

**DATE:** November 18, 2021

**SUBJECT:** 2022-23 Student Fee Recommendations

**ACTION RECOMMENDED:** Approval

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### **BACKGROUND INFORMATION**

The Complete College Tennessee Act requires the Tennessee Higher Education Commission (THEC) make student fee and state appropriation recommendations concurrently. Numerous factors impact the tuition recommendation, including student affordability and financial aid, institutional revenues, and cost inflation factors. The FOCUS Act expanded THEC's authority on student fee levels, requiring that THEC issue binding tuition ranges each year. These ranges apply to the resident, undergraduate students' tuition (maintenance fee) rate, as well as the combined tuition and mandatory fee charge, and are set following the General Assembly's approval of a budget the following spring. Therefore, the ranges recommended for approval today are intended for guidance.

### **TENNESSEE'S TUITION AND FEE PROFILE**

Average full-time, annual tuition and mandatory fees for 2021-22 is \$9,923 at public universities, \$4,638 at community colleges, and \$4,008 at the Tennessee Colleges of Applied Technology (TCATs). Tennessee's public higher education tuition and fee levels are considered average compared to peers across member states of the Southern Regional Education Board. Tennessee institutions implemented the lowest consecutive growth in decades in the six years leading up to 2021-22, with tuition and fees increasing an average of 2.5 percent per year across all institutions. Over this same period state appropriations increased, on average, six percent per year. 2021-22 continued this trend, with the average tuition and fee increase below 2 percent.

### **RECOMMENDATION**

Staff recommendations for operating appropriations, student fees, and need-based financial aid work in concert to promote continuous improvement in student affordability. On average, tuition and fees account for roughly 60 percent of revenue generated at the universities, 45 percent at the community colleges and 33 percent at

the TCATs. Based on the 2021-22 proposed operating budgets, the combined tuition and state appropriation revenue for all formula units is approximately \$3.08 billion, with state appropriations comprising \$1.26 billion.

Since the implementation of the FOCUS Act authorized THEC to set binding tuition and fee ranges, staff have used the Consumer Price Index to account for inflationary impacts. Since then, CPI has increased an average of 1.5 percent annually. Over that same period, the average binding tuition and fee range was zero to three percent. This year, however, the comparable CPI has increased to 5.4 percent, resulting in greater inflationary pressures on all types of expenses at institutions, from salaries to renewable and nonrenewable resources.

To continue to center affordability for Tennesseans and allow for a recommended binding tuition and fee range in alignment with previous years, THEC is requesting an operating increase of \$90 million to the academic formula units, including \$25 million to fully fund increases in outcomes and productivity. This recurring increase represents about an eight percent growth in appropriation revenue but a less than three percent increase in total revenue. Institutions receiving state appropriation increases below eight percent may need to rely on modest tuition increases to keep up with outside pressures such as inflation, while institutions receiving more than eight percent may need little to no tuition increases to maintain revenue per full-time student.

Considering an appropriations request for formula units of \$90 million, THEC staff recommend a guiding tuition (maintenance fee) range of zero to three percent, as well as a guiding tuition and mandatory fee range of zero to three percent for all public universities, community colleges, and TCATs.

Scenarios for tuition increases in 2022-23 of zero, one-and-a-half, and three percent are presented and summarized in Attachment I. Attachment II provides a history of tuition and mandatory fee increases across all public institutions as well as the results of the tuition model based on different funding scenarios.

At this time, staff recommend the Commission adopt the tuition, and tuition and mandatory fee ranges as guidance only, with flexibility to approve final, binding ranges later in the fiscal year once clarity around the state budget and overall impact on higher education funding is determined.

# ATTACHMENT I

## 2022-23 Tuition and Fee Recommendation

|  |                                      |
|--|--------------------------------------|
| <b>Universities</b>                      | <b>0.0% to 3.0% Tuition Increase</b> |
| <b>Community Colleges</b>                | <b>0.0% to 3.0% Tuition Increase</b> |
| <b>TN Colleges of Applied Technology</b> | <b>0.0% to 3.0% Tuition Increase</b> |

