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

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

* 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

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Local Gov't</strong></td>
<td>48.2%</td>
<td>47.8%</td>
<td>48.8%</td>
<td>49.4%</td>
<td>50.6%</td>
<td>50.6%</td>
</tr>
<tr>
<td><strong>Tuition and Fees</strong></td>
<td>44.1%</td>
<td>45.5%</td>
<td>43.8%</td>
<td>43.5%</td>
<td>42.6%</td>
<td>41.9%</td>
</tr>
<tr>
<td><strong>State Gov't</strong></td>
<td>7.0%</td>
<td>6.4%</td>
<td>6.4%</td>
<td>6.4%</td>
<td>6.5%</td>
<td>6.7%</td>
</tr>
</tbody>
</table>
Financial Flexibility – Revenues
FY 2015 Tax Capped Funds

- Tuition & Fees: 42% (Limited to CPI-U + 2%)
- Local Government: 50% (Limited to CPI-U)
- State Government: 7% (Currently No Budget)
- Other Sources: 1%

(No budget information available)
Financial Flexibility – Expenditures
FY 2015 Tax Capped Funds

- Salaries: 64%
- Employee Benefits: 12%
- Contractual Services: 7%
- Materials/Supplies: 5%
- Travel & Meeting: 3%
- Utilities: 3%
- Fixed Charges: 1%
- Capital Outlay: 1%
- Other: 6%
- Salaries: 64%
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
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.