

Tuition Waivers

Review of Authorized Tuition Waivers in USHE

Tuition waivers are a type of financial aid used to help students pay for college and are often considered, and even called, scholarships by institutions and students. In recent years, both the amount of tuition waived and uses of tuition waivers have expanded. This brief provides a review of tuition waivers for the Utah System of Higher Education (USHE), focusing only on legislatively authorized tuition waivers and does not address other various forms of state-related aid (e.g. concurrent enrollment, tuition plateaus, or state funded scholarships).

Commitment to Keep College Affordable

Utah is currently ranked 4th in the nation for the lowest 4-year tuition rates for public institutions and consistently has the lowest student debt amounts.^{1,2} The Board of Regents and USHE institutions are committed to keeping college affordable by keeping tuition rates as low as possible while ensuring that institutions continue to have the resources necessary to provide the educational experience that students expect. In the 2025 Regents' Strategic Plan, the Board has specifically identified "Affordable Participation" as one of its three priority goals for the next 10 years. The Board recognizes that in order to keep college affordable for students in the future, access to student aid is critical.

Student aid comes in many forms including federal grants, scholarships, and tuition waivers. From a student perspective, all student aid serves the same purpose. Ultimately, aid reduces the out-of-pocket amount that a student must pay for their education. However, not all student aid is the same from an institutional perspective. The various student aid programs have different financial impacts on the amount of revenue institutions receive. For example, a scholarship is generally funded from either a third party or through institutional resources and provides actual dollars to support the cost of education on behalf of a student. Tuition waivers, however, are not funded with actual dollars, but are considered a discount which reduces the amount of tuition that an institution collect from the student. Tuition waivers provide the Board and USHE institutions with a number of different financial tools to help keep college affordable, attract top performing students, and retain students through completion. Institutions are becoming more innovative and intentional in the use of their tuition waivers by creating programs that help students complete their educational goals such as Dream Weber and SLCC Promise.

In order to ensure that adequate resources are available to meet their mission and roles, while providing access to financial support for students, institutions monitor and track the amount of tuition waivers awarded and annually report this information to the Board.

Statutory Tuition Waivers

In Utah statute, there are over 21 different variations of tuition waivers designed to financially assist both resident and non-resident students who choose to attend a USHE institution. For non-resident waivers, the Utah

¹ Ma, J., Baum, S., Pender, M., & Welch, M. (2016). Trends in College Pricing 2016. Retrieved July 5, 2017, from https://trends.collegeboard.org/sites/default/files/2016-trends-college-pricing-web_1.pdf

² Cochrane, D., & Cheng, D. (2016, October). Student Debt and the Class of 2015. Retrieved July 5, 2017, from http://ticas.org/sites/default/files/pub_files/classof2015.pdf

Legislature has identified six specific purposes justifying the use of non-resident tuition waivers. These purposes are identified as:

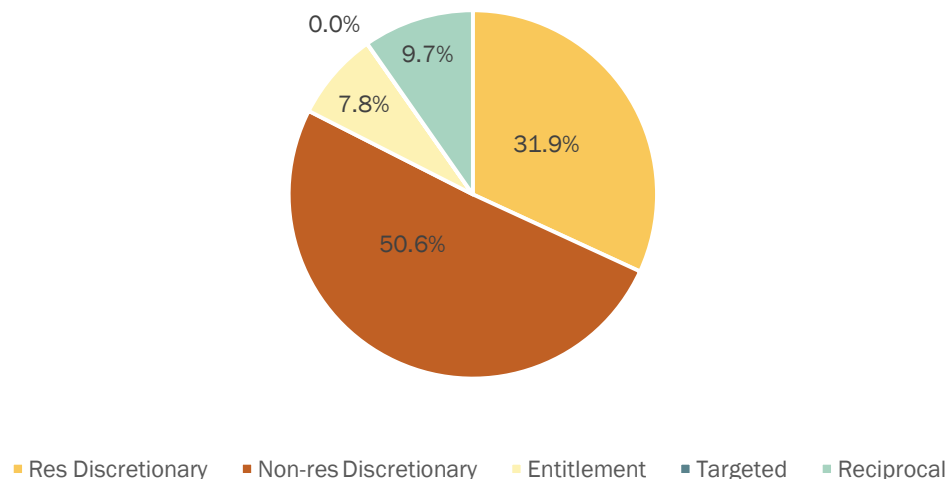
1. Enhance educational opportunities for Utah residents
2. Promote mutually beneficial cooperation and development of Utah communities and nearby communities in neighboring states
3. Contribute to the quality and desirable cultural diversity of educational programs
4. Assist in maintaining an adequate level of service and related cost-effectiveness of auxiliary operations
5. Promote enrollment of non-resident students with high academic aptitudes
6. Recognize legacy of past graduates and continued connection to their alma mater

