



# Massachusetts Board of Higher Education

## Retained Tuition

### Background

Massachusetts public institutions of higher education are required by state law (Article 63, Section 1) to return tuition revenue to the Commonwealth General Fund. In FY06, public higher education institutions remitted \$74 million to the Commonwealth as follows: University of Massachusetts, \$47M; state colleges, \$18M; and community colleges, \$9M.

Massachusetts is the *only state in the nation* that has maintained this practice. There are several states where tuition is remitted back to a state-controlled account to be redistributed within higher education. In MA, however, these funds support other programs of the Commonwealth.

### Policy and Process

With a few exceptions,<sup>1</sup> the University, state and community colleges are currently required to remit to the Commonwealth General Fund all tuition from *state-supported courses*. A state-supported course is defined as a course taught by a full-time faculty member who is

paid from the state appropriation. Tuition revenue from Continuing Education (DCE) courses, taught by adjunct faculty paid from local funds, is retained at the institution. All student fee revenue is retained at the institutions. As noted in the chart above, the total amount of state-supported tuition revenue is small in comparison to both DCE tuition and fee revenue.

Over the past few years, the number of DCE courses has increased, growing from just over 50% in FY03 to 57% in FY07 (colleges, only). This trend is due to the demand by students for greater scheduling flexibility (outside the traditional day scheduling window) and institutions seeking alternative revenue sources to mitigate fluctuations in state support.

There are several implications resulting from the requirement to return tuition to the state:

<sup>1</sup> Exceptions include MassArt+Design and MassMaritime (all tuition); MCLA and UMass Amherst (non-resident tuition).

*From a student's perspective:*

- Perplexing disparity between tuition and fees. In MA, tuition is less than 20% of the direct cost of attending college; fees make up a majority of mandatory costs. In other states, tuition accounts for a majority of direct college costs.
- Reduced value of tuition waivers. A waiver covers only tuition, not fees (with one exception).<sup>2</sup> Parents and students feel misled when they realize that a tuition waiver (such as the Adams Scholarship) covers only a fraction of the total cost of college attendance.
- Inconsistency in waiver policies. A college must honor a tuition waiver for all *state-supported courses*; the college does not have to honor a tuition waiver for DCE courses. Policies vary among institutions as to whether waivers are accepted for DCE courses.

*From an institution's perspective:*

- Disincentive to hire full-time faculty. Institutions can maximize retained revenue by relying more heavily on adjunct faculty. This is counter to the aspiration goal of greater utilization of more full-time faculty for undergraduate instruction as a means to improve retention and graduation rates.
- Administrative redundancy. Maintenance of separate administrative structures, courses and records for state-supported versus DCE courses increases administrative costs.

*From the Commonwealth's perspective:*

- Inconsistent practices among the colleges. The process for determining tuition returned to the state varies among colleges. These inconsistencies and lack of clarity in processes have been cited twice in the past three years in reports from the Office of the State Auditor.

### BHE Recommendation

The BHE recommends legislation that would allow institutions to retain tuition for both state-supported and DCE courses. The resulting funds available to the institutions could be directed towards increasing student financial aid (University and State Colleges) or targeted to academic support activities (Community Colleges). This would support the mission of both affordability and accessibility in our public higher education system.

<sup>2</sup> The exception is the National Guard (Welcome Home) waiver; enacted in FY06; this waiver covers both tuition and fees.