

BOARD OF HIGHER EDUCATION

REQUEST FOR COMMITTEE AND BOARD ACTION

COMMITTEE: Fiscal Affairs and Administrative Policy **NO.:** FAAP 09-17

COMMITTEE DATE: January 30, 2009

BOARD DATE: February 5, 2009

STATE COLLEGES

NON-RESIDENT UNDERGRADUATE TUITION FOR FISCAL YEAR 2010

MOVED: Board of Higher Education adopts the following non-resident undergraduate tuition rates at the state colleges for Fiscal Year 2010:

	Change	Annual Non-Resident Undergraduate Tuition
Bridgewater State College	\$0	\$7,050
Fitchburg State College	\$0	\$7,050
Framingham State College	\$0	\$7,050
Massachusetts College of Art and Design	n/a	n/a
Massachusetts Maritime Academy	n/a	n/a
Massachusetts College of Liberal Arts	\$0	\$9,975
Salem State College	\$0	\$7,050
Westfield State College	\$0	\$7,050
Worcester State College	\$0	\$7,050

Authority: Massachusetts General Laws, Chapter 15A, Section 9(i)

Contact: Dr. Dale Hamel, Acting Associate Commissioner for Fiscal and Administrative Policy

Background

Pursuant to Chapter 15A of the Massachusetts General Laws, the Board of Higher Education shall annually set tuition rates for the University of Massachusetts, the State Colleges, and the Community Colleges. As approval of these rates are necessary to inform campus planning for the upcoming fiscal year, the FY2010 tuition rates are presented in the attached motions for Board of Higher Education consideration at its February 2009 meeting. **The recommendation is for all FY2010 tuition rates to remain the same as FY2009 tuition rates but that a review of the current rate structure be conducted to inform FY2011 tuition rates approval.**

In 1996, the Board of Higher Education approved a System Financing Policy that provided the principles employed in development of campus state funding requests and setting of student tuition. The basis for both state funding and student charges development was the BHE Budget Formula that identified a "foundation budget" cost of education target for each campus. Allocation of these target costs were then made based on a "Fair Share" allocation of costs to the Commonwealth and to students (and their families).

Consistent with this system financing policy, the Board of Higher Education's annual Budget Request was based on determining the funding gap between the state allocated share of the cost of education target and the current level of funding (with state appropriation recommendations based on closing this gap over a certain period of years). Student charges (both tuition and fees) targets were identified based on a comparison of current charges versus the student share allocated cost of education target. One phenomenon that is apparent in the development of foundation budgets for each campus is that smaller institutions' foundation budgets (cost of education targets) exceed those of larger colleges (predominantly due to economies of scale issues). With higher total student charges targets, the allocation of the amount for that portion of student charges made up by tuition and that made up by fees resulted in differentiated tuition rates being set for campuses within segments.

While both the Administration and the Legislature have based their budget recommendations on the Board of Higher Education's Budget Formula for a number of years, one significant difference in approach was employed (and assumed by the BHE in its recent budget development process): the "Fair Share" allocation of costs was eliminated from the funding recommendation process and funding gap closure was assigned solely to the Commonwealth (over a certain period of years). As a result, neither adherence to the System Financing Policy (and associated with that, the formula utilization methodology) nor political considerations exist that were the basis for the differentiated tuitions within segments.

As a result, students attending smaller institutions pay a higher tuition rate than students attending larger institutions and this revenue (for Day, State-Supported classes) is remitted to the Commonwealth; that is, the smaller, higher-cost institutions have not benefited from these differentiated tuition rates.

It is proposed that consideration be given to equalizing tuition rates within segments at no net costs to the Commonwealth for FY2011 (i.e., the amount of remitted tuition

revenue will not change as adjusted rates will result in slightly higher tuition at larger institutions and slightly reduced rates at smaller institutions).

Tuition and fee-setting guidelines for the Massachusetts College of Art and Design and Massachusetts Maritime Academy are outlined in the "Five-Year New Partnership Plans," approved by the Board in FY2004. Under the Partnership Plans, tuition rates are set by the board of trustees of each institution, and revenue is retained by the campus.

Pursuant to Section 7 of Chapter 15A of the General Laws, any material change to the five-year plan, as approved by the Board of Higher Education in FY2004, including any change to the projection for total student charges shall require approval of that change by the Board of Higher Education.

Proposed student charges for FY2010 at both institutions were reviewed by Board staff and are within the projections outlined in the five-year plan; action by the Board, therefore, is not required.