For the purpose of this issue brief, the tuition waivers have been categorized in the following manner:

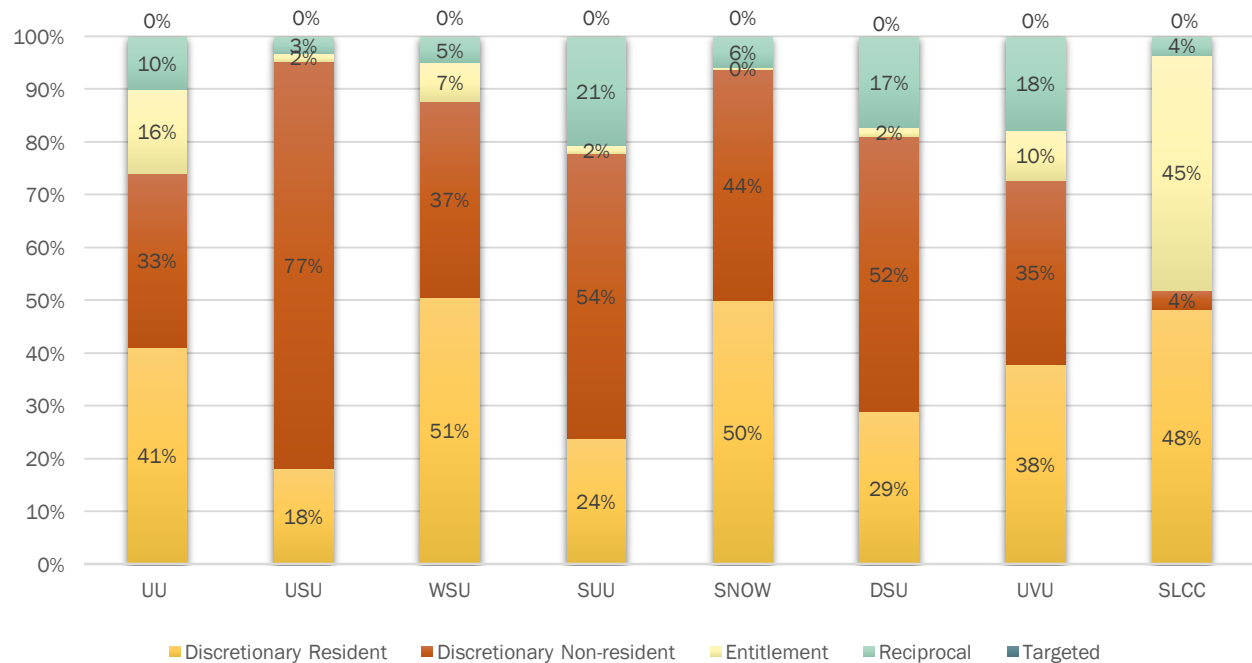
1. Discretionary resident waivers
2. Discretionary non-resident waivers
3. Reciprocal partnership waivers
4. Targeted waivers
5. Entitlement waivers

In FY 2015-16, USHE institutions provided over \$125 million in tuition waivers. Of those dollars waived, \$43 million was waived on behalf of resident students and \$82 million on behalf of non-resident students. The following charts show the distribution of tuition waivers used in FY 2015-16 according to the categories identified above.

Utah System of Higher Ed
Tuition Waiver Use by Category
FY 2015-16



Distribution of Tuition Waivers by Institution and Category
FY 2015-16



Discretionary Tuition Waivers

The most utilized type of tuition waivers are the discretionary tuition waivers. The Utah State Legislature has provided authorization to the Board and USHE presidents to award full or partial tuition waivers (at their discretion) for residents and non-residents based on merit and/or financial need. In the case of non-residents that authority has been extended to include an alumni connection or athlete status. In FY 2015-16, USHE institutions waived approximately \$104 million in tuition on behalf of students through discretionary tuition waivers. This represents 82.5% of waivers awarded in FY 2015-16.

