

Tuition Board Policy Update

November 11, 2015

Status Update

- Finance Committee was asked to review the current tuition and per credit hour fee financial Board policy
- Reviewed available data, had some concerns with the current policy
- Shared potential policy options with the campus community for feedback last spring
- Provided status at May Committee of the Whole meeting
- Prepared a recommendation, which has received the support of Shared Governance

Current Tuition Policy and Concerns

Policy

Limit the annual tuition and per credit hours fee increases to a maximum of the change in the annual December Consumer Price Index (CPI-U) rate plus 2%, but not to exceed either 5% of total tuition and fees or the Illinois statute limitation.

Concerns

- CPI-U is a volatile index impacted by swings in single market segments.
- Policy may lack flexibility to meet the needs of the College.

CPI-U Volatility vs. HECA

<u>Year</u>	<u>CPI-U</u>	<u>HECA</u>	<u>Variance</u>
2006	2.5%	3.2%	0.7%
2007	4.1%	3.6%	-0.5%
2008	0.1%	2.9%	2.8%
2009	2.7%	1.6%	-1.1%
2010	1.5%	1.5%	0.0%
2011	3.0%	2.1%	-0.9%
2012	1.7%	1.8%	0.1%
2013	1.5%	1.8%	0.3%
2014	0.8%	2.0%	1.2%
2015 *	0.1%	2.2%	2.1%
10 Yr. Average	1.8%	2.3%	0.5%
Range	0.1%-4.1%	1.5% - 3.6%	

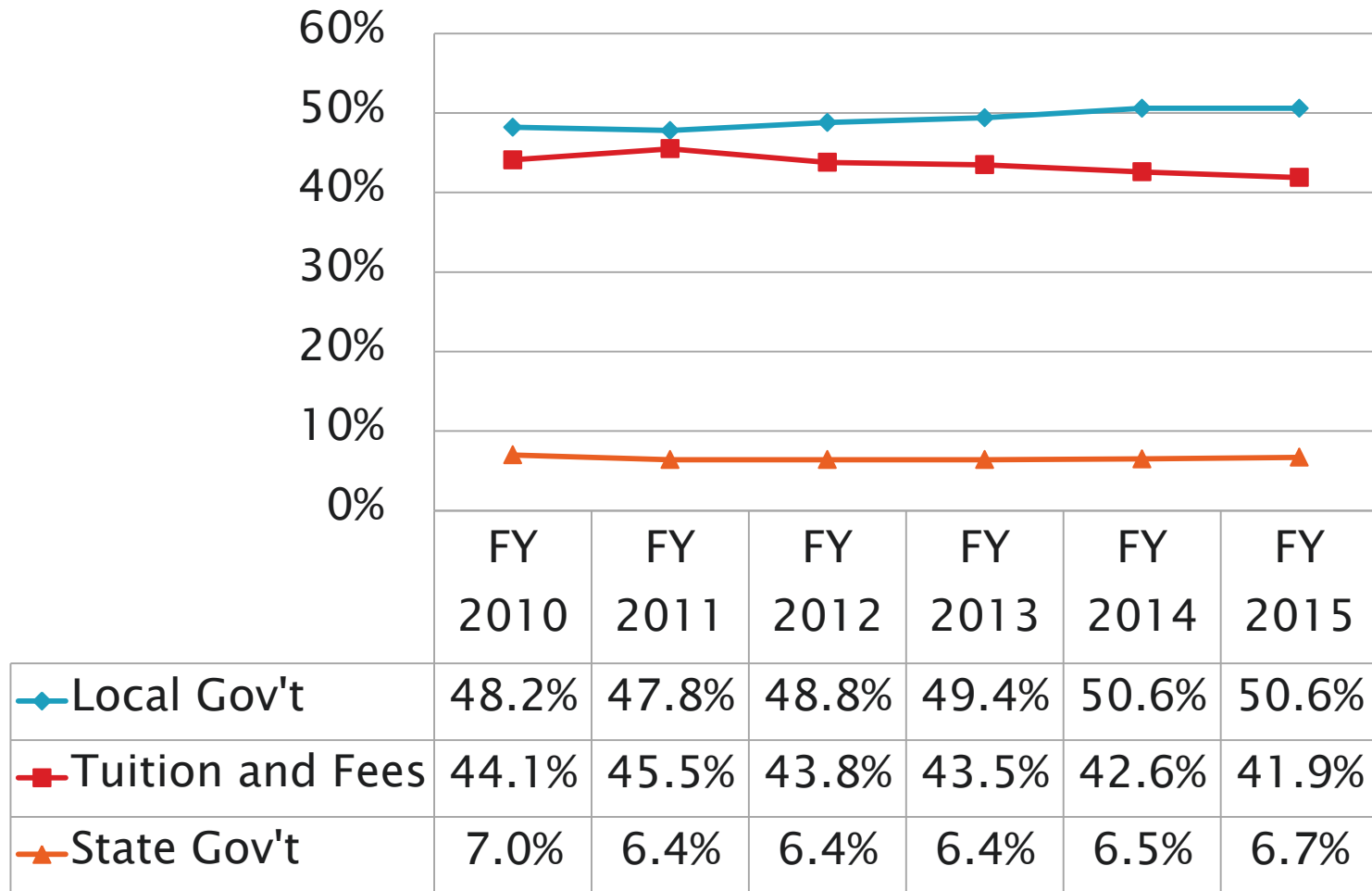
* As projected by the respective U.S. Government offices

