REPORT OF THE AD HOC TUITION POLICY FACULTY COMMITTEE

I. EXECUTIVE SUMMARY

The Ad Hoc Tuition Policy Faculty Committee was appointed by the University Committee in April of 2012 to "collect information and develop advice on tuition and issues related to affordability."

This report neither makes hard recommendations nor advocates for one particular policy. Tuition policy is interlaced with basic mission and institutional philosophy. There are fundamental trade-offs to consider. Broader engagement would be needed to identify a single preferred path, and even then, there would not be unanimous agreement amongst the wide set of University constituencies. Instead, this report identifies different approaches and considerations to those approaches that should be considered in adoption of a policy. Our work focused on alternatives that increase revenue by approximately \$20 million (\$20M) or more. This amount is approximately two percent of the University's base instructional budget excluding gifts and grants. We accepted this as a baseline number that reflects a meaningful increase in revenue. Four alternative tuition policies are outlined, and the report presents variants of some of those alternatives, exploring the considerations and consequences of adopting any one alternative as University policy:

Alternative 1: Raising Tuition Revenue by Changing the Student Composition

Alternative 2: Imposing a Tuition Increment

Alternative 3: Raising Tuition Revenue through Tuition Differentials by Program of Study

Alternative 4: Tuition Increases Limited to Wage Indexes

1. Raising Tuition Revenue by Changing the Student Composition Nonresident tuition is higher than resident tuition, so one approach to raise revenue is to increase the proportion of students paying non-resident tuition. The report outlines 3 different ways of doing this:

<u>Option 1</u>: Hold the size of the incoming first-year student class (and the student body) constant, while increasing the fraction of out-of-state students from 27.5% to 30%. The estimated annual increase in tuition revenue from this option is \$19M.

<u>Option 2</u>: Hold the number of resident students constant, but increase the number of nonresident students by 1000. The estimated annual increase in tuition revenue from this option is \$27M.

<u>Option 3</u>: Eliminate Minnesota tuition reciprocity at the University, while holding class size (and the composition of student body) constant. Under the assumption that all Minnesota students currently paying in-state tuition would, after termination of reciprocity, pay out-of-state rates, or would be replaced by other out-of-state students. The increase in tuition revenue would be about \$52M per year.

2. Imposing a Tuition Increment

Another strategy to filling the revenue gap is to simply raise tuition rates. One way to do so is to increment the tuition for broad groups of students. The report outlines several approaches as follows:

<u>Option 1</u>. Increase non-resident tuition only Increasing non-resident tuition by \$5000 with no increase to resident tuition would increase revenue by \$38M.

<u>Option 2</u>. Introduce different tuitions for domestic non-resident and international non-resident students, and increase both.

Increasing tuition by \$3000 for domestic non-residents, \$6000 for international non-residents and \$0 for residents would increase revenue by \$29M.

Option 3. Increase tuition for all:

Increasing tuition by \$2000 for Wisconsin residents, by \$4000 for Domestic non-residents and \$6000 for international non-resident students would increase revenue by \$77M.

3. Raising Tuition Revenue through Tuition Differentials by Program of Study

The report notes that currently undergraduates with majors in the College of Engineering and the Wisconsin School of Business pay increments on top of their regular tuition. This practice could be expanded to other degree programs on campus. In principle, tuition could be differentiated by class, by major, or by the college within which the major is located. Rationales for differentiating tuition vary: increments might reflect cost of instruction, estimated impact on the future income of the student, demand for courses, market demand, or any combination of these. Given the assumptions made, the committee estimated that \$15M to \$20M in additional revenue could be generated.

4. Tuition Increases Limited to Wage Indexes

The final alternative presents a policy of restricting tuition increases to a wage index. With this alternative, other revenue generating activities would need to replace tuition as an increasing source of revenue and a policy on expenditures would be tied to the resulting budget.

II. INTRODUCTION TO FOUR ALTERNATIVES

This report was prepared by the Ad Hoc Tuition Policy Faculty Committee, appointed by the University Committee in April of 2012 to "collect information and develop advice on tuition and issues related to affordability." During 2012, the committee examined current trends in tuition policy and financial aid both nationally and locally, conferring with University of Wisconsin-Madison (University) experts such as Vice Chancellor Bazzell. In January of 2013, the committee's charge was renewed and refocused "to identify possible alternative tuition policies, including their potential consequences, to help address the institution's budget needs." In April 2013, it was revealed that a sizable budget surplus existed within both the UW System and the University, prompting calls for a tuition freeze and re-examination of the UW-System budget. Subsequent Board of Regents' and legislative actions froze tuition at current levels for the 2014 biennium.

In 2004, University revenue from tuition for the first time exceeded revenue from state aid. Although the University's revenue stream may evolve over time, it is clear that tuition will continue to be the predominant portion of the University's instructional revenue for the foreseeable future. As a result, this report identifies and discusses a range of alternatives for tuition policy and their potential benefits and consequences. The Committee developed these based on reviews of relevant research and policy analysis as well as some simple calculations conducted by the Committee. An analysis of the critical details of implementation for each

scenario must be mapped in order to ensure success, but this work was beyond the scope of the Committee's charge and timeline. Revenue generation alone, however, does not fully address the financial challenges facing the University. Revenue must also be distributed in an effective way to the instructional programs in need and other operational changes beyond simply raising revenue must be contemplated.

As noted above, the Committee focused on tuition scenarios that could restore or generate revenue of \$20M or more, and the consequences of those scenarios. From fiscal year 2011 to 2012, the University GPR funding decreased by more than \$64 million (\$64M). The UW-System offset approximately half this reduction by increasing resident and nonresident undergraduate tuitions, resulting in an approximately \$35M instructional revenue reduction. Based on recent experiences, budget changes in excess of \$20M per year represent meaningful improvements (or disruptions) to the University and are about two percent of the University's instructional base budget. This presented a reasonable threshold from which the Committee could consider different options. Although the Committee charge was centered on tuition policy and revenue, the Committee believed that future tuition policy should also be *accompanied* by changes to educational operations in order to prepare the university for its future.

The Committee membership holds a wide array of experiences and perspectives regarding tuition policy. The Committee did not agree nor come to consensus on any single best approach or a unified philosophy on tuition policy. Broader engagement within shared governance would be needed to develop such a policy that would garner support and buy-in. However, we did agree on several **fundamental concepts** inherent in the tuition policy alternatives offered in this report.

1. We assumed that the University would remain public, and for it to retain its public character it must continue to receive public support in line with the expectations of the citizenry of the state. The public nature of the University cannot be retained if revenue generation comes entirely from tuition and private revenue. In the end, only *public* investment will truly maintain the University as a *public* university that ranks with that of the finest universities in the world.

2. To ensure public accountability, good faith efforts to ensure affordability and state student access must remain intact. Thus the interaction of tuition policy with financial aid policy must berecognized and incorporated into adopted policy. The magnitude and allocation of financial aid funds, especially when accompanied by changes in tuition, should be documented and published. Moreover, the University should assess and share with the faculty, staff students, and state citizenry the impact of changes it makes in tuition and budgetary policy in a detailed manner that includes access, progress, achievement and completion rates for different student groups.