Waivers included in this category include:

- 10% resident waivers
- Non-resident meritorious undergraduate waivers
- Non-resident meritorious graduate waivers
- Non-resident summer tuition waivers (not currently tracked)
- Non-resident transition waivers
- Legacy alumni waivers
- Non-resident athlete waivers

Reciprocal Partnership Waivers

Reciprocal partnership waivers are the second most utilized tuition waivers in the system. For FY 2015-16, over \$12 million in tuition waivers were awarded on behalf of students through reciprocal partnership waivers. This represents 9.7% of waivers awarded in FY 2015-16.

Waivers included in this category include:

- WICHE Western Undergraduate Exchange (WUE) waivers
- Dixie Good Neighbor waivers
- Border waivers
- Reciprocal agreement waivers

The waiver used most in this category is the WICHE Western Undergraduate Exchange program. Utah is a long-standing member of the Western Interstate Commission for Higher Education (WICHE) and as a member participates in several reciprocal tuition agreements with the surrounding western states. The most popular of these programs is the Western Undergraduate Exchange program where states have agreed to enroll non-resident students at their institutions at 1.5 times the resident tuition rate. In Fall of 2015, Utah had 960 of its residents attend institutions in the surrounding western states under this program and served 1,377 students from outside of the state.

Entitlement Tuition Waivers

Over the years, several entitlement tuition waivers have been approved by the legislature to help assist our military families, dependents of fallen soldiers, police officers, and firefighters, wards of the state, foreign and undocumented high school graduates, and senior citizens. In FY 2015-16, USHE institutions waived over \$9.7 million through entitlement tuition waivers, which represents 7.8% of the waivers awarded in FY 2015-16. Of the \$9.7 million waived, over \$6.5 million in waivers were provided to Foreign National and Undocumented Utah High School Graduates, approximately \$2.2 million was provided to senior citizens, and \$1 million was provided to members of the military or their respective dependents.

Waivers included in this category include:

- Purple Heart Recipient Waivers
- National Guard Member waivers
- Military member and dependents waivers
- Scott B Lundell Fallen Soldier dependents waivers
- Fallen Police and Firefighter dependents waivers
- Wards of the State Tuition Waivers
- Foreign National Utah High School Graduates
- Undocumented Utah High School Graduates
- Senior Citizens

Targeted Tuition Waivers

Targeted tuition waivers are generally reserved for addressing unique or pressing employment needs in the state. At this time, the only tuition waiver being utilized in this category is the K-12 educator professional development tuition waiver. The USHE institutions waived approximately \$24,000 through targeted tuition waivers in FY 2015-16.

Waivers included in this category include:

- Public School Teacher waivers
- Sequential Mandarin Chinese waivers
- Critical Occupation waivers

Review of the Use of Tuition Waivers

Over the last 10 years, USHE institutions have increased the overall amount of tuition waivers that they have awarded to resident and non-resident students. In FY 2006-07, USHE institutions waived approximately 10.5% of the total amount of tuition revenue that it could have assessed. In FY 2015-16, that amount increased to 14.5%.

FY 2006-07 All Students			FY 2015-16 All Students		
Institution	\$ Waived	% Waived		\$ Waived	% Waived
Utah	9,361,791	6.9%		22,710,508	7.3%
USU	13,555,184	18.3%		41,575,334	23.4%
WSU	4,968,379	11.0%		13,164,218	16.0%
SUU	3,390,733	15.3%		13,274,411	26.0%
SNOW	632,634	11.8%		2,278,656	18.2%
DSU	2,183,061	20.7%		7,342,227	21.9%
UVU	4,255,919	7.9%		20,437,757	15.3%
SLCC	2,155,322	5.7%		5,044,311	8.2%
USHE	40,503,023	10.5%		125,827,422	14.5%

To help the Board understand the growth in tuition waivers, the following chart looks at the change in percentage of tuition waived for residents versus non-residents over the last 10 years. From a system perspective, the USHE institutions have consistently waived approximately seven percent of resident tuition, while they have increased the percent of non-resident tuition waived from 21.9% to 33.4% in that same time frame.

