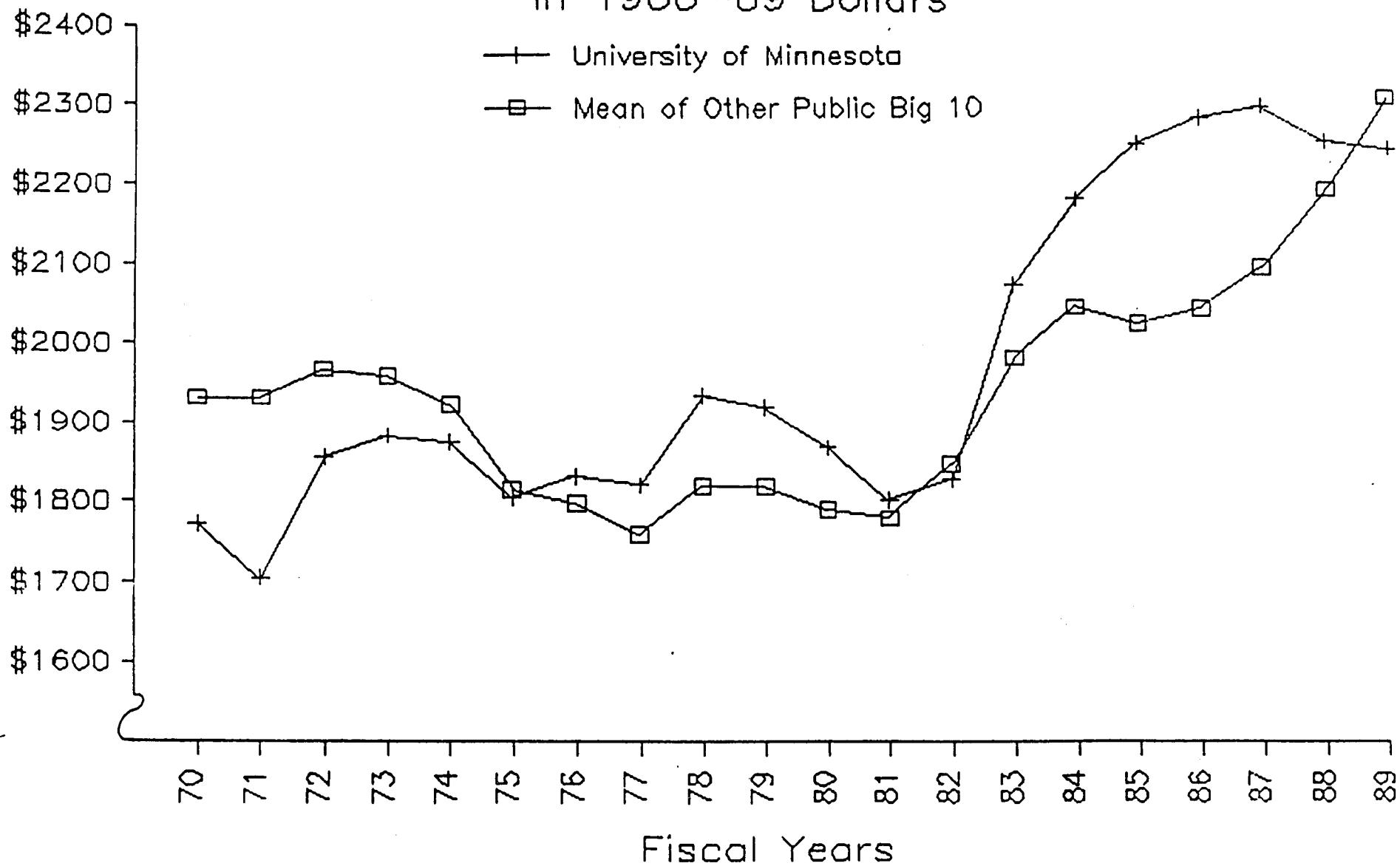
Pennsylvania	38.3%
Ohio	35.1%
Michigan	34.1%
Mississippi	32.9%
Indiana	32.8%
Louisiana	32.2%
South Dakota	30.9%
Iowa	30.6%
Wisconsin	30.2%
Nebraska	29.7%
Maryland	29.5%
Rhode Island	29.1%
Virginia	28.8%
Missouri	28.8%
North Dakota	28.2%
West Virginia	28.1%
Oregon	25.5%
Kansas	25.5%
South Carolina	25.5%
Alabama	25.5%
Kentucky	25.1%
New Jersey	24.5%
Tennessee	23.6%
Arkansas	23.4%
MINNESOTA	23.0%
Georgia	22.7%
Massachusetts	22.3%
Washington	22.3%
Montana	21.8%
Utah	21.8%
Texas	21.3%
Connecticut	20.9%
Nevada	20.8%
Arizona	20.3%
Florida	19.9%
Oklahoma	19.8%
Illinois	19.2%
New York	15.2%
New Mexico	14.9%
North Carolina	13.8%
Idaho	13.3%
Alaska	11.4%
Wyoming	10.4%
California	9.6%
District of Columbia	8.5%
Hawaii	7.5%
Average of Above	23.4%