3. Any discussion about raising tuition revenue must acknowledge the concomitant threats to equity and affordability that will likely result. Less wealthy and otherwise marginalized families already face very high financial barriers to attending the University, of which tuition is only one part of the overall cost of attendance. In order to avoid significant declines in equity and affordability, it is imperative that funds in proportion to those raised by tuition increases be reserved and reallocated to need-based financial aid as well as toward efforts to reduce the potential effects of sticker shock on prospective applicants (for example, through outreach efforts). The effects of these efforts should be monitored and re-evaluated as needed.

The committee firmly believes that tuition increases can only be effective in creating a stronger University if these three fundamentals are included in any tuition policy change, and urges recognition of the very real constraints to and consequences of persistent increases in tuition on the University's public mandate and on its financial viability.

Four tuition policy alternatives are offered in this report. Although the committee discussed a wider set of alternatives, we focus on those the committee felt were most feasible for near-term implementation. The tuition increase levels illustrated in the alternatives are arbitrary but were chosen to demonstrate the relative magnitudes of increase that would be necessary to generate sufficient revenue to make a meaningful impact on the University's instructional budget. Naturally, deeper analysis beyond the scope of the committee work would be needed to propose tuition increases that properly weigh the trade-offs and consequences of any increase. Although the increases were chosen for illustration to meet the \$20M threshold mentioned earlier, the primary contribution of this report is to highlight the consequences and considerations that should at a minimum be considered with each alternative. These alternatives are presented in the order that they were developed with no attempt to indicate a priority of one over the other.

Alternative 1: Raising Tuition Revenue by Changing the Student Composition Alternative 2: Imposing a Tuition Increment Alternative 3: Raising Tuition Revenue Through Tuition Differentials by Program of Study Alternative 4: Tuition Increases Limited to Wage Indexes

Most previous tuition increases have been across the board, the base undergraduate tuition rate has been raised for the majority of students. In order to provide a baseline policy to compare to our alternatives, consider the average historical tuition increase of 7.5% (academic years 2008 through 2012) across the board for undergraduates. With an undergraduate population of 29,118 in the Fall of 2012 and assuming that everyone would be subject to a tuition increase of \$725 for the academic year (7.5% increase based on residential tuition only), this would have generated an additional annual revenue of \$21.1M. This number should be kept in mind as a lower-threshold base case in considering the alternatives presented.

III. CURRENT TUITION, ENROLLMENT, AND FINANCIAL AID AT UW-MADISON

A. Tuition Information

Tuition is an important factor affecting the choices of prospective students and their families regarding college attendance. Tuition, together with available financial aid and the costs of room, board and fees, determines the "cost of attendance", which is the effective cost that students and their supporting families face. Financial implications of attending college could also be considered in relation to the lifetime 'payback' in the form of earnings increases associated with the college experience and degree attainment. The University has made substantial effort to inform parents and prospective students of the full range of financial implications associated with attending and graduating from the university; see http://4yearpaybackcalculator.wceruw.org.

In addition to tuition, several other major components of cost of attendance are shown in Table 1 for a selection of years spanning the last decade. These include, but are not limited to, segregated fees, room and board, and textbooks. In addition, as a majority of students take out student loans while attending the University, Table 1 shows the rising average student debt load. As maintaining access for Wisconsin families is a core principle included in this report, it is important to consider these other costs that may pose a threat to access and degree completion and to weigh tuition increases in the context of the overall cost of attendance.

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	AY02-03	AY07-08	AY12-13
Segregated Fees	\$572	\$854	\$1105
Room & Board	\$5,940	\$7,390	\$9000
Books & Supplies	\$790	\$930	\$1,190
Total	\$7,302	\$9,174	\$11,295
Average Student Debt Upon	\$16,395	\$21,018	\$25,759

Table 1. Cost of Attendance at the University beyond Tuition

*Average debt load only includes students who graduated with debt

Table Sources: UW-Madison Data Digest & UW System Office of Budget & Planning Tuition & Fee Schedule Archive: <u>http://www.uwsa.edu/budplan/tuition/archiveTuit.htm</u>

Segregated Fees: On average, segregated fees at UW-Madison have increased by 90% in the last 10 years (from \$572 in AY02-03 to \$1105 in AY12-13¹). This is largely due to the increases in non-allocables (the student union, recreational sports facilities, university health services and the childcare tuition assistance programs), which have increased by 103% in the past decade, compared to the 45% increase in allocables (student organizations, student government, campus bus program). Non-allocables are reported to make up 80% of the segregated fee budget. Notably, students involved in determining segregated fee budgets have significantly less control or input in altering non-allocable budgets.

Building projects such as the construction of the new Union South and the Memorial Union Renovation Project cost students \$192² a year for up to thirty years without including the other charges for maintenance and upkeep of the buildings³. While typically the student population is provided a vote on these projects, students are only provided a "yes" or "no" vote without any room to negotiate what is affordable. In addition marketing efforts are used to target the voting base, where only about 10% to 15% of students turn out to vote. Historically, the Student Services Finance Committee, the student representatives that allocate segregated fees, are not given input in the determination of the amount students will be charged or how the fees are spent on building projects.

Room and Board: Since 2007-08, dorm rates have increased 27% from an average of \$5,574 to \$7,054 projected for 2013-14 without purchasing food⁴. Off-campus room and board increased by nearly \$1000 in three years from 2009-10 to 2012-13⁵.

¹ <u>http://registrar.wisc.edu/documents/Seg_Fees_UGRD_1132-1134.pdf</u>

^{*}Seg fees listed are for full time students (12-18 credits)

² <u>http://unionreinvestment.wisc.edu/?page_id=21</u>

³ http://registrar.wisc.edu/documents/Seg Fees UGRD 1132-1134.pdf

⁴ <u>https://www.housing.wisc.edu/residencehalls/rates</u>

⁵ <u>http://nces.ed.gov/collegenavigator/?s=WI&ct=1&id=240444#expenses</u>

Textbooks: The cost of textbooks and supplies has nearly doubled in a decade from 660 for $2000-01^6$ to 1,100 for $2010-11^7$. For 2012-13, the cost of books and supplies was $1,190^8$. Many professors have chosen to make readings available electronically to combat this issue.

Student Loans: In 2011-12, 51% of undergraduate students graduated with student debt, with the average debt load at \$25,759. In comparison in 2002-03 43% of undergrads graduated with debt with an average debt load at \$16,3959. In under a decade, the average amount of debt load per student with debt has increased by about 57%. This does not include the amount of debt incurred by parents on behalf of students.

For the 2012-13 academic year, resident tuition and fees were \$10,385 while out-of-state resident tuition was \$26,634. Minnesota residents paid slightly more than Wisconsin students but the yearly difference is remitted to the State of Wisconsin and not kept by the University; thus the revenue generated for the University is the same for both groups. Domestic non-residents and international students pay the same tuition.

Table 2 compares University tuition to other public big ten universities.

