SOUTH DAKOTA BOARD OF REGENTS

Full Board

AGENDA ITEM: 26

DATE: December 12-13, 2012

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SUBJECT: Tuition and Fees Structure Committee Update

Dr. Warner established a committee to look at a number of tuition and fee issues that were being brought up by the Council of Presidents, students, faculty and the other councils. The committee is chaired by Dr. Kramer and has representatives that were selected by each of the councils. The members of the committee are as follows:

Student Affairs Council: BHSU - Lois Flagstad, SDSU – Marysz Rames, Doug Wermedal, USD – Jeff Baylor
Academic Affairs Council: SDSU - Laurie Nichols, DSU - Omar El-Gayar, SDSM&T – Michael Gunn
Business Affairs Council: NSU - Veronica Paulson, BHSU – Kathy Johnson
University Centers: Mark Lee
Board of Regents: Monte R. Kramer, Shelley Brunick, Mary Ellen Garrett

Tuition and Fee Topics

A number of tuition and fee suggestions have been forwarded to the committee to review. The committee’s role is to investigate the merits of the suggestion and whether or not the change is in the best interest of students and the system. Following is a summary of the items that the committee has been discussing. Some of these items have already been debated and dismissed while others need additional background work and consideration. The committee hopes to have

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RECOMMENDED ACTION OF THE EXECUTIVE DIRECTOR

(1) Approve the residency classification changes and, if approved, include the changes in the legislative package for 2013. (2) Starting summer 2013, and approved with the 2013 tuition package, extend a reduced tuition benefit to the Center locations for qualifying state employees equal to one-half the state-support rate. (3) Approve expansion of the fund sources to be used for scholarships. (4) Discuss the use of an elective non-resident tuition or fee increase based on market and program needs by each institution that would be used to support the academic and student programs at the schools as well as fund scholarships. (5) Await further details on a resident tuition rate for the Child of Alum program to see if the program is likely to generate additional students and revenues.
additional recommendations for the Board at its August 2013 Retreat meeting. Minutes of the meetings are available if anyone wants further detail.

1) On-Campus Students Taking Off-Campus Courses: On-campus students taking off-campus courses maybe should pay on-campus rates to eliminate the incentives to take distance courses.

2) Eliminate GA Tuition: On April 24, 2012, the Faculty Senate at South Dakota State University passed a resolution by a unanimous vote to allow tuition remission rates of up to 100% of tuition expenses for graduate assistantships. This resolution was also passed and forwarded to the Senate by the SDSU Graduate Council. This resolution is in regard to BOR policy 5:5:1 “Tuition and Fees: State-Support Tuition,” and 5:22 “Graduate Assistants and Fellows”.

3) SDSU Semester Tuition for Graduate Students: SDSU proposed a semester tuition charge for graduate students, not a per credit hour charge, to put PhD universities more in line with peers.

4) Move Internships to Self-Support: Internships have been assessed state-support rates for many years. Given the number of program fees that may now be assessed, there are instances where students actually pay more for an internship on state-support than self-support and many of the fees make little sense, e.g. lab fees, GAF and program fees.

5) Roll Broad Based Fees into Tuition: Ability to roll some discipline fees that are broad based into tuition without having to contribute 20% to HEFF.

6) BHSU Resident Rate Proposal for WY/NE/ND: BHSU has requested in-state rates for Wyoming, Nebraska and North Dakota students. (Note: The Board indicated support for resident rates for Wyoming students at the October Board meeting with rates to be approved in March 2013.)

7) Simplify the Billing System: Can we simplify our billing structure? Can we combine tuition and fees in our billings to students?

8) Tuition Banding: Should we consider pricing tuition by ranges to encourage students to graduate in 4 years?

9) Residency Classification: Review of residency classification statute and requirements.

10) Reduced Tuition to State Employees attending the Centers: Should we give state employees the reduced tuition benefit at the Centers?

11) Credit Hour Dependent: USD noted that the HLC has made comments that the system is too heavily dependent on credit hours rather than bundling pricing.

12) Tuition Banding: Should we consider ranges for full-time students, say 6-9 hours or 9-15 hours, etc.?

13) Pricing by Program: Should we look at pricing by program?
14) Pricing Structure in Other States: What are other states doing relative to their pricing structure, program fees, etc.?
15) Distance Pricing: Is it cheaper to deliver distance than on-campus? We need to discuss the delivery methods, how they are priced and the ramifications of different pricing.
16) Eliminate Self-Support: Self-support is a term that needs to be changed.
17) Resident and Non-resident Rates: Need to look at resident and non-resident structure for state and self-support.
18) Tuition Discounting: Can we look at tuition discounting?
19) Differential Tuition: Will the board support further differential between the research universities and the comprehensive universities?
20) Reducing Remedial Cost: Is there any way to bring down the cost of remedial education?

Committee Work

The committee met face-to-face for a half-day in September and again by conference call in November. It was agreed that this committee will limit its work to the structure of tuition and fees and not debate or review whether or not the current prices are appropriate.