Note: Colorado, Delaware, Maine, New Hampshire, and Vermont are excluded from this display because high proportions of nonresident tuition distort the average.

Source: "State Profiles: Financing Higher Education 1978 to 1987"; Research Associates of Washington: Tenth Edition; July, 1987.

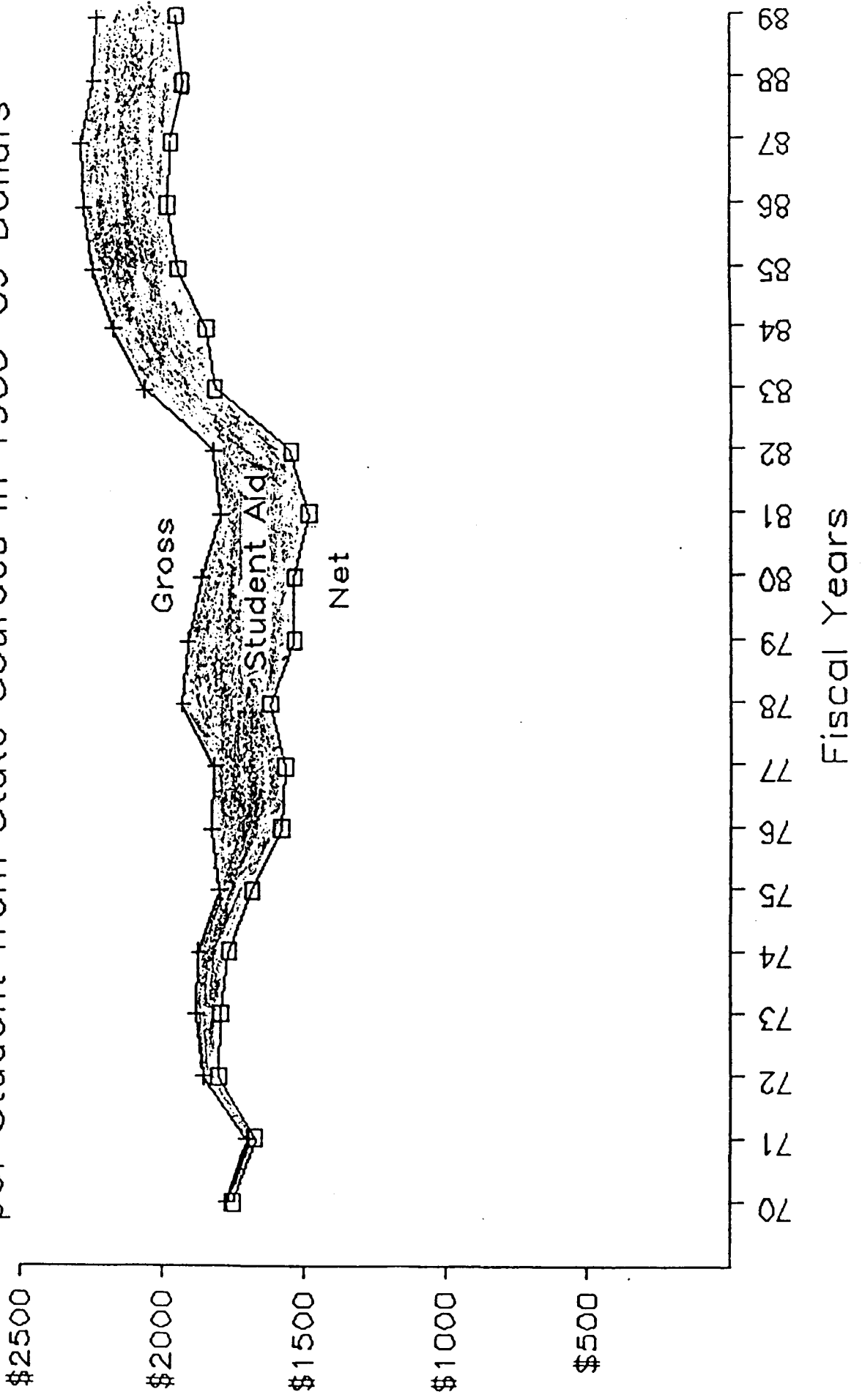
University of Minnesota tuitions, as deflated by the Consumer Price Index, have increased about 27% in the past twenty years. In the same period, the average real tuition in the other eight public Big 10 universities has increased by about 20%. Near the beginning of the period, U/M tuitions were sixth in the Big 10. By 1976, Minnesota had risen to fourth and has been either third or fourth since then. Currently we are fourth behind Michigan, Michigan State, and Illinois. The first graph shows the pattern of relationship of U/M and other Big 10 tuitions over the study period.