Consistent with how national report cards (e.g. http://www.measuringup2008.highereducation.org) assess affordability, Table 3 provides a comparison of in-state tuition at each peer institution to the median family income of the bottom income quintile in the state.

- ⁶ <u>http://apir.wisc.edu/datadigest/DATA_DIGEST01.pdf</u>
- ⁷ http://nces.ed.gov/collegenavigator/?s=WI&ct=1&ic=1&id=240444#expenses
- ⁸ http://nces.ed.gov/collegenavigator/?s=WI&ct=1&ic=1&id=240444#expenses

2012-13 Academic Year Tuition and Required Fees at Public Big Ten Universities								
	Undergraduate				Graduate			
	Resident		Non-Resident		Resident		Non-Resident	
	Amount	Rank	Amount	Rank	Amount	Rank	Amount	Rank
Penn State	\$16,444	1	\$28,746	5	\$18,552	2	\$31,256	2
UIUC	\$14,960	2	\$29,102	4	\$14,938	4	\$28,204	5
U. Michigan	\$13,819	3	\$40,496	1	\$19,434	1	\$39,076	1
U. Minnesota	\$13,459	4	\$18,709	11	\$15,854	3	\$23,604	10
Michigan State	\$13,211	5	\$33,094	2	\$14,334	5	\$28,158	6
<u>UW-Madison</u>	<u>\$10.385</u>	<u>6</u>	<u>\$26.634</u>	2	<u>\$11.839</u>	Z	<u>\$25.166</u>	<u>8</u>
Ohio State	\$10,037	7	\$25,445	9	\$12,201	6	\$29,513	3
Indiana	\$10,033	8	\$31,483	3	\$9,009	10	\$23,795	9
Purdue	\$9,900	9	\$28,702	6	\$9,900	8	\$28,702	4
U. Iowa	\$8,057	10	\$26,279	8	\$9,313	9	\$25,477	7
U. Nebraska	\$7,897	11	\$20,647	10	\$8,188	11	\$19,798	11
Average Excluding UW- Madison	\$11,782		\$28,270		\$13,172		\$27,758	
Midpoint Excluding UW-Madison	\$11,624		\$28,724		\$13,268		\$28,181	
UW-Madison Distance from Midpoint	-\$1,239		-\$2,090		-\$1,429		-\$3,015	

Table 2. Public Big Ten Tuition Comparison

Notes: Rates shown are for new, entering students. All of the public Big Ten universities assess additional fees, beyond those shown above, for undergraduates enrolled in specific academic programs, such as engineering and business. Sources: AAUDE Survey of Academic Year Tuition & Required Fees at AAU Public Universities and the University of Virginia Survey of Academic Year Tuition and Required Fees. The undergraduate tuition rates for the University of Michigan and Michigan State University are averages of multiple tuition structures.

	State's Median Family Income (A)	State's Median Family Income of Bottom 20% (B)	Tuition as a % of A	Tuition as a % of B
Penn State	\$56,000	\$12,800	29%	128%
UIUC	\$58,000	\$12,400	26%	121%
U. Michigan	\$50,700	\$12,100	27%	114%
U. Minnesota	\$62,200	\$13,000	22%	104%
Michigan State	\$50,700	\$12,100	26%	109%
UW-Madison	<u>\$56.400</u>	<u>\$13.000</u>	<u>18%</u>	<u>80%</u>
Ohio State	\$51,000	\$12,000	20%	84%
Indiana	\$49,500	\$12,050	20%	83%
Purdue	\$49,500	\$12,050	20%	82%
U. Iowa	\$53,600	\$13,000	15%	62%
U. Nebraska	\$55,100	\$13,200	14%	60%

Table 3. Resident Tuition Compared to Median Family Income, Peer Comparisons

Note: Median family income based on 2011 American Community Survey

B. Enrollment Information

Enrollment statistics are necessary for understanding how revenue is generated from tuition at the University and where growth in enrollment is a possible source of growth in revenue. Students in their first year of college are hereafter referred to as first-year students. Table 4 presents the numbers for the cohort of entering first-year students in 2012. The admission rate is the fraction of applicants that are admitted, and the yield rate is the fraction of admitted applicants that enroll. The total enrollment indicates the number of students who attended the University based on their tuition, and the percent of total new enrollment represented by that group.

 Table 4. New Enrollment, UW-Madison First-Year Students, Fall 2012

Tuition Type	Number of Applicants	Change in Size of Applicant Pool over Prior	Percent of Applicants Who Were	Percent of Admitted Students Who	Total Enrollment (% of new
		5 Year Average	Admitted	Enrolled	enrollment)
Wisconsin	8,441	-2.6%	68.0%	61.2%	3515 (56%)
Minnesota	3,242	2.3%	54.0%	43.0%	752 (12%)
Domestic non- resident	12,581	14%	50.7%	22.1%	1408 (22.4%)
International	4,770	54%	41.3%	30.6%	604 (9.6%)
Total	29,034	11%	54.6%	39.6%	6,279

Source: http://apir.wisc.edu/admissions/New_Freshmen_Applicants.pdf

Madison's capacity for first-year student undergraduate enrollment is constrained by laboratory space, housing availability, and more importantly by a legislative cap placed on the percentage of students who are nonresident to the state. To date, nonresident has been defined to *exclude* both Minnesota and Wisconsin residents; a function of the reciprocity agreement granting them in-state tuition rates. The cap currently in place means that no more than 27.5% of the University's enrollment may come from states other than Minnesota or Wisconsin. The cap does not stipulate the distribution of Minnesota or Wisconsin students, amongst the resident group.

Among domestic students who are not Wisconsin residents, the vast majority of enrollment comes from a handful of states, dominated by Minnesota (about 4000 students per year), Illinois, (about 3,500 students per year), California (about 1,000 students per year), and New York (about 800 students per year)¹⁰. Among international students, the vast majority of first-year students come from China (478) and Korea (66). Only 4 other countries (Canada, India, Malaysia, and Saudi Arabia) are represented by at least 10 students in the Fall 2012 entering class¹¹.

The characteristics of students also vary by tuition types in ways that relate to financial aid and diversity. We review some of these characteristics in Table 5. It is evident that Wisconsin residents are economically disadvantaged relative to other prospective applicants and are more likely to remain in the state after graduation.

Tuition Type	Median Family Income	% First Generation	% Targeted Minority	% Residing in Wisconsin After Graduation
Wisconsin	\$80,000	24.7%	10%	81%
Minnesota	\$105,000	12.2%	10%	10%
Domestic non- resident	\$130,000	11.0%	16%	13%
International	n/a	11.070	n/a	n/a
Total	\$100,000	19.3%		

Table 5. Student Characteristics at UW-Madison by Type of Tuition

Sources: http://www.uwsa.edu/opar/orb-im/im/new_freshman/nfcf11.pdf

http://www.uwsa.edu/opar/ssb/2012-13/html/r b205 tot.htm

http://www.uwsa.edu/opar/b-p/bulletins/alumni.pdf

http://finaidstudy.org/documents/conference/Witte%20Wolfe%20DahilBrown%20Thursday%20215pm%20Rm% 20159.pptx

Notes:

Median family income is of applicants, for 2007, in 2009 dollars, as estimated by LaFollette researchers John Witte and Barbara Wolfe. More information on family income is available here: http://apir.wisc.edu/tuitionandfees/FamilyIncome_2009.pdf

First generation means neither of the student's parents holds a bachelor's degree. This statistics is for new first-year students entering in fall 2011; the most recent available.