FY 2006-07			FY 2015-16		
Institution	Residents % Waived	Non-residents % Waived		Residents % Waived	Non-residents % Waived
UTAH	5.5%	10.8%		5.0%	13.0%
USU	8.4%	41.8%		7.0%	51.3%
WSU	8.4%	28.6%		10.1%	46.5%
SUU	9.6%	29.8%		10.5%	49.8%
SNOW	10.3%	15.2%		12.1%	37.2%
DSU	10.9%	50.3%		10.5%	42.3%
UVU	6.9%	10.8%		8.2%	35.6%
SLCC	4.8%	11.3%		5.0%	23.7%
USHE	7.0%	21.9%		7.0%	33.4%

Change in Average Revenue per Non-resident FTE Student

Regent policy R510, *Tuition and Fees*, establishes the policy regarding how the published tuition rate, also known as the “sticker price,” is set at USHE institutions.

3.5. Resident/Nonresident Tuition Relationships: Undergraduate nonresident tuition shall be set at no less than 3.0 times the institutional undergraduate resident tuition rate. The Board may grant exceptions on a case-by-case basis.

When advancing annual tuition adjustment recommendations to the Board of Regents for approval, institutions are required to forward a proposal for both resident and non-resident tuition rates.

How much more tuition do non-resident students actually pay in tuition compared to resident students? When looking strictly at average net tuition collected per student - using a calculated full-time equivalent student (FTE), the average net tuition collected per non-resident student decreased from 2.21 to 1.57 times resident tuition between FY 2006-07 and FY 2015-16 .

<u>Resident Students</u>		<u>Non-Resident Students</u>	
FY 2015-16 Per FTE		FY 2015-16 Per FTE	
State Funds :	\$7,607	Avg. Net Tuition:	\$8,982
Avg. Net Tuition:	\$5,723		157% of Resident Tuition
Total Revenue:	\$13,330		67% of Total Resident Revenue
FY 2006-07 per FTE		FY 2006-07 per FTE	
State Funds :	\$6,736	Avg. Net Tuition:	\$6,837
Avg. Net Tuition:	\$3,091		221% of Resident Tuition
Total Revenue:	\$9,827		70% of Total Resident Revenue

The change in the average tuition collected per non-resident FTE is a result of the increased use of non-resident tuition waivers over the last decade. There are several factors that contributed to the growth in use of non-resident tuition waivers over the last 10 years including the following:

- The Great Recession (2008-2012)
 - Increased economic pressures on state tax funds
 - Increased pressure to “diversify” revenue streams
- Legislative approval of additional non-resident tuition waivers (2009)
 - Legacy Alumni Waivers
 - Dixie Good Neighbor Waivers
- Regent policy R513, *Tuition Waivers and Reductions* change to remove the cap on WICHE Western Undergraduate Exchange Waivers (March 2013)
- Missionary age change (2012)
 - Temporary enrollment declines in resident students
- Increased competition to recruit non-resident students nationally
 - Decreased enrollments across higher education nationally
 - Students expect institutions to offer discounts to attend

The Board recognizes that the system enrollment will continue to grow and has estimated that an additional 60,000 + students will attend USHE institutions over the next 10 years. This growth will likely be comprised of both residents and non-resident students in order to help keep the USHE institutions and state economically strong and viable and to meet the growing employer needs in the state. The Board recognizes that it will be necessary to import talent to the state and higher education has a role to play in educating that talent.

If we use the last 10 years as a gauge to measure what our enrollment mix look like moving forward, we will continue to see a growth in the number of non-resident students we serve as a percentage of our total student population. Growth in budget-related non-resident students over the last 10 years increased from 10.6% to 15.5% of the total budget-related annualized FTE students. This growth in non-residents is likely a reflection of the more aggressive recruitment strategies utilizing non-resident tuition waivers to help USHE institutions manage enrollment levels during the economic downturn and when the LDS missionary age change went into effect in 2012.

The enrollment strategies implemented over the last 10 years were focused on how to not only emerge from the economic downturn in a strong financial position, but also to address the enrollment impact associated with the LDS missionary age change that resulted in more residents deferring college attendance for ecclesiastical service immediately after high school graduation and before entering college. Institutions were successful in their enrollment strategies as demonstrated by the growth that occurred during this time frame for both residents and non-resident students. The system grew by 19,870 budget-related annualized FTE (20%). Budget-related annualized FTE student growth was comprised of 60% Utah residents (12,015 FTE) and 40% non-residents (7,855 FTE). It is important for the Board to understand institution enrollment strategies for the next 10 years and identify how to assess how effective the institutions are meeting their enrollment strategies and how tuition waivers will be utilized to support that strategy.