Annual Tuition and Fees in 1988-89 Dollars



It is necessary to bear in mind that the past twenty years is a period in which the State of Minnesota shifted from a policy of low tuitions and negligible student aid to a policy of massive student aid coupled with somewhat higher tuitions. In 1970 there was \$21 per enrolled student in available student aid; today that figure is about \$300 and it has been as high as \$380. The second graph shows the overall effect on students of state tuition and student aid policy. If one looks at the net effect, the increase over twenty years is about 11.5%. (Note: this should not be compared with the 20% increase in Big 10 tuitions since student aid elsewhere has not been netted out.)

Annual Tuition & Fees & Available Student Aid per Student from State Sources in 1988-89 Dollars



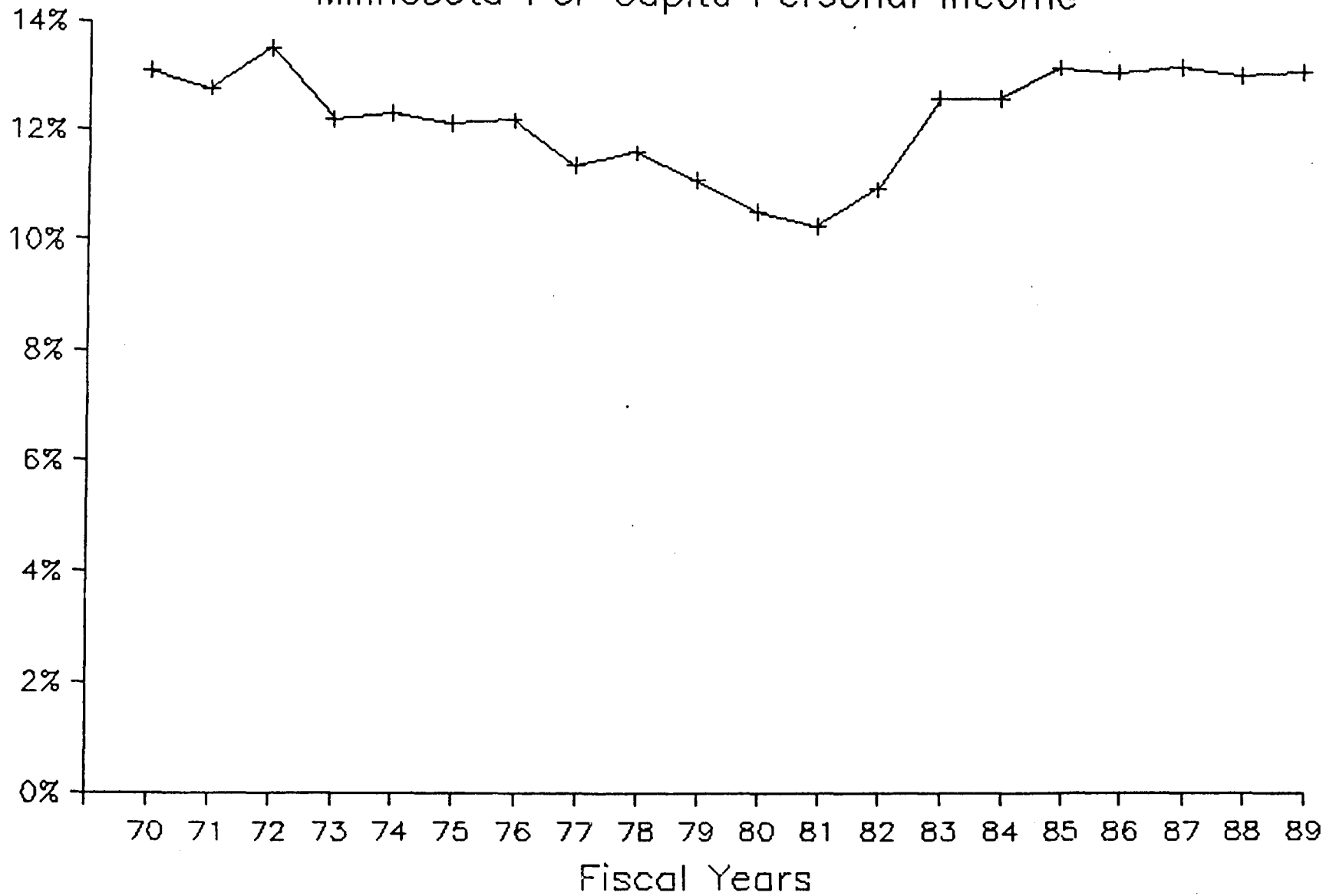
Also of interest is a measurement of tuition against ability to pay. One approach to this is to use Minnesota per capita personal income as an ability to pay measure. The third graph shows U/M tuitions as a percentage of Minnesota per capita personal income. Having declined substantially in the early eighties, this series is almost precisely where it was twenty years ago, a little over 13%. The graph does not take available student aid into consideration. If that is done, the 1970 figure is 12.9% and the 1989 estimate is 11.4%.

To compare this with national data requires moving to a ratio of net (after state student aid) tuition and fees to per capita personal disposable income. The data are from Research Associates of Washington as previously cited.

Net Tuition and Fees as a % of Per Capita Personal Disposable Income

	<u>U/M</u>	<u>Minnesota</u>	<u>U.S. Average</u>
1977-78	14.6%	9.1%	9.7%
1979-80	13.2%	9.0%	9.4%
1980-81	12.7%	8.6%	9.3%
1981-82	13.3%	8.8%	9.4%
1982-83	15.0%	9.7%	9.5%
1983-84	15.4%	10.5%	10.1%
1984-85	16.3%	11.4%	10.3%
1985-86	15.5%	10.6%	10.2%
1986-87	15.1%	9.7%	9.8%