Targeted minority means African-American, Latino, Southeast Asian, Native, or multiracial students. Data is for new first-year students in fall 2012. Data on students remaining in Wisconsin is based on alumni two to four years after graduation, using address information from UW institutions in 2007 for alumni who received a UW bachelor's degree during 2003-04 or 2004-05. The statewide average for each category is presented.

C. Financial Aid

The University provides more generous financial aid than other UW System schools due to its endowment and higher tuition; however many needy students are still faced with a substantial cost of attendance. In this section we provide relevant information about the actual costs faced by students after taking into account available grant aid, and how this compares to students' family incomes.

Table 6 clearly demonstrates that while the University distributes more financial aid to needier students, it does not distribute it in sufficient amounts to ensure that the institution is as *affordable* to poorer families as it is to wealthier families, as measured by net price burden (the ratio of the net price to family income). It can be readily inferred that the impact of raising tuition is disproportionately felt by the poorest students, whom research indicates are also disproportionately price-sensitive.

 Table 6. Net Price (Cost of Attendance Minus Grant Aid), by Expected Family Contribution:

 Wisconsin Residents

Expected Family	Estimated	Estimated	Estimated Net Price as a percent of
Contribution	Grant Aid	Net Price	family income (est. family income
(EFC)			for a family of four)
\$0	\$10,769	\$13,635	68% (\$20,000)
\$1000	\$9,429	\$14,975	43% (\$35,000)
\$5000	\$4,195	\$20,209	34% (\$60,000)
\$10000	\$3,000	\$21,404	27% (\$80,000)
\$15000	\$0	\$24,404	24% (\$100,000)

Source: <u>http://www.finaid.wisc.edu/award-estimator.php?ac-award-year=0809&ac-residency=1&ac-covenant=0&ac-level=1&ac-dependency=0&ac-hab=0&ac-efc=0&calculate=Calculate}</u>

Note: EFC varies by family financial strength. An EFC of \$0 means the family has very little financial strength and thus is not expected to contribute any money towards the cost of college. COA is for 2013-2014. Estimated net price burden is calculated by dividing net price by a liberal estimate of family income for a family of four, provided in parentheses, based on this reference table.

http://www.stratagee.com/resources/efc_quick_reference/1213_efc_quick_reference.html

IV. ALTERNATIVE 1: RAISING TUITION REVENUE BY CHANGING THE STUDENT COMPOSITION

A. Overview of Three Options

A straightforward way to increase tuition revenue *without raising tuition* is to increase the fraction of students paying nonresident tuition. In this section three approaches to increasing the fraction of students paying nonresident tuition are discussed. We first preview the approaches and estimate the tuition revenue they would generate. We then discuss the approaches in greater detail.

To get a sense of the revenue increase that could be achieved through the different plans, the mix of students and tuition existing in the Fall of 2012 was taken, and the increased tuition revenue was calculated assuming each of these plans had been fully in place for the 2012-2013 academic year. At that time, the University enrolled 29,118 undergraduate students: 18,277 from Wisconsin, 3305 from Minnesota, and 7536 from neither Wisconsin nor Minnesota. The current in-state tuition is \$10,885 and the out-of- state tuition is \$26,634.

<u>Option 1</u>: Hold the size of the incoming first-year student class (and the student body) constant, while increasing the fraction of nonresident students from 27.5% to 30%.¹²

Estimated annual increase in tuition revenue: \$19M.

<u>Option 2</u>: Hold the number of in-state students constant, but increase the number of nonresident students by 1000.¹³

Estimated annual increase in tuition revenue: \$27M.

<u>Option 3</u>: Eliminate Minnesota tuition reciprocity at the University, while holding class size (and the composition of student body) constant. The revenue estimate assumes that all Minnesota students currently paying in-state tuition would, after termination of reciprocity, be replaced by students paying nonresident rates, either from Minnesota or other states.¹⁴ Other assumptions are possible and would obviously impact the revenue received.

Estimated annual increase in tuition revenue: \$52M.

B. Consequences of Options 1 and 2

Options 1 and 2 illustrate how arbitrary but relatively small changes to nonresident enrollment (as a percentage of total enrollment) provide significant additional revenue. The options also share consequences identified by the committee as listed below.

- 1. Both options would increase university revenue that might be used to contain tuition increases or improve academic quality. The benefits of lower tuition would accrue to both Wisconsin residents and non-residents.
- 2. Both options would change the composition of the student body. While the geographic diversity would increase, the economic diversity would likely decrease since non-residents tend to come from higher income families (see Table 4 above).
- 3. Neither option can be achieved without a change in the enrollment cap imposed by the UW Board of Regents and may have political consequences.
- 4. The main cost of option 1 is that the number of resident students would decrease. As a result, the University would not be serving as many Wisconsin residents.
- 5. Option 2 would require the university to expand capacity to accommodate 1,000 more students, which would bring some additional costs. These costs would need to be clearly and fully calculated in order to estimate the net revenue increases generated by this option.

¹² The University of Wisconsin-Madison is limited to a maximum of 27.5% out-of-state students by action of the Wisconsin legislature. Option 1 would increase the number of out-of-state students by about 1200. The increase in tuition revenue from this change is: $1,200 \times ((\$26634 - \$10885)) \cong \$19M$.

¹³ The size of the out-of-state student body would increase from about 7500 to about 8500 and the size of the total student body would increase from about 29,000 to about 30,000. The proportion of out-of-state students would be about 28.3%. Option 2 would lead to an increase in tuition revenue of $1,000 \times 26634 \cong 27M$. We note that this option may entail additional costs required to accommodate the larger student body.

¹⁴ Under our assumptions, the increase in tuition revenue from eliminating reciprocity would be the current number of Minnesota residents enrolled at UW-Madison times the difference of the nonresident tuition rate minus the current reciprocity rate or $(3305) \times (\$26634 - \$10833) = \$52.2M$.

Particular attention would need to be focused on assuring resources are available to address likely course and services bottlenecks so that students do not experience a decline in quality.

6. Both options provide benefits to non-Wisconsin residents, in that some who would not have been able to enroll in UW-Madison previously are now able to gain access.

C. Option 3: Eliminate Tuition Reciprocity

C1. Background

The tuition reciprocity agreement between Minnesota and Wisconsin was initiated in the early 1970s. It reflected a desire both to increase affordable college options for students from both states and to facilitate enrollment expansion at border campuses in Minnesota and Wisconsin. Over time, the agreement came to include the states' flagship universities in Madison and the Twin Cities.