### Tuition Levels

|   | 2021-22<br><br>Tuition | 2022-23 Scenarios |          |        |          |        |
|---|------------------------|-------------------|----------|--------|----------|--------|
|   |                        | = 0.0%            | = 1.5%   |        | = 3.0%   |        |
|   |                        |                   | Increase | Change | Increase | Change |
| <b>APSU</b>                                 | \$7,146                | \$7,146           | \$7,253  | \$107  | \$7,360  | \$214  |
| <b>ETSU</b>                                 | 7,722                  | 7,722             | 7,838    | 116    | 7,954    | 232    |
| <b>MTSU</b>                                 | 7,704                  | 7,704             | 7,820    | 116    | 7,935    | 231    |
| <b>TSU</b>                                  | 7,128                  | 7,128             | 7,235    | 107    | 7,342    | 214    |
| <b>TTU (Prior to Fall 2020)<sup>1</sup></b> | 8,196                  | 8,196             | 8,319    | 123    | 8,442    | 246    |
| <b>TTU (Fall 2020 or after)<sup>1</sup></b> | 9,240                  | 9,240             | 9,379    | 139    | 9,517    | 277    |
| <b>UM (Non-Guaranteed)<sup>2</sup></b>      | 8,352                  | 8,352             | 8,477    | 125    | 8,603    | 251    |
| <b>UM (Guaranteed)<sup>2</sup></b>          | 8,352                  | 8,352             | 8,477    | 125    | 8,603    | 251    |
| <b>UTC (Soar in Four)<sup>3</sup></b>       | 7,992                  | 7,992             | 8,112    | 120    | 8,232    | 240    |
| <b>UTC (Returning)<sup>3</sup></b>          | 7,200                  | 7,200             | 7,308    | 108    | 7,416    | 216    |
| <b>UTK</b>                                  | 11,332                 | 11,332            | 11,502   | 170    | 11,672   | 340    |
| <b>UTM</b>                                  | 8,378                  | 8,378             | 8,504    | 126    | 8,629    | 251    |
| <b>UTS<sup>4</sup></b>                      | 9,000                  | 9,000             | 9,135    | 135    | 9,270    | 270    |
| <b>CC Avg</b>                               | 4,326                  | 4,326             | 4,391    | 65     | 4,456    | 130    |
| <b>TCATs</b>                                | 3,759                  | 3,759             | 3,815    | 56     | 3,872    | 113    |

1 - Full-time students admitted in Fall 2020 or after at Tennessee Technological University pay a flat rate for 15 credit hours per semester, regardless of the number of hours taken. Full-time students admitted prior to Fall 2020 and part-time students pay a per credit hour rate for the first 12 credit hours and a discounted rate for additional hours.

2 - The University of Memphis offers a "guaranteed tuition" option to undergraduate students. All incoming first-time, full-time freshmen are eligible to enroll in this tuition plan, which guarantees their freshman fall semester tuition rate for eight consecutive regular semesters if they take at least 12 credit hours per semester.

3 - First-time, full-time students enrolled at UT Chattanooga pay a flat rate for 15 credit hours per semester, regardless of the number of hours taken. Returning and part-time students are charged a flat rate for 12 credit hours per semester, regardless of the number of hours taken.

4 - UT Southern was acquired by the UT System on July 1, 2021.

**Note: "Tuition" is used here for ease of understanding, though UT, TBR, and the LGIs use the term "Maintenance Fee" when discussing tuition.**

## ATTACHMENT I

### 2022-23 Tuition and Fee Recommendation

|  |  |
|--|--|
| <b>Universities</b>                      | <b>0.0% to 3.0% Tuition and Fee Increase</b> |
| <b>Community Colleges</b>                | <b>0.0% to 3.0% Tuition and Fee Increase</b> |
| <b>TN Colleges of Applied Technology</b> | <b>0.0% to 3.0% Tuition and Fee Increase</b> |