Many of the issues proposed to the committee are relatively complicated. Changing a structure that has evolved over many years is not going to be an easy task and whether the changes are even warranted is at debate. None of the topics proposed lend themselves to an easy solution. Restructuring the way we price our course offerings and majors has evolved over a long period of time and much of the structure has evolved in a way that avoids changing statute, for obvious reasons. For example, combining all mandatory tuition and fees (tuition, USF and GAF) would likely make sense, but would require a change to the HEFF statute or we would lose 20% of USF and GAF revenues to HEFF. Banding tuition has become very popular as a way to encourage students to be full-time and finish in a reasonable period of time. This is difficult to accomplish with different self and state-support rates and with more and more programs having some required courses taken via distance. The wide range of discipline fees also complicates simplifying our overall structure. The issues posed to the committee, as described by one committee member:

“This is a discussion that is literally all over the place, eliminating, re-pricing, banding, combining, renaming, reclassifying, reducing, etc. I wonder, what it is we are trying to accomplish. In all these discussions, always put students first. What is in their best interest? What changes will appeal to them in terms of attraction, retention and completion? 2) Make the changes elegant and explainable - from a student perspective. 3) Never use "administrative simplification" as a basis for change. We don't exist to make our lives easier, we exist to serve students. An easy to administer policy that is in the best interest of students is the sweet-spot of course.”
The committee has approached its work in this very spirit, and it will take time to develop proposals that fit our unique environment and that are student centered. While there are a limited number of recommendations from the committee at this time, there has been good debate on many of the suggestions and there is still a considerable amount of work to do.

**Committee Recommendations**

The recommendations from the committee were discussed by COPS at their November meeting. The recommendations included minor changes to the residency statute and the extension of the reduced tuition benefit for state employees to the Centers. The committee has discussed, but not formally endorsed a recommendation from BAC to expand the fund sources used for scholarship funding for athletics and for general university scholarships. The committee also discussed the idea of a resident tuition rate for children of alumni, and is interested in reaction to that proposal.

**Residency Classification**

- **Change 13-53-6.3** such that a SD high school graduate or a person who was a SD resident at the time of graduation will always be entitled to resident rates. Providing an opportunity for someone to return to the state and to be treated as a resident beyond the current seven years would eliminate a lot of frustration for people that leave the state and want to return.

- **Grant residency when a non-resident marries a SD resident.** Today, there is no assurance that a non-resident would be treated as a resident in this situation because of the other criteria in statute that are to be considered.

- **Change 13-53-27** such that the residence of an unemancipated person follows that of the parents or of a legal guardian from 21 to 24 years of age. Today, many students follow their parents beyond the age of 21. This would provide residency for unemancipated students when the parents establish residency in South Dakota.

These changes would require changes to the residency statutes and if supported will require legislation in 2013.

**Reduced Tuition to State Employees Attending the Centers**

- **Provide the equivalent of the state-support reduced tuition benefit at the Centers for state employees.** Current statute provides that qualified state employees will receive a benefit of one-half of the state support tuition for courses taken at one of the universities. This has limited the reduced tuition benefit to state employees that live in or near a city with a university campus. The tuition reduction would equal current self-support tuition minus ½ of the current state-support tuition rate. In practical terms for FY13 this would look like the following:
Undergraduate: $289 – ($124.20 x .5) = $226.90 Cr Hr
Graduate: $383 – ($188.30 x .5) = $288.85 Cr Hr

Below is a summary of counties with the most state employees based on a BOP report to the 2009 Legislature:

<table>
<thead>
<tr>
<th>County</th>
<th>Number of Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hughes</td>
<td>2,733</td>
</tr>
<tr>
<td>Brookings</td>
<td>1,569</td>
</tr>
<tr>
<td>Minnehaha</td>
<td>1,409</td>
</tr>
<tr>
<td>Clay</td>
<td>1,185</td>
</tr>
<tr>
<td>Pennington</td>
<td>1,024</td>
</tr>
<tr>
<td>Yankton</td>
<td>766</td>
</tr>
<tr>
<td>Brown</td>
<td>708</td>
</tr>
<tr>
<td>Lawrence</td>
<td>452</td>
</tr>
</tbody>
</table>

These eight counties account for 9,846 or 78.1% of all state employees. The three counties with University Centers represent three of the top five counties in terms of employees and equate to 5,166 or 41% of all employees.

In spring 2011, we asked the Bureau of Personnel to match their employee database against our database of students attending at UC-SF, UC-RC and CUC. The question we wanted answered was “how many state employees were taking classes at a University Center?” We discovered that we had a total of 78 employees of the potential 5,166 living in the counties with a Center. The committee believes there is potential growth by offering the reduced rate and it is a worthwhile benefit to the State.

<table>
<thead>
<tr>
<th>Center</th>
<th>Number of Employees</th>
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</thead>
<tbody>
<tr>
<td>UC-SF</td>
<td>21</td>
</tr>
<tr>
<td>UC-RC</td>
<td>30</td>
</tr>
<tr>
<td>CUC</td>
<td>27</td>
</tr>
<tr>
<td>Total</td>
<td>78</td>
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This change could be accomplished by the Board extending the reduced rate to the Centers.