In part because of reciprocity, a significant share of the University's student body is Minnesota residents. As shown in Table 4, 12% of the University's new undergraduate enrollment comes from Minnesota, and those students are charged the resident rather than nonresident tuition rate. In total, there are about 3300 undergraduate enrollees at the University who are Minnesota residents.

C2: Specifics Regarding the Elimination-of-Reciprocity Option

In this proposed option, the reciprocity agreement would be renegotiated resulting in the removal of the University (Univ. of Wisconsin-Madison only) from the reciprocity agreement with Minnesota. With this change, students at the University who are residents of Minnesota would be charged tuition at the nonresident rate.

Given the elimination of reciprocity, two additional actions would be required. First, the UW System Board of Regents would need to redefine "nonresident" to include Minnesota residents. Second, the Board would also need to adjust the existing enrollment cap on nonresident students to ensure that seats for Wisconsin residents are preserved. The current cap on nonresident students is 27.5%, calculated on a three-year moving average basis. In 2012, 12% of enrolled students are Minnesota residents, 62.8% are Wisconsin residents¹⁵, and 25.2% are from neither Minnesota nor Wisconsin. If the 27.5% cap did not change, there would be no gain from eliminating reciprocity. However, if the cap was adjusted so as to define nonresident students to be all those residing outside the state, it would be reasonable to adjust the cap as well to accommodate this. For example, if the current level of non-Wisconsin enrollees—about 37%--was judged to be appropriate, adjustment of the cap on non-resident enrollment from 27.5% to 39% would be consistent with the change in reciprocity arrangements. In this case, a minimum of 61% of students enrolled at the University would be Wisconsin residents, approximately the same as the current percentage of about 62%.¹⁶

C3: Estimates of the Tuition Revenue Increase from the Elimination-of-Reciprocity Option

In our analysis of this option, we assume no change in the overall size of the University student body and that the resident enrollment cap would be adjusted to hold the number of Wisconsin residents roughly fixed. This means that all Minnesota students currently paying the Minnesota compact

¹⁵ However, only 56% of the 2012 beginning student class are Wisconsin residents.

¹⁶ This is slightly lower than our Big Ten peers, most of whom have about 63-64% of enrolled students being state residents. For example, the University of Michigan and Penn State University have 63% and 64% of enrolled students from within the state, respectively. However, we note that both Pennsylvania and Michigan are larger states than Wisconsin, which facilitates the enrollment of in-state students.

tuition would, after termination of reciprocity, pay the nonresident tuition rate, or would be replaced by other out of state students. As indicated above, we calculate an increase in tuition revenue of \$52 million from this policy change.

C4: Consequences of Option 3

- i) The primary benefit and purpose of allowing Minnesota residents to pay the Minnesota Compact rate, which is similar to in-state tuition at the University, is to open seats for Wisconsin residents at the Minnesota-Twin Cities campus. Hence, affordable choices among flagship universities are expanded for Wisconsin students. Eliminating reciprocity would constrain this benefit.
- ii) The University forgoes substantial tuition revenue because of reciprocity. Eliminating reciprocity could result in a substantial increase in tuition revenue. Given the assumptions made, the increase in tuition revenue would be \$52M per year. Clearly, different revenue amounts would depend on any negotiated agreement on reciprocity.
- iii) Minnesota students are, on average wealthier than Wisconsin students. If the loss of Minnesota students were offset by an equivalent increase in Wisconsin students, the University student body would tend to better reflect the wealth of Wisconsin residents. Conversely, if the loss of Minnesota students were offset by an equivalent increase in students not resident in either Minnesota or Wisconsin, an even higher income population, the University student body would tend to be skewed to a wealthier set of families. Each of these scenarios may have an impact on the type and level of educational services provided.
- iv) If, as seems likely, college attendance by moderately-high achieving students is not expanded by reciprocity, eliminating the option for Wisconsin students to attend UM-Twin Cities at a discounted price would likely lead to enrollment increases at Wisconsin universities such as Eau Claire and La Crosse. Enrollment of Wisconsin students at these institutions is declining, and eliminating reciprocity may work to reverse this trend.¹⁷

We note that several other claims have been made regarding the effects of reciprocity, such as:

- An increase in overall qualification of the student body because of the stronger qualifications of Minnesota students relative to Wisconsin students,
- Increased student body geographic diversity due to the presence of Minnesota students,
- Gains for other Wisconsin system universities because of the inclusion of the University in the reciprocity agreement, and
- Because of the existing definition of the nonresident student cap, Minnesota students occupy seats at University that might not otherwise be filled.

The Committee judges these claims to be without substantial merit. Undergraduate enrollment at the University is a function of the size and qualifications of the applicant pool, the availability of seats, and legal limitations on how those seats are distributed among students. Currently, the University enjoys a very large (and growing) surplus applicant pool of non-Wisconsin and non-Minnesota students. According to the University's Office of Admissions and Aid, many applicants in this pool have academic qualifications equal to or superior to applicants who are Minnesota residents. As a

¹⁷ http://www.uwsa.edu/opar/ssb/2012-13/html/r_a204_tot.htm

result, if any reduction in the enrollment of Minnesota residents at the University were offset by an increase of such "out-of state" students, there would be no reduction in student body quality. If the policy change resulted in a reduction in the enrollment of Minnesota residents at the University which is offset by an increase in out-of-state students, the current concentration of Minnesota residents in the non-Wisconsin student body would be reduced. The geographic diversity of the student body would be increased.

V. ALTERNATIVE 2: IMPOSING A TUITION INCREMENT

A. Overview

Another strategy to filling the revenue gap is to raise tuition to levels higher than the Board of Regents have historically considered acceptable. It is possible to implement additional tuition increases that keep the University's tuition within the range of its Big Ten public peers and generate revenue gains to help close budget gaps. Although impacts of large percentage increases in tuition can be partially mitigated with financial aid, there are practical limits to the extent to which undergraduate tuition can be raised without impacting access and the public nature of the university. Raising graduate student tuition also has implications on affordability and on grants because of tuition remission.

Table 1 demonstrated that the current University tuition is positioned roughly in the middle of the Big Ten public institutions. Three options for increasing tuition and their estimated revenue effects are presented below and summarized in Table 7. The consequences of proposed tuition increases largely depend on which students experience what type of tuition increase. Currently, there are two base levels of student tuition: resident and non-resident. Non-resident students currently include students from all other 48 states (excluding Wisconsin and Minnesota) and US territories, as well as all other countries. There are two categories of students that could, potentially, be targeted for tuition increases. Many universities separate out international students from non-resident US students and charge these students higher rates than resident or non-resident US-based students. One of our options below assumes that the legislature allows the University to adopt a tuition differentiation between resident, non-resident, and international students. Were such a differentiation allowed, the University might be able to protect Wisconsin residents and, to some extent, US residents from tuition hikes necessary to raise revenue. Were such a differentiation allowed, however, new forms of inequity might arise that should concern us in our quest to create a world-class university that reflects and engages with the world's full range of people, environments, challenges, and experiences. Unlike US students, international students have very little access to financial aid or employment in the US.