U/M Tuition & Fees as a Percentage of Minnesota Per Capita Personal Income

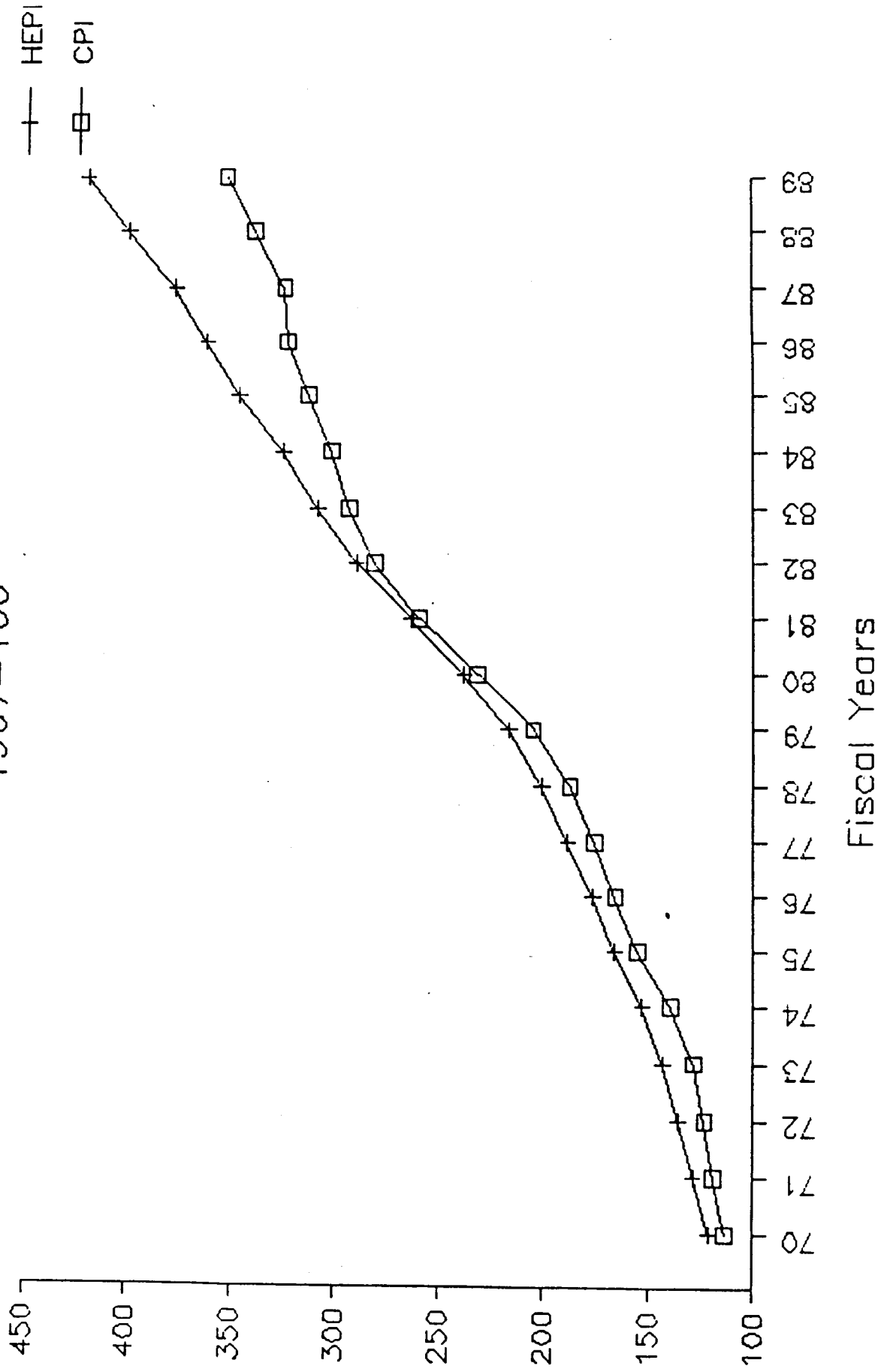


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The general increase in student charges, however measured, is traceable to cost impacts on higher education. The following graph illustrates the problem by comparing the progress of the Consumer Price Index and the Higher Education Price Index over the past twenty years. The HEPI measures the price that colleges and universities actually pay for the goods and services they must buy. Clearly, in recent years, while general inflation has moderated, higher education costs have continued to increase quite sharply. This by itself would tend to force tuitions up at a faster rate than general inflation. In addition, not reflected are increasing volumes of expenditure for computerization, equipment, litigation and regulation, and the maintenance of a dangerously decaying plant.