#### Tuition and Fee Levels

|   | 2021-22        |         |         | 2022-23 Scenarios        |          |        |          |        |
|---|----------------|---------|---------|--------------------------|----------|--------|----------|--------|
|   | Mandatory Fees | Tuition | Total   | Tuition and Fee Increase |          |        |          |        |
|   |                |         |         | = 0.0%                   | = 1.5%   |        | = 3.0%   |        |
|   |                |         |         |                          | Increase | Change | Increase | Change |
| <b>APSU</b>                                 | \$1,615        | \$7,146 | \$8,761 | \$8,761                  | \$8,892  | \$131  | \$9,024  | \$263  |
| <b>ETSU</b>                                 | 1,952          | 7,722   | 9,674   | 9,674                    | 9,819    | 145    | 9,964    | 290    |
| <b>MTSU</b>                                 | 1,889          | 7,704   | 9,593   | 9,593                    | 9,737    | 144    | 9,881    | 288    |
| <b>TSU</b>                                  | 1,207          | 7,128   | 8,335   | 8,335                    | 8,460    | 125    | 8,585    | 250    |
| <b>TTU (Prior to Fall 2020)<sup>1</sup></b> | 1,282          | 8,196   | 9,478   | 9,478                    | 9,620    | 142    | 9,762    | 284    |
| <b>TTU (Fall 2020)<sup>1</sup></b>          | 1,282          | 9,240   | 10,522  | 10,522                   | 10,680   | 158    | 10,838   | 316    |
| <b>UM (Non-Guaranteed)<sup>2</sup></b>      | 1,704          | 8,352   | 10,056  | 10,056                   | 10,207   | 151    | 10,358   | 302    |
| <b>UM (Guaranteed)<sup>2</sup></b>          | 1,704          | 8,352   | 10,056  | 10,056                   | 10,207   | 151    | 10,358   | 302    |
| <b>UTC (Soar in Four)<sup>3</sup></b>       | 1,856          | 7,992   | 9,848   | 9,848                    | 9,996    | 148    | 10,143   | 295    |
| <b>UTC (Returning)<sup>3</sup></b>          | 1,856          | 7,200   | 9,056   | 9,056                    | 9,192    | 136    | 9,328    | 272    |
| <b>UTK</b>                                  | 1,912          | 11,332  | 13,244  | 13,244                   | 13,443   | 199    | 13,641   | 397    |
| <b>UTM</b>                                  | 1,534          | 8,378   | 9,912   | 9,912                    | 10,061   | 149    | 10,209   | 297    |
| <b>UTS<sup>4</sup></b>                      | 1,200          | 9,000   | 10,200  | 10,200                   | 10,353   | 153    | 10,506   | 306    |
| <b>CC Avg</b>                               | 312            | 4,326   | 4,638   | 4,638                    | 4,707    | 70     | 4,777    | 139    |
| <b>TCATs</b>                                | 249            | 3,759   | 4,008   | 4,008                    | 4,068    | 60     | 4,128    | 120    |

1 - Full-time students admitted in Fall 2020 or after at Tennessee Technological University pay a flat rate for 15 credit hours per semester, regardless of the number of hours taken. Full-time students admitted prior to Fall 2020 and part-time students pay a per credit hour rate for the first 12 credit hours and a discounted rate for additional hours.

2 - The University of Memphis offers a "guaranteed tuition" option to undergraduate students. All incoming first-time, full-time freshmen are eligible to enroll in this tuition plan, which guarantees their freshman fall semester tuition rate for eight consecutive regular semesters if they take at least 12 credit hours per semester.

3 - First-time, full-time students enrolled at UT Chattanooga pay a flat rate for 15 credit hours per semester, regardless of the number of hours taken. Returning and part-time students are charged a flat rate for 12 credit hours per semester, regardless of the number of hours taken.

4 - UT Southern was acquired by the UT System on July 1, 2021.

**Note: "Tuition" is used here for ease of understanding, though UT, TBR, and the LGIs use the term "Maintenance Fee" when discussing tuition.**

## ATTACHMENT II Tuition and Mandatory Fees History

### Tuition and Mandatory Fees History

|                                       | 2016-17 | 2020-21 | 2021-22 | 1 Year Change | 5 Year Change |
|---------------------------------------|---------|---------|---------|---------------|---------------|
| APSU                                  | \$7,995 | \$8,627 | \$8,761 | 1.6%          | 9.6%          |
| ETSU <sup>1</sup>                     | 8,599   | 9,491   | 9,674   | 1.9%          | 12.5%         |
| MTSU                                  | 8,610   | 9,424   | 9,593   | 1.8%          | 11.4%         |
| TSU                                   | 7,568   | 8,183   | 8,335   | 1.9%          | 10.1%         |
| TTU (Prior to Fall 2020) <sup>2</sup> | 8,551   | 9,318   | 9,478   | 1.7%          | 10.8%         |
| TTU (Fall 2020) <sup>2</sup>          |         | 10,338  | 10,522  | 1.8%          |               |
| UM (Non-Guaranteed) <sup>3</sup>      | 9,497   | 9,912   | 10,056  | 1.5%          | 5.9%          |
| UM (Guaranteed) <sup>3</sup>          |         | 9,936   | 10,056  | 1.2%          |               |
| UTC (Soar in Four) <sup>4</sup>       |         | 9,656   | 9,848   | 2.0%          |               |
| UTC (Returning) <sup>4</sup>          | 8,544   | 8,880   | 9,056   | 2.0%          | 6.0%          |
| UTK <sup>1</sup>                      | 12,668  | 13,264  | 13,244  | -0.2%         | 4.6%          |
| UTM <sup>1</sup>                      | 8,783   | 9,748   | 9,912   | 1.7%          | 12.9%         |
| UTS <sup>5</sup>                      |         |         | 10,200  |               |               |
| CC Avg                                | 4,226   | 4,553   | 4,638   | 1.9%          | 9.7%          |
| TCATs                                 | 3,647   | 3,936   | 4,008   | 1.8%          | 9.9%          |