Tuition increases of any sort raise the likelihood of increased inequity, particularly based on class. Were tuition increases to be selected as a mechanism for raising revenue, the University should be deliberate in identifying inequities that result from those increases. Raising tuition will always affect our student population. The question that we must ask ourselves is whether the effects are ones we are willing to have our students incur versus the alternatives imposed by the loss of revenue. In order to understand the consequences of these changes, the university should adopt a full, research-based approach to evaluating the consequences of policy and tuition changes. This should include careful scrutiny of data collected by the admissions office (including who applies, accepts, enrolls, remains in school, and how long it takes them to graduate), as well as interview- and survey-based data collection methods that try to track changes that may not be evident in the demographic data. For example, such research should examine whether students are making different decisions about where to live; what courses to select; when, how, and how much to work while taking classes; whether to pursue options like study abroad; how they interact with family about tuition issues; whether more students are having to pay tuition in installations

and what fees they are paying to do so; whether students are less able to place large amounts of money on their UW card to access lower food fees (currently, students must place a lump sum of \$250 on their card to receive lower rates), and so forth. Particular attention should also be paid to students whose legal situations might be affected by changes in student typologies.

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For any change in tuition we expect a behavioral response. Modeling this response is very complicated because it depends not only on the change in demand for potential Wisconsin applicants, but also crucially on how the admissions office responds to this change. It also depends on the reaction of the financial aid office, of the state, and of our peer institutions. The Committee could not take on the complex task of modeling this full system but did wish to provide some sense of the amount of revenue that could be raised by various options. We do this by abstracting from any behavior change and calculating the amount of revenue that would be collected *holding the current distribution of UW-Madison students fixed*. To the extent that raising the tuition of one group over others will likely lead to a decrease in enrollment by that group, we are likely overstating the revenue gain. We therefore characterize our revenue calculation as the *potential increase in revenue* rather than the forecasted increase in revenue.

B. Option 1: Increase Non-resident Tuition Only

An increase of \$5000 on non-resident students only, arithmetically yields approximately \$38M.

 $7536 \times \$5000 \cong \$38M$

B1. Consequences of Option 1

This arbitrary increase would lead us to be the third-most expensive institution for non-residents in the Big Ten, behind Michigan and Michigan State and only slightly higher than Indiana (assuming the other schools do not increase/decrease tuition). What is demonstrated is that significant revenue could be generated to address a budget shortfall while at the same time protecting resident tuition.

This change might have the consequence of making University's non-resident applicant pool become less diverse, perhaps particularly in terms of class. Again, it would be essential for admissions to track any changes occurring and for the university as a whole to discuss whether such changes are acceptable to us when we think about the in- and out-of-classroom experiences that University students are having.

C. Option 2: Increase Non-resident and International Tuition

In this option we propose an arbitrary increase of \$3000 for domestic non-residents and \$6000 for international non-residents. With recent undergraduate enrollment of 2033 international students and 5503 US-based nonresidents, the increased revenue yield would be:

5503×\$3000+2033×\$6000≅\$29M

C1. Consequences of Option 2

This option might discourage and reduce enrollment for students from a variety of regions in the world. It would maintain affordability for Wisconsin residents, and would maintain greater affordability for US non-WI residents compared to Option 1, under the assumption that non-resident and international enrollments would be maintained.

D. Option 3: Increase Tuition by Differentiating by Residency

Option 3 provides a broader spectrum of tuition increases, and by including an increase in resident tuition, generates considerably greater levels of revenue than the previous options. Increases of \$2000 for Wisconsin residents, \$4000 for Domestic non-residents, and \$6000 for other international students are shown for illustration.

21582×\$2000+5503×\$4000+2033×\$6000≅\$77M

D1. Consequences of Option 3

This option will generate significant revenue yet provides more modest tuition increase for Wisconsin residents. It attempts to address issues of Wisconsin, national, and international diversity on our campus. The \$6,000 increase in international student tuition will further skew the student population toward those from wealthier families.

Table 7. Summary of Alternative 2 Options Contrasted with the Baseline Across the Board Increase

Student Category	Across the Board	Non-resident Only (Option 1)	Non-resident International (Option 2)	Differentiating by Residency (Option 3)
WI resident	+\$3000	+0	+0	+\$2000
Domestic resident (non-WI)	+\$3000	+\$5000	+\$3000	+\$4000
International	+\$3000	+\$5000	+\$6000	+\$6000
Revenue	\$87M	\$38M	\$29M	\$77M

VI. ALTERNATIVE 3: RAISING TUITION REVENUE THROUGH TUITION DIFFERENTIALS BY PROGRAM OF STUDY

A. Overview of the Differential Tuition Alternative

Broadly speaking tuition differentials fall into two categories. The first is based on different courses of study and the second, as demonstrated in the prior section, on characteristics of the student such as place of residence or income. As used here in Alternative 3, differential tuition is based on the course of study and is an amount added to a base undergraduate tuition set by the Board of Regents. The differential tuition by program of study (DT) increases overall tuition revenues by charging students an additional tuition, based on various aspects of their degree program. These may include cost of instruction, demand for the program, projected income after graduating and other factors. Differential tuitions are currently applied at about half the public research universities in the country and the fraction is increasing.¹⁸ Because of the complexities of differential tuition relative to the simplicity of uniform increases in tuition to all groups, we refer to some of the pertinent literature in this section. This is not intended to

¹⁸ CHERI Survey of differential tuition at public higher education institutions. (2012) Cornell Higher Education Research Institute, http://www.ilr.cornell.edu/cheri/surveys/upload/2011CHERISurveyFinal0212-3.pdf

discount the vast body of literature that has examined tuition costs that may be relevant to this and the prior alternatives. Certainly, as the University's options are narrowed and refined, a more thorough consideration of the relevant literature is warranted.

As considered by the Committee, DT would be applied to selected degrees. Tuition for most other degrees would be at the base tuition level set by the Board of Regents. This alternative suggests that the DT's existing now within the University's College of Engineering and the Wisconsin School of Business would continue in some form, but new DT's would be initiated for other selected degree programs. This alternative provides background and general suggestions for how these DT's could be applied at the University. Using these, the Committee estimated (not shown) the increase in annual revenue from this alternative could be between \$15M and \$20M. To provide a context, a 15% differential tuition (based on resident tuition) applied to the last 2 years for 50% of the undergraduate would generate approximately \$20M.

B. Current Differential Tuition at the University

Differential tuition was first implemented at the University in the Fall of 2007 for students in the Bachelors of Business Administration program and for the Certificate in Business. Board of Regent debate on the issue was extensive but the motion to adopt was approved. After phase-in, these students were assessed \$500 and \$150 per semester respectively, and these rates remain in effect. The base University semester tuition in 2007 was \$3594 and as such the \$500 DT represented 14% additional tuition at that time. The primary motivation for the Wisconsin School of Business (WSoB) DT centered on program capacity, and related faculty retention and recruitment. From the Fall of 2007 to present, undergraduate enrollment in the WSoB increased by approximately 35%. Minority enrollments increased by 34%.