Consumer Price Index(CPI) and Higher Education Price Index(HEPI)

1967=100



It is clear that the tuition burden on students has been rising both on a gross posted rate basis and after offsetting state student aid. The data with which to factor in federal student aid are not readily available, but it is not likely that federal aid has been sufficient to offset the trend of recent years. Although the increase is not striking when related to ability to pay measures, such measures do not necessarily relate to the ability to pay of students, specifically. In particular, students who are not defined as independent but do not have access to parental assistance may have suffered severely. In addition, there may well be another important negative effect of increased student burden.

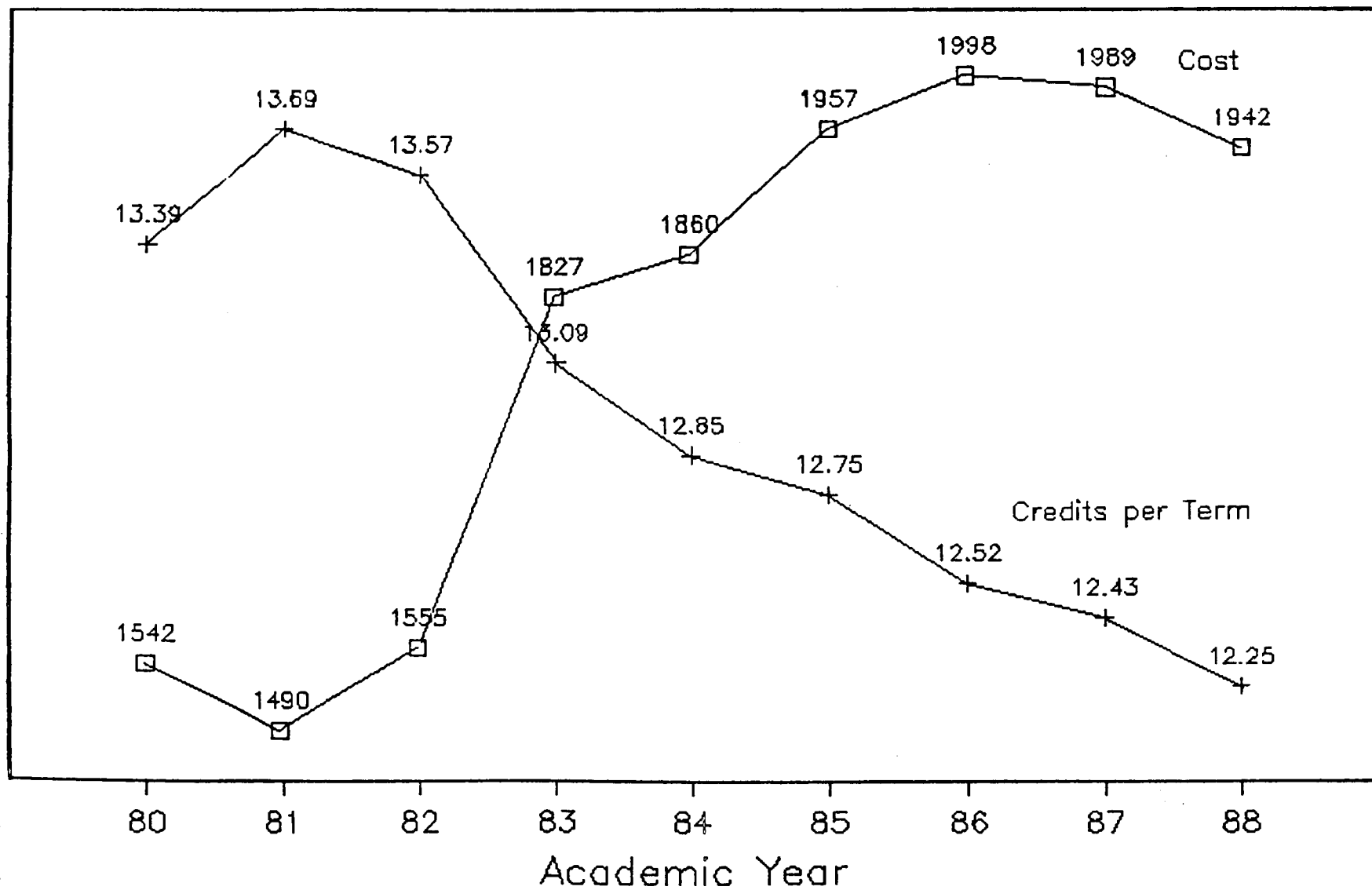
There is little empirical evidence that "access" has been affected by higher student burden. Enrollments during the period of increase in price have been above those predicted on the basis of no price increase. But we know that nearly any increase in price is accompanied by some decrease in demand and there are numerous studies that show that student attendance is sensitive to price as well as to other factors. Thus the observed data seem contrary to both economic theory and common sense. The problem, we suspect, is that the wrong demand measure is being observed, at least for the University of Minnesota.