### Mandatory Fees History

|                   | 2016-17 | 2020-21 | 2021-22 | 1 Year Change | 5 Year Change |
|-------------------|---------|---------|---------|---------------|---------------|
| APSU              | \$1,473 | \$1,583 | \$1,615 | 2.0%          | 9.6%          |
| ETSU <sup>1</sup> | 1,597   | 1,919   | 1,952   | 1.7%          | 22.2%         |
| MTSU              | 1,680   | 1,870   | 1,889   | 1.0%          | 12.4%         |
| TSU               | 1,040   | 1,157   | 1,207   | 4.3%          | 16.1%         |
| TTU               | 1,171   | 1,278   | 1,282   | 0.3%          | 9.5%          |
| UM                | 1,637   | 1,704   | 1,704   | 0.0%          | 4.1%          |
| UTC               | 1,776   | 1,820   | 1,856   | 2.0%          | 4.5%          |
| UTK               | 1,810   | 1,932   | 1,912   | -1.0%         | 5.6%          |
| UTM               | 1,408   | 1,534   | 1,534   | 0.0%          | 8.9%          |
| UTS <sup>5</sup>  |         |         | 1,200   |               |               |
| CC Avg            | 296     | 311     | 312     | 0.3%          | 5.3%          |
| TCATs             | 230     | 249     | 249     | 0.0%          | 8.3%          |

1 - 2016-17 tuition and/or mandatory fees represent a weighted average.

2 - Full-time students admitted in Fall 2020 or after at Tennessee Technological University pay a flat rate for 15 credit hours per semester, regardless of the number of hours taken. Full-time students admitted prior to Fall 2020 and part-time students pay a per credit hour rate for the first 12 credit hours and a discounted rate for additional hours.

3 - The University of Memphis offers a "guaranteed tuition" option to undergraduate students. All incoming first-time, full-time freshmen are eligible to enroll in this tuition plan, which guarantees their freshman fall semester tuition rate for eight consecutive regular semesters if they take at least 12 credit hours per semester.

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# ATTACHMENT II

## 2022-23 Tuition Model Analysis Scenarios

The following scenarios utilize the THEC Tuition Model to estimate the tuition range required to maintain the 2022-23 estimated total revenue per FTE. The scenarios assume flat enrollment at universities, community colleges, and colleges of applied technology and a 4.0% increase in inflation costs. This analysis is presented for information purposes only and is meant to provide guidance on the recommended tuition range. Binding tuition ranges will be set in Spring 2022 in conjunction with the passage of the General Appropriations Act.

### Tuition Increase With a \$90.0M (7.2%) Increase in State Appropriations<sup>1</sup>

| Model Assumptions          | Universities         | CCs  | TCATs |
|----------------------------|----------------------|------|-------|
| Costs Inflation            | 4.0%                 | 4.0% | 4.0%  |
| Enrollment                 | 0.0%                 | 0.0% | 0.0%  |
| State Appropriations       | 7.4%                 | 6.8% | 6.2%  |
| <b>Tuition Model Range</b> | <b>-1.1% to 4.9%</b> |      |       |

### Tuition Increase With Overall Flat Appropriations

| Model Assumptions          | Universities         | CCs   | TCATs |
|----------------------------|----------------------|-------|-------|
| Costs Inflation            | 4.0%                 | 4.0%  | 4.0%  |
| Enrollment                 | 0.0%                 | 0.0%  | 0.0%  |
| State Appropriations       | 0.2%                 | -0.4% | -0.9% |
| <b>Tuition Model Range</b> | <b>6.0% to 15.1%</b> |       |       |

### Tuition Increase With a \$130M (10.4%) Increase in State Appropriations<sup>2</sup>

| Model Assumptions          | Universities         | CCs   | TCATs |
|----------------------------|----------------------|-------|-------|
| Costs Inflation            | 4.0%                 | 4.0%  | 4.0%  |
| Enrollment                 | 0.0%                 | 0.0%  | 0.0%  |
| State Appropriations       | 10.7%                | 10.0% | 9.4%  |
| <b>Tuition Model Range</b> | <b>-6.8% to 0.0%</b> |       |       |

1- Based on a request of \$25M for outcomes productivity and \$65M to prioritize an average tuition and fee range of 0.0% to 3.0%, resulting in a total new recurring appropriation recommendation of \$90M.

2 - Based on a request of \$25M for outcomes productivity and \$105M to prioritize flat tuition and fees, resulting in a total new recurring appropriation recommendation of \$130M.

Note: The recommendation is based on an assumed costs inflation rate of 4.0% as determined by the Consumer Price Index less food and energy costs.