A differential tuition for undergraduate degree programs in the College of Engineering (CoE) was approved by the Board of Regents in June of 2008. The motion to approve passed unanimously in the Business, Finance, and Audit Committee and subsequently in the full Board of Regents meeting. After phase-in, students in degree granting engineering programs were assessed \$700 per semester and this continues to present. In 2012 this represented approximately a 14% increase in the base UW-Madison tuition and fees. The primary motivations included reducing course bottlenecks to allow timely graduation, modernizing hands-on learning and laboratories using the latest technology (cost of instruction), and modest increases in the number of engineering graduates per year. From the Fall of 2008 to 2012, undergraduate enrollment in the College of Engineering increased by approximately 20% and minority enrollments increased by 35%.

In each case, because of the selective admittance procedures to the WSoB and the CoE, first year students have not paid the DT. The DT has been added once the student moves into the degree granting program within the school or college which occurs after the first year. Minnesota reciprocity students presently are not charged the DT in compliance with the Minnesota Compact. At present these tuition differentials provide additional annual revenue of over one million dollars each, are allocated to the specific schools and colleges (WSoB and CoE) and provide single digit percentage increases to their overall instructional budget.

C. Prevalence of Differential Tuition in the U.S.

Adoption of differential tuition is becoming widespread. As of 2011, 40 to 44% of the 174 public universities that are doctoral institutions have differential tuitions in place and the number is steadily increasing. The price tags average from 6 to 15% of base tuition levels. Engineering and Business are the most common programs with DT's but DT's exist in most undergraduate majors, though with less prevalence. About 20% of nursing programs, 11% of science programs, and 9% of fine arts programs in these universities, which include many of our peers, have DT's. Based on data published in 2012, the rate of increase in campuses charging DT's is quite steady over the last several years at about 7-8 per year.¹⁹ On the other hand, the University of California System recently considered and rejected DT.

D. Implementation of Differential Tuition at the University

D1. Rationales for establishing differential tuitions

There are three major rationales that have been developed for establishing differential tuition ^{20,21} and at present we are proposing that all of these should be considered in establishing a DT policy at the University. The issues are complex and involve considerations that are economic, sociological, political, and philosophical. Hence, we have chosen to elaborate and comment on (in the Consequences section) the rationales that have been used with the expectation that the University will develop a mechanism to determine the specifics of how we will establish a DT policy here at Madison. In all cases, any differential tuition proposal for a program must take into account program costs relative to those in peer institutions.

i) **Cost of program**. Relative cost of the degree program is one common rationale for DT with more expensive programs charging more. This could be based on technology and equipment, the variety of courses required, the need for small class sizes and other considerations. This is themost prevalent basis for current DT's, for example in the University's CoE, and nationally as discussed in the above-referenced literature.

http://www.pdx.edu/sites/www.pdx.edu.budget/files/Differential%20Tuition%20at%20Public%20Universities.p df

²⁰ Stange,K,M. (2013) Differential pricing in undergraduate education: effects on degree production by field. Working Paper 19183: National Bureau of Economic Research. Cambridge,MA. http://www.nber.org/papers/w19183.pdf?new_window=1

²¹ Nelson,G.R. (2008) Differential Tuition by undergraduate major: its use, amount and impact at public research universities. Dissertation. Univ of Nebraska.

¹⁹ Ravenscroft, M.and Enyeart, C. (2009) Differential Tuition at Public Universities. Models and implementation strategies. Report prepared by the University Leadership Council; The Advisory Board Company, Washington, D.C.

There are generally significant differences in costs of programs. As noted in a recent four-state study²², the cost of upper division programs for engineering, physical sciences, and visual/performing arts was about 40% more than the least costly majors. Costs per student credit hour in upper division courses of specific majors varied over a large range with Agriculture, for example being 80% more costly than Psychology. Hence, to the extent that it is felt that individual students should bear the costs of their particular degree choice, there is a wide range in the tuition that might be charged for different majors.

- **ii) Financial benefit of the program to the student.** Another rationale is the financial benefit of the program to the student.²⁰ On average, students in different disciplines will have greatly different earning potentials. For example the median income for students graduating with a degree in economics in 2011 was \$70K while it was \$45K in Sociology and \$29K in Counseling Psychology. In petroleum engineering it was \$170K.²³ In this case DT is a way that students' relative potential future earnings from a degree are used to set relative financial contributions that they are asked to make in securing their degree. Practically this makes sense in that students in more remunerative degrees are able to take out (and repay) larger loans.²⁰ Expectedly there is controversy in the area over the criterion of increased earning powers²⁴ but to the extent that it is felt that students' tuition should relate to the financial benefit of their education here at UW, there is again a wide range of tuitions that might be charged.
- **iii**) **Student demand for program**. A third rationale is to provide revenue for instructional resources that align with student demand for the major. Hence, if a major without excess capacity became very popular, there would need to be an increase in instructional resources.

There are additional considerations in setting the pricing and timing of DT. For various reasons few degree programs implement DT for first year students. Two prevailing reasons are to facilitate undecided students moving in and out of the major to the major of their choice, and because in some programs, first year students may only be taking one or two courses directly within the degree granting unit are two prevailing reasons for the delayed implementation. In setting the price of the differential, affordability and price charged by competing institutions must be weighed into the decision making process.

D2. Allocation of Revenues from Differential Tuition

Differential tuition revenue typically is allocated to the academic unit that imposes the differential. Some institutions allocate of a portion of the DT to central campus, to other units who support the students in the degree programs associated with the differential and/or to financial aid. The allocation policy should reflect the fundamental premise for the differential tuition as articulated in the following points:

- 22 Conger, S.B.,Bell,A.,Stanley,J (2010) SHEEO's "Four State Cost Study" .
- http://www.sheeo.org/sites/default/files/publications/SHEEO_Cost%20Study%20Report_2010.pdf ²³ Carnevale,A.P., Strohl,J., Melton,M. (2009) "What's it worth? The economic value of college majors".
- Georgetown University Center on Education and the Workforce. Washington,D.C. http://www9.georgetown.edu/grad/gppi/hpi/cew/pdfs/whatsitworth-complete.pdf

²⁴ Lavalle,L (2012)

http://www.businessweek.com/bschools/blogs/mba_admissions/archives/2012/02/differential_tuition_a_matter _of_fairness.html

- i) When the DT is cost-based for a specific program, or based on demand for additional faculty and facilities, then the necessary dollars should be allocated to the specific program. However, budgeting can be such that there may be an additional portion that is allocated to central campus.
- ii) When the DT is based on the future earnings criterion or general demand for the program, then there is no clear reason that the money needs to go to the specific program. In this case a wider allocation policy might be justified and indeed, the current trend is for DT revenue to go to central campus to cover general needs.²¹
- iii) To emphasize the importance of financial aid, almost all instances of differential tuition allot a substantial percentage (15% to 20% of the DT in general) to financial aid in order to ensure equal access. In some cases this is mandated by central administration and in other cases Deans choose to do this. For example at Texas A&M and Iowa State 15% to 20% of the DT revenue is mandated as financial aid. This is a more controversial issue that centers on the degree to which full-paying students should provide tuition assistance to those students who have established financial need. Alternatives to the use of differential tuition paid by some students to provide financial assistance include gift funds and other forms of scholarships. Currently, there is neither one policy nor one viewpoint on this matter that predominates at the University. In any event, the Committee is united that increases in tuition in any form, must be accompanied by proportionate increases in financial aid.