The graph that follows charts net tuition burden per student against the average number of credit hours per term attempted by undergraduates. The negative correlation is striking (technically, the statistical correlation is $R^2 = -.89$). We know that the choice to attend or not is affected by factors other than price, and that some of them appear more important than price. However, beyond the attendance decision are decisions regarding the rate at which instructional services are purchased.

The relationship shown is consistent with a view that increased student burden has driven students to lower credit loads and slower progress toward degree goals.

The phenomenon of decreasing credit hours per registration is not confined to the University of Minnesota. In a recent inquiry among AAU Data Exchange schools, every response but one observed a trend toward lower student loads.

Net Tuition and Fees and Average Credit Hours of University of Minnesota Undergraduates



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WHEREAS, Minnesota in 1983 adopted an innovative, integrated set of finance policies for Minnesota post-secondary education to promote access, quality, equity, and efficiency;

WHEREAS, the three components are average cost funding for public post-secondary systems, a cost-related tuition policy, and a shared responsibility policy in financial aid for students attending all post-secondary institutions;

WHEREAS, significant changes in the principles of one policy without careful consideration of their effects on the other policies and the application of changes in the policies for one post-secondary education system without corresponding changes for the other systems could hinder achievement of the goals;

WHEREAS, the tuition policy relates the price to the cost of providing post-secondary education; specifies equitable sharing of costs between the state and students; treats all collegiate students and systems equitably, and allows for reasonable levels of funding to ensure quality education;

WHEREAS, the cost-related tuition policy provides incentives for governing boards to use resources efficiently and leaves discretion to governing boards in setting specific tuition rates and in amount of tuition revenue raised;

WHEREAS, full funding of the State Scholarship and Grant Program has greatly assisted students with financial need in paying for post-secondary education, as intended by the inter-related finance policies;

WHEREAS, there is no empirical evidence that tuition increases have eroded access to post-secondary education in Minnesota, which has one of the highest participation rates in the country;

NOW, THEREFORE, BE IT RESOLVED that the Higher Education Coordinating Board reaffirms its support for Minnesota's integrated set of post-secondary finance policies, urges support for its biennial budget request for financial aid, and pledges to continue evaluation of the finance policies, by monitoring the work of the Average Cost Funding Task Force, reviewing analyses by its own staff, and examining the results of the M SPAN 2000 study.

MINNESOTA HIGHER EDUCATION
COORDINATING BOARD

October 20, 1988