



Oklahoma
State
Senate

Legislative Brief

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Tuition at Institutions of Higher Education

In Oklahoma, determining tuition limits is a constitutional power of the Legislature. During the 2001 legislative session, the Legislature passed Senate Bill No. 596 and for the first time since the mid 1980's delegated this authority, within certain limits, to the Oklahoma State Regents for Higher Education. For the next five years, the State Regents are authorized to increase tuition a maximum of 7 percent per year for Oklahoma residents, and 9 percent per year for nonresidents. Tuition rates at the professional schools (law, medicine, dental, veterinary medicine, etc.) may be increased by 10 percent per year for residents and 15 percent per year for nonresidents during that time.

Since enactment of this legislation all higher education institutions implemented the maximum percentage increase allowable with the exception of the University of Oklahoma Law School and the Oklahoma College of Osteopathic Medicine which implemented a 10 percent increase in tuition for nonresidents.

Tuition Rates for Oklahoma Higher Education Institutions, 2000-2001 and 2001-2002

Type of Institution	Undergraduate Per Credit Hour Rate for 2000-2001		Undergraduate Per Credit Hour Rate for 2001-2002		%
	Resident	Non-Resident	Resident	Non-Resident	
1. Comprehensive (OU and OSU, OSU-Tulsa)					
Lower	\$61.00	\$136.00	\$65.25	\$148.20	6.97%
Upper	\$65.00	\$153.00	\$69.55	\$166.75	7.00%
Graduate	\$86.00	\$188.50	\$92.00	\$205.45	6.98%
2. Regional Universities					
Lower	\$49.00	\$84.00	\$52.40	\$91.55	6.94%
Upper	\$50.00	\$93.00	\$53.50	\$101.35	7.00%
Graduate	\$66.00	\$109.00	\$70.60	\$118.80	6.97%
3. Two-Year Colleges					
All except Tulsa Community Coll.	\$31.50	\$67.50	\$33.70	\$73.55	6.98%
Tulsa Community College	\$32.00	\$69.00	\$34.20	\$75.20	6.88%
4. Technical Branches	\$44.00	\$80.00	\$47.05	\$87.20	6.93%
5. Higher Education Centers*					
Lower	\$52.50		\$56.15		6.95%
Upper	\$61.00		\$62.25		2.05%
Graduate	\$84.00		\$89.85		6.96%
7. OU/OSU Graduate	\$87.50	\$188.50	\$93.60	\$205.45	6.97%

* Non-resident tuition for these centers is same as provider institution.

Source: The Oklahoma State Regents for Higher Education, Tuition and Fee Rates Publication

The tuition rate increase will garner an additional \$15.3 million in revenue to higher education institutions for FY'02. Prior to this legislation the last tuition increase occurred during FY'00 when tuition rates were increased by the Legislature. At that time tuition rates increased by 7 percent for the two-year colleges, 6 percent for the regional universities and 8 percent for the comprehensive universities.

WHO HAS THE AUTHORITY TO SET TUITION?

Four-Year Institutions:

The authority to set tuition rates for public institutions of higher education rests with different entities in different states. In practice, tuition at four-year institutions in California, New York, North Carolina, and Texas is essentially set by the legislature despite constitutional or statutory authority of a system governing board to do so. In Florida, Indiana, and South Dakota, authority is shared between the legislature and system or institutional boards. Colorado splits tuition setting authority among the legislature, a state agency, and system and institutional boards. Tuition in Kentucky, Massachusetts, and Montana is officially set by a state agency. In New Mexico, individual institutions have constitutional authority to set tuition but in practice follow tuition set by a state agency. In all other states, tuition is set within the higher education system by the system governing board, institutional/local boards, or a combination of the two.

Two-Year Institutions:

Many states have a different system to set tuition at two-year schools. California sets two-year institution rates in the state legislature. In Texas, authority officially rests within the two-year college system, but in practice tuition is set by the Legislature. Florida's legislature shares authority with a state agency and institutional boards. Colorado uses a mixture of all four levels, just as they do with four-year institutions. Arizona, Kentucky, Massachusetts, Montana, and Wyoming give constitutional or statutory authority to a state agency. In New Mexico authority rests with the two-year institutions, which tend to follow rates set by a state agency. In Indiana and North Carolina, authority is split between the legislature and the two-year college system. In the remaining states, tuition is set within the two-year college system by the system governing board, institutional/local boards, or a combination of the two.

WHAT ARE OTHER STATES DOING?