**University Funded Athletic and General Scholarships**

Today, Board policy restricts scholarship funding to only a few fund sources. General university scholarships can only be funded according to policy 3:15:

_Vending Income:_ The profits from vending machine income shall accrue to the benefit of the students. These benefits could be in the form of: (a) Scholarships; (b) Student loan funds; and (c) Special student activities. Whenever vending machines are operated in essentially employee areas, the profits may be used for the benefit of these groups upon the President's written approval.
**Residence Hall Scholarships:** The universities may offer residence hall scholarships per year valued at 50% of the current double occupancy resident rate. The residence hall system shall be reimbursed to the extent that additional GAF and USF fees are generated from the students receiving the scholarship.

Athletic scholarship funding is much broader according to policy 5:15:

Athletic scholarships may be funded from athletic gate receipts, athletic sponsorships and advertising revenues, athletic facility rentals, athletic guarantees, net athletic concession revenues, athletic broadcasting agreements, vending, commissions and other business related income, trademark royalties, net athletic camp income and athletic donations.

The Business Affairs Council shared with the committee a proposal to expand the fund sources that are available for general university scholarships as well as athletic scholarships. The scholarships could be need or merit based for residents and non-residents. The committee did not take action on the scholarship proposal, but understood it would move forward to COPS for further discussion. A summary of the proposal discussed by COPS follows.

Current Language BOR Policy 5:15(4) - Athletic scholarships may be funded from athletic gate receipts, athletic sponsorships and advertising revenues, athletic facility rentals, athletic guarantees, net athletic concession revenues, athletic broadcasting agreements, vending, commissions and other business related income, trademark royalties, net athletic camp income and athletic donations.

Current Language BOR Policy 3:15(5) - Athletically related student aid may be funded through athletic gate receipts, athletic sponsorship and advertising revenues, athletic facility rentals, athletic guarantees, athletic concessions, athletic broadcasting agreements, vending income, trademark royalties, athletic camp income and athletic donations.

Proposed Language 5:15(4) and 3:15(5): Athletic scholarships may be funded from athletic gate receipts, athletic sponsorships, athletic broadcasting agreements, athletic guarantees, athletic commissions, advertising revenue, facility rentals, extra-curricular concession profits, vending profits, business related profits with the exception of the Auxiliary System, trademark royalties, camp profits, ticket sales and donations.

New Language 3:15(8): General university scholarships awarded on a need or merit basis may be funded from advertising revenue, facility rentals, extra-curricular concession profits, vending profits, business related profits with the exception of the Auxiliary System, trademark royalties, camp profits, ticket sales and donations.
There was general consensus on expanding the fund sources that can be used for scholarships as suggested above by both BAC and COPS, although there were some reservations expressed about the ability of the smaller schools being able to compete with the larger schools.

Children of Alumni

- The committee discussed changing the residency policy to provide residency to Children of Alums. A change to the residency policy was not required as this could be done through a tuition rate approved by the Board. The committee wanted to gauge the support for a Child of Alum program at resident rates.

Up until fall 1995, Children of Alumni could get resident tuition. Starting in FY96 it was changed to 300% of the resident rate, the same as all nonresidents. The numbers fell from a high of students in fall 1995 of 716 to 289 by fall 1997. They were no longer tracked after that. Starting in FY02 the rate was reduced to 150% of the resident rate, the same as all non-residents. We cannot determine today the revenue impact of this proposal because we do not collect COA data anymore. The committee felt it might be a worthwhile program if we can find out how many students we are currently getting and then track the impact of the program. The committee is currently looking at matching alumni databases with current student data to see if we can identify likely COA students. The committee did not want to put significant effort into cross-referencing of databases if there was little support for the idea.

The Council of Presidents supported the idea of a COA program and requested that the committee pursue information that could be used to track the number of eligible students.

Non-Resident Tuition

There was continued discussion at COPS about the need to look at the current non-resident rates in comparison to surrounding states and competitors. The feeling was that there was room to move closer to the 150% rate charged by other states that participate in consortium exchange programs. Currently, virtually all non-residents pay 124% of the tuition and fee cost paid by residents. Further, we need to evaluate the value of participating in the exchange programs which simply give our students financial incentives to leave the state.

The Council supported the idea of raising the non-resident rate either through a fee or by increasing tuition, to provide the appropriate resources needed to support the growth in non-resident students and the resources needed to make them successful. The dollars generated would be used to enhance academic programs and students services and would also be available to fund scholarships. Because each university operates in very different markets and often is trying to attract a different population to different programs that might demand different prices, the presidents would like to have the option to select a non-resident price point somewhere within the 124% to 150% range. The result of this could be different non-resident rates from institution to institution. The presidents supported the idea of raising non-resident rates to reflect the market and to cover growing costs, with the discretion to decide the appropriate increase by institution.