D3. Consequences of Differential Tuitions

Differential tuition may drive changes in student academic behaviors and career choices, and thus the consequences are complex and difficult to predict.

i) Biasing of Degree Choices. Do DT's, with their higher tuition rates, bias students away from the more costly disciplines and if so, is this behavior deemed undesirable? Evidence from the University described above shows that enrollments in WSoB and CoE have increased substantially during the 3 to 5 years that DT's have been in effect. For example enrollment in Engineering increased by about 20% over this period while in the previous four years it had decreased by 10%. This is not necessarily cause-and-effect but could be an indication that economic conditions and the perceived value of the degrees predominates over the tuition increase. Enrollment in the Wisconsin School of Business increased by about 40% while in the previous 4 years it had remained approximately level. In contrast to these local data, a recent study by Stange using national data on 142 research universities, sampling about 2500 students in each category, identified a decrease in enrollment for Engineering (a 1.1% decrease in the fraction of university students getting engineering degrees), but no significant effects on Business or Nursing.²⁰ Data at the University will need to be monitored, in addition to the emerging literature.

ii) **Effects of Differential Tuitions on Diversity.** There are several potential impacts on student diversity that could occur or have been documented to occur. Student access can be impacted by program competitiveness and by program cost, both of which may disproportionately impact students from lower socioeconomic groups. Implementation of DT has the potential to improve access and diversity if the DT is for expanding and opening additional capacity in high demand majors. Conversely, high demand majors that are not expanded may adopt increasingly competitive admission requirements that can favor students that have the best preparation from the best high schools while indirectly restricting

access for applicants from lower socioeconomic groups. In addition if DT is implemented, but not accompanied by financial aid and messaging about the availability of financial aid, students from lower socio-economic groups may be driven away from the major. Generally the DT programs have significant amounts of the revenue dedicated to financial aid to mitigate the increased cost. Generally 15 to 20% of the new revenue goes to financial aid and this is almost always explicit.²⁰ However while this is a stated objective, the effectiveness of cost mitigation has not been established. Stange finds no evidence overall for a diversity related reallocation of aid that is based on DT's while, in contrast, there are two positive instances where this has apparently occurred for engineering.²⁵

There are somewhat worrying, though very sparse, data showing that fractional decreases in the number of students in engineering following the start of DT were 2 to 3 times larger for women and minorities than for white males. The data did not rise to significance because of small sample size.²⁰ Furthermore, from what is known about the effect of sticker price as a deterrent, the fact that the published price of a program is higher as a result of the differential may well discourage some students from even applying to more costly or lucrative degree programs, despite compensating aid packages. This is likely to affect lower income and minority groups more than others. Overall this is an area of concern and would need to be closely monitored if we adopted this policy.

iv) Difficulty Associated with Estimating Future Earnings. One potential inequity arising from using future earnings from a degree as a basis for DT is that these relative tuitions are based on projected average earnings from the degree. Some students taking the more expensive degrees will not go on to earn the average income in their field for many reasons, and also some students taking less expensive degrees will go on to earn a great deal of money. Although this forms a basis for assigning DT's, there are many potential inequities associated with it.

v) **Difficulties in Mechanics of Implementation**. The criteria that we have described for determining DT's require sophisticated data analysis, and relatively current updating of those data. Student tracking must be conducted in a greater detail than in the past and academic rules must be in line to ensure DT's are charged in an equitable and consistent basis. Such tracking, however, is not beyond the increasingly sophisticated tracking capabilities in the University's administrative computer databases.

²⁵ George-Jackson, C, Rincon, B., Martinez, M.G. (2012) Low income engineering students: considering financial aid and differential tuition. Journal of Student Aid. 42:4-24 http://www.nasfaa.org/research/Journal/subs/Low-Income_Engineering_Students_Considering_Fin ancial_Aid_and_Differential_Tuition.aspx

VII. ALTERNATIVE 4: RESIDENT UNDERGRADUATE TUITION INCREASES LIMITED TO WAGE INDICES

A. Basic Concept

There is a growing advocacy with the fundamental position that the university's financial challenges cannot be addressed through continual tuition increases that have outpaced other basic economic indices. The views within this advocacy group range from those that seek a permanent freeze in tuition and a restoration of increased state funding to those that simply recognize that the continual rise in tuition if unabated is eventually financially unsustainable. The Committee recognized that there are both practical and philosophical reasons to limit tuition increases for a public university to remain truly public and accessible. This final alternative proposes that tuition increases can't and shouldn't be considered a long-term financial cure-all. This alternative by itself, does not address the financial needs of the University from a revenue perspective, but simply reminds us that the University cannot continue to function as a public resource for the state and its citizenry by achieving financial stability through repeated large increases in tuition. Those in this advocacy make the claim for increased state support and/or for more radical changes to how the university functions to reduce its overall costs. By whatever mechanism the University achieves a stable financial footing, the idea here is that future resident undergraduate tuition increases should be held in line with an appropriate wage index to ensure the cost of attending the University does not outstrip the ability of the state citizenry to pay.

If the University is to retain a strong public service role, sufficient funds must be provided by the State of Wisconsin. This funding should be accompanied by an understanding or compact with what the University provides to the state in return for stable and predictable state support. Ultimately, the primary source of University revenue should drive an increased level of accountability that inspires confidence the revenue is being allocated to meet the needs and expectations of those supplying the revenue.

B. Consequence of Limiting Resident Undergraduate Tuition Increases to Wage Indices

While there are many positive consequences to limiting tuition growth, adopting a hard position that restricts or limits increases forces financial planning that either must generate increased revenue from other sources, reduce spending or both. Some suggest the state should increase its general purpose revenue contribution to the university to make up the difference. Others suggest more aggressive development efforts could fill the gap. Either one would take considerable time to achieve and cannot be counted on in the near term. Outlined below are the consequences of adopting a restrictive tuition growth policy.

i) Through implementation, this alternative would prioritize access for residents of Wisconsin who come from socio-economic backgrounds that are limited in their financial ability to attend the University. This alternative emphasizes affordable tuition for all Wisconsinites and simply states that financial stability must be achieved from other sources or changes in University operations.

ii) Tuition increases become more predictable for Wisconsin families and students, allowing them to plan ahead.

iii) By committing itself to affordable tuition, a dialogue could be opened for a new compact with the State of Wisconsin that could result in stable and predictable state support in return for mutually agreed upon deliverables.

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iv) Without increases in revenue from non-tuition sources, financial stability of the University would have to be achieved by changes in spending behavior. Possible consequences, which may or may not be negative, would likely include;

- significant cost restructuring,
- changes in educational delivery,
- program closure to maintain quality in the remaining programs,
- increase in the student to faculty ratio, and
- reduced enrollment.

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