At the end of the 1999 legislative session, the Washington State Legislature gave authority to Washington's six four-year institutions of higher learning to set their own tuition rates. Additionally, legislators allowed the state Board for Community and Technical Colleges to set rates for the remaining public post-secondary institutions. All increases were limited to a maximum of 4.6 percent for 1999 and 3.6 percent for 2000. In 2001, the Legislature extended this authority with a limit of 6.7 percent for 2001 and 6.2 percent for 2002. In 1999 and 2000, all state schools raised tuition by the maximum allowable amounts. In 2001, however, the state's community colleges have announced that tuition will only increase 6.2 percent instead of the maximum of 6.7. In addition, all public colleges and universities in Washington have decided to delay setting tuition for 2002 with many announcing that they plan to increase tuition by less than the allowable 6.2 percent.

More than 20 states increased tuition rates for public higher education institutions this year. The most publicized increase is that of Tennessee. Tennessee state college tuition increased by 15 percent for the

2001-2002 school year. Rate increases across the nation accompany reduced state appropriations support and increased utility and operational costs.

Iowa's state funding, for example, was cut by \$42 million (6 percent) for universities and \$4.8 million (3.3 percent) for community colleges. In addition to not filling positions and cutting some programs, community college boards are increasing rates by 8.1 to 17.5 percent for the 2001-2002 school year. This increase is passed at the same time the Legislature eliminated its \$2.75 million work-study program for students in need of financial aid. A brief listing of tuition rate increases implemented across the country are listed below.

<u>State</u>	<u>Tuition Rate Increase</u>
Alabama	7.7 – 16.8%
Michigan	10.7%
Minnesota	10.9 – 13.3%
North Carolina	9 to 15%
Ohio	7.4%
Wisconsin	7%

IS TUITION TOO HIGH? TOO LOW? OR JUST RIGHT?

Tuition and the Cost of a College Education

A recent census bureau report showed annual average earnings in 1999 for those 18 years of age and older with a bachelor's degree (\$45,678) was almost 89 percent higher than those with a high school degree, (\$24,572). At the same time the rising cost of a college education has been a source of much anxiety for families across the nation. With higher education costs outpacing inflation, increasing approximately five percent a year, many parents worry that financing a college education for their children is little more than a dream. Oklahomans are no exception.

Since 1890, it has been public policy in Oklahoma to provide comprehensive, low-cost public higher education. This mission in conjunction with the benchmarks listed below needs to be considered when reviewing and setting tuition rates:

- ✓ Tuition costs as a percentage of the total cost of providing a college education;
- ✓ Tuition costs compared to peer institutions; and
- ✓ Tuition costs as a barrier to attaining a college education.

Oklahoma ranks below peer institutions in the first two categories. Over the past ten years, the Legislature has worked with the State Regents to implement a number of different programs to help families fund the cost of higher education.

Tuition Costs as a Percentage of the Total Cost of Higher Education

Revenue from tuition covers only part of the cost of providing a higher education with state funding supplying the main source of revenue. For FY'02, the main operating budget for higher education (educational and general budget, part I) is \$1.242 billion. Of this amount, state appropriations will comprise 61.6 percent (\$764.6 M); tuition and fees will comprise 25 percent (\$310.3M); and gifts and other income the remaining 13.4 percent (\$167.1M). In FY'01, the amount provided by state

appropriations and tuition and fee revenue represented 62.1 percent and 25.3 percent of the E&G, I budget, respectively.

What portion of the cost of a higher education should students pay? The table below compares the percentage of the cost of higher education that is paid for by tuition in Oklahoma and peer institutions. Presidents of institutions in conjunction with the Oklahoma State Regents for Higher Education select peer institutions for comparison with Oklahoma institutions. Peer institutions are defined as those who have similar missions, program offerings, and enrollments to Oklahoma institutions. For example, OU and OSU's peer institutions include universities in the Big XII and Big X conferences.

While tuition fee revenue for Oklahoma's peer institutions covers one third of the total cost of higher education, Oklahoma's tuition fee revenue covers one fourth of the total cost. In other words state funds subsidize a larger portion of higher education costs for students in Oklahoma than for students in peer institutions. The only tier where Oklahoma's tuition fee revenue as a percentage exceeds that of its peers is in the two-year urban college category.