Alternative Index – HECA

- Higher Education Cost Adjustment (HECA) Index
- Used by the State Higher Education Executive Officers Association as a CPI-U alternative for colleges and universities
- Consists of two federal indices
 - 75% = Employment Cost Index (ECI)
salaries and benefits
 - 25% = Gross Domestic Product Implicit Price Deflator (GDP IPD)
general price inflation

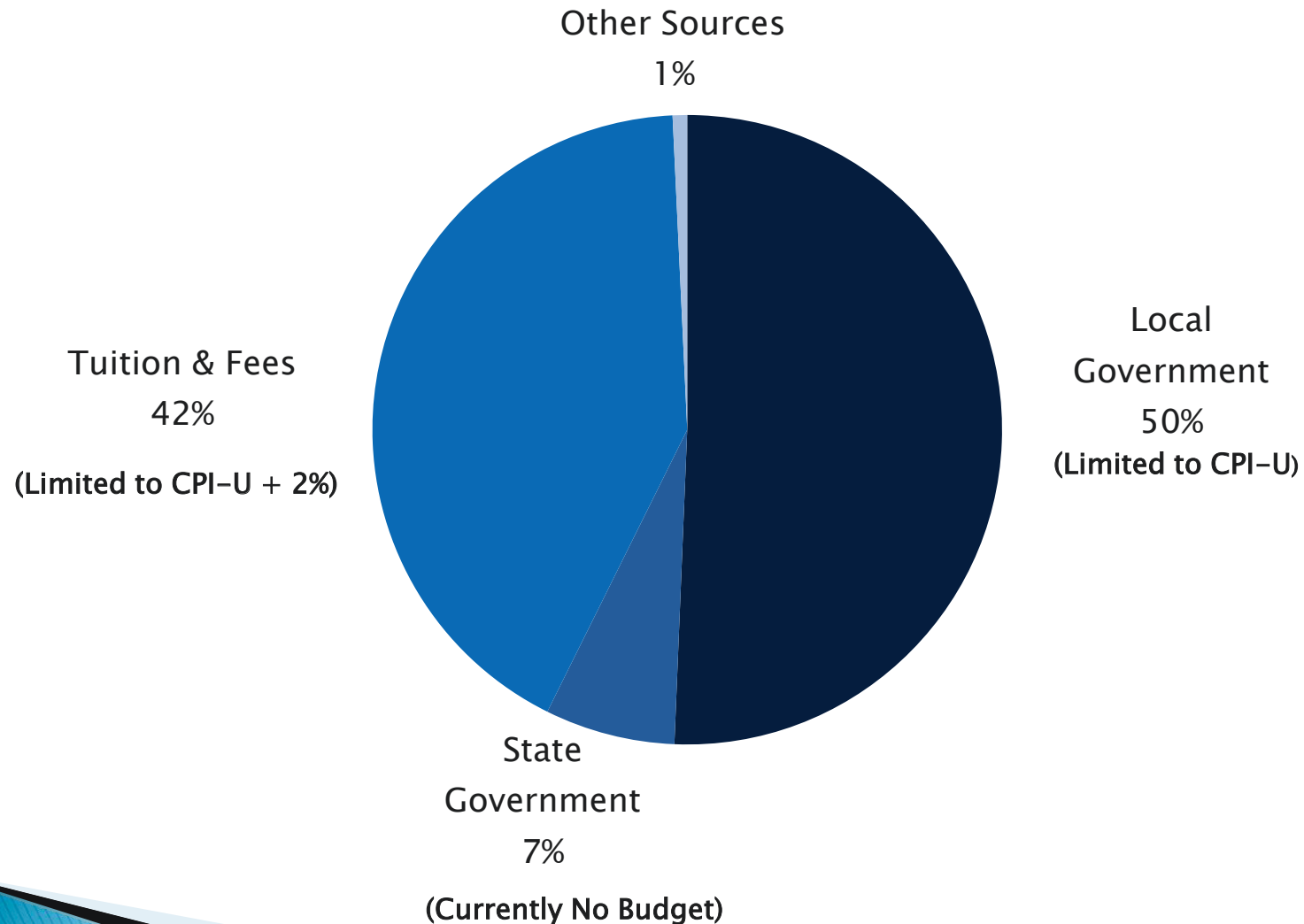
Financial Flexibility – Revenue

Tax Capped Funds



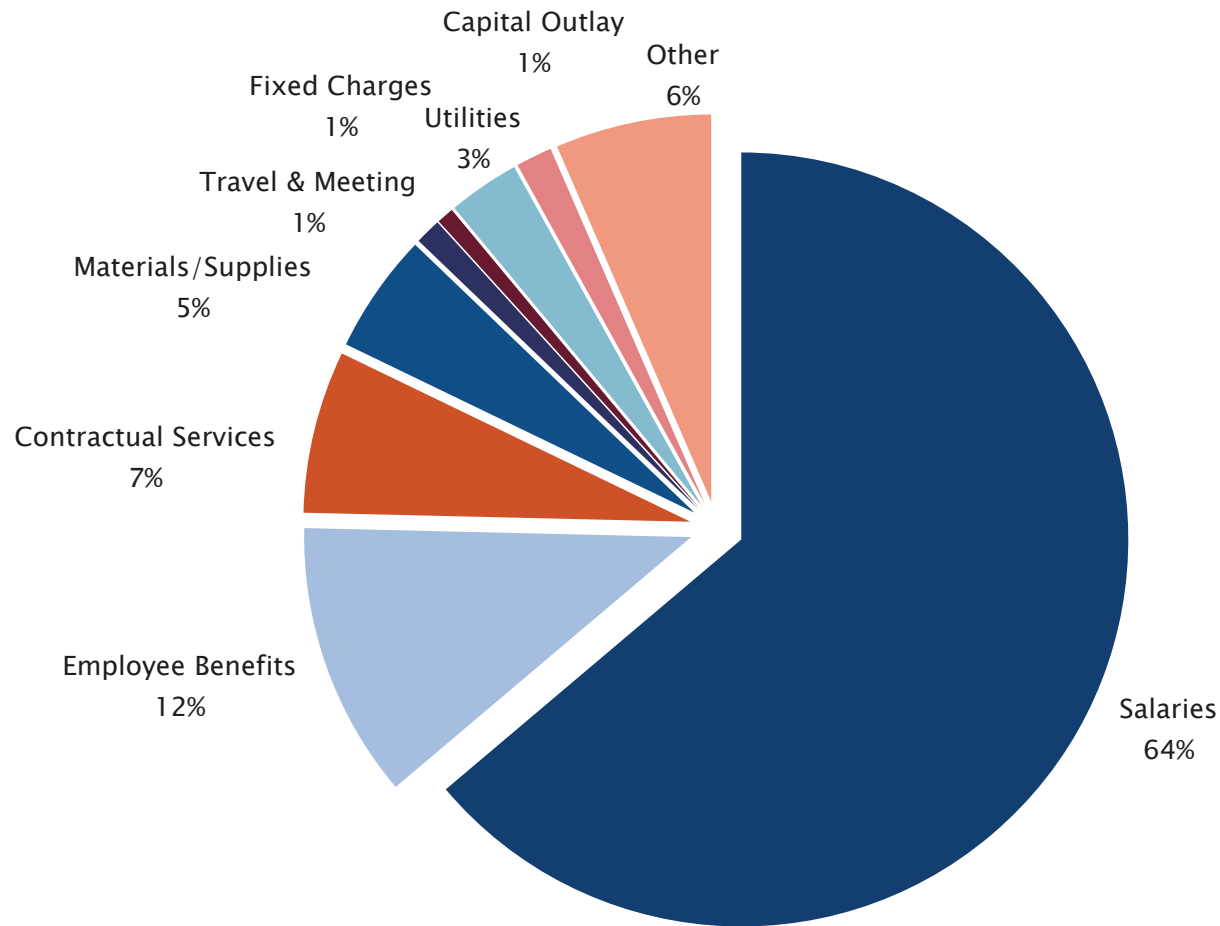
Financial Flexibility – Revenues

FY 2015 Tax Capped Funds



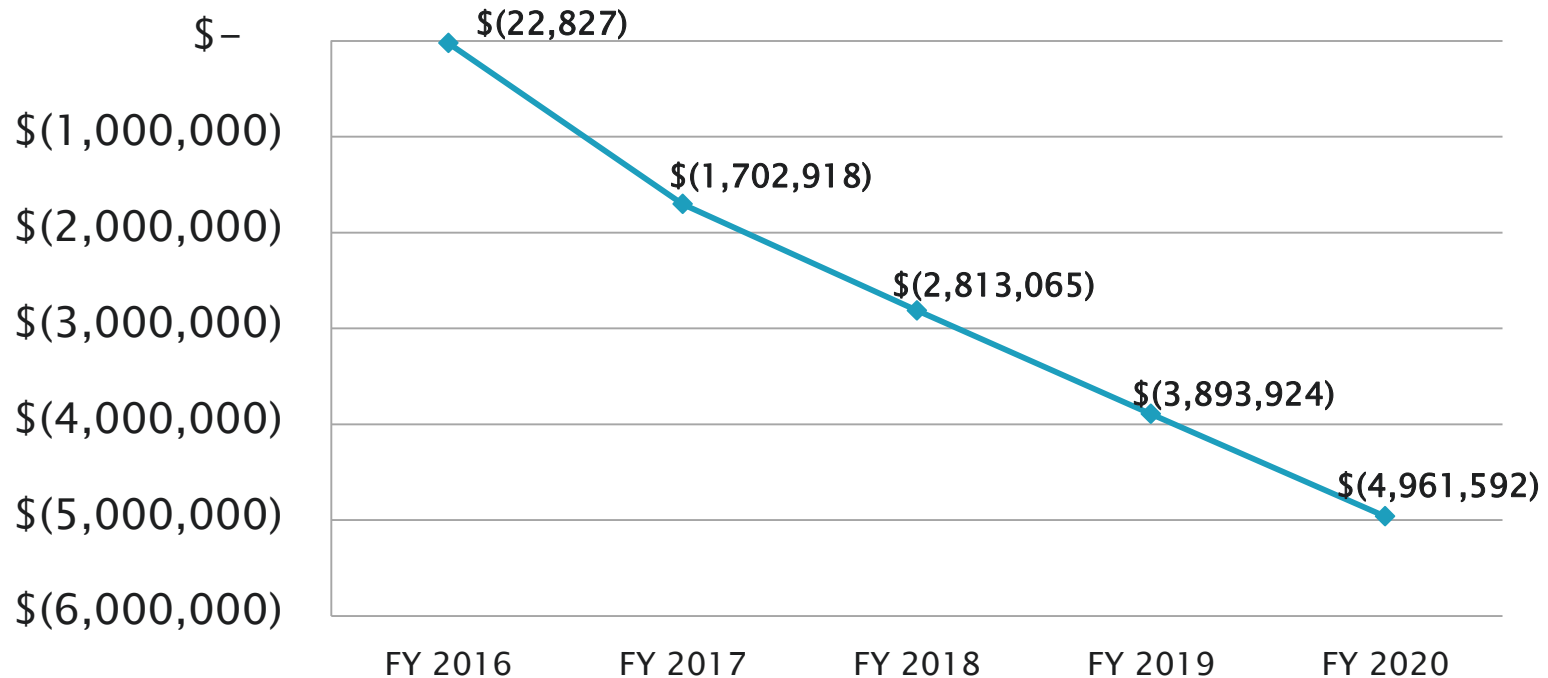
Financial Flexibility – Expenditures

FY 2015 Tax Capped Funds



Projected Annual Surplus/(Deficit)

Tax Capped Funds



Assumes current tuition policy maximum increases of CPI-U plus 2% (4.0% - 4.2% based on Bureau of Labor Statistics CPI-U projections).

New Tuition Policy Benefits

- ▶ HECA vs. CPI-U as an index
 - A more stable index
 - Not materially impacted by changes in a single index component (*Energy in 2014 and Housing in 2008*)
 - Aligns better with education cost drivers

- ▶ Increased flexibility to make fiscally responsible decisions given current exposures
 - State Funding
 - Property Tax Funding
 - Pension Costs
 - Enrollment

Recommendation

Proposed new policy:

Limit annual tuition and per credit hour fee increases to 6% of total tuition and fees or the Illinois statute limitation using the Higher Education Cost Adjustment (HECA) rate change as a guideline, as appropriate, to promote a balanced budget for Harper College and financial consistency for Harper students.

Current Policy:

Limit the annual tuition and per credit hours fee increases to a maximum of the change in the annual December Consumer Price Index (CPI-U) rate plus 2%, but not to exceed either 5% of total tuition and fees or the Illinois statute limitation.