**Comparison of Percentage of Total Cost Paid by Tuition
1998 – 1999 School Year**

Tier	Peer Institutions	Oklahoma Institutions
Research Institutions	40.30%	28.20%
Four-Year Universities	31.70%	27.40%
Two-Year Rural Colleges	23.60%	19.90%
Two-Year Urban Colleges	21.50%	22.60%
Technical Branches	24.70%	21.80%
Total Average	33.30%	26.40%

An additional \$97 million in tuition fee revenue is needed to bring Oklahoma to the peer percentage average. According to the State Regents for Higher Education, tuition rates in Oklahoma would need to increase by a minimum of 9 percent each year for over nine years to reach the current peer percentage average. The peer average rate itself is a moving target, however, as many public higher education institutions across the nation are expected to increase tuition rates in response to reductions in their state funding and increased operational costs.

Tuition Rates Compared to Peer Institutions

Another factor to consider when determining tuition rates is the amount of tuition charged on a per credit hour basis compared to peer institutions. Tuition rates at the University of Oklahoma (OU) and Oklahoma State University (OSU) are the lowest when compared with their peer institutions in the Big XII conference.

**Per Credit Hour Tuition and Total Tuition for Public Big XII Institutions
2000-2001 and 2001-2002**

Institution	Undergraduate Per Credit Hour Rate for 2000-2001		Undergraduate Per Credit Hour Rate for 2001-2002		% Increase
	Resident	Non-Resident	Resident	Non-Resident	
1. University of Missouri	\$136.80	\$409.10	\$141.50	\$423.00	3.44%
2. Iowa State University	\$122.00	\$407.00	\$129.83	\$435.42	6.42%
3. University of Nebraska	\$92.00	\$250.50	\$92.00	\$250.50	0.00%
4. University of Colorado*	\$83.80	\$527.73	\$87.13	\$554.13	3.98%
5. University of Texas	\$80.00	\$295.00	\$84.00	\$295.00	5.00%
6. Texas Tech University	\$80.00	\$295.00	\$84.00	\$295.00	5.00%
7. Texas A&M University	\$80.00	\$295.00	\$84.00	\$295.00	5.00%
8. University of Kansas	\$75.55	\$301.15	\$77.75	\$308.65	2.91%
9. Kansas State University	\$69.75	\$289.75	\$77.75	\$308.65	11.47%
10. OU	\$63.00	\$208.00	\$67.41	\$226.72	7.00%
11. OSU	\$63.00	\$208.00	\$67.41	\$226.72	7.00%
Average at all of the Big XII	\$85.99	\$316.93	\$90.25	\$328.98	4.96%
Oklahoma Tuition as a Percentage of the Big XII Conference	73.26%	65.63%	74.69%	68.92%	
Tuition Increase needed to equal Big XII Average:	36.49%	52.37%	33.89%	45.10%	

* University of Colorado charges a flat rate of \$1,307 for resident students and \$8,312 for non-resident students whether they are taking 9 hours or 18 hours/semester. This figure is based on 15 hours per semester for undergraduate.

** Baylor University is a member of the Big XII but was not included in this comparison because it is a private institution.

Sources: Oklahoma State Regents for Higher Education, University Websites and University Financial Offices

Tuition increases for institutions in the Big XII for the 2001-2002 school year range from zero at the University of Nebraska to 11.47 percent for Kansas State University. Even with the maximum authorized tuition increase allowed by law, the University of Oklahoma and Oklahoma State University still have the lowest tuition rates in the Big XII for the 2001-2002 school year.

During 2000-2001, the average tuition increase for four-year public universities was 4.5 percent, raising the average annual cost to \$3,510 for the entire nation. With Oklahoma's recently passed tuition rate increase, tuition for the average student taking 30 hours/year at OU or OSU will be \$2,022/year.

Tuition Costs as a Financial Barrier to Higher Education

Whether or not tuition rates pose a financial barrier to attaining a college education is an important consideration when reviewing tuition rates and possible increases. In a report published by the Oklahoma State Regents for Higher Education, higher education costs and financial access were among two of the factors cited as affecting the college-going and graduation rates nationally.

Measuring Up 2000, a report published by the National Center for Public Policy and Higher Education, gave Oklahoma a grade of “B” in the affordability category. Only five states received an “A”: North Carolina, Illinois, Minnesota, Utah, and California. Results from this category are listed below.

Affordability	Oklahoma	Top States
Family ability to pay		
Percent of income needed to pay for college expenses minus financial aid:		
at community colleges	18%	17%
at public 4-year colleges/universities	21%	19%
at private 4-year colleges/universities	47%	30%
Strategies for Affordability		
State grant aid targeted to low-income families as a percent of federal Pell Grant aid to low-income families.		
	18%	106%
Share of income that poorest families need to pay for tuition at lowest priced colleges		
	13%	9%
Reliance on Loans		
Average loan amount that students borrow each year.		
	\$3,364	\$3,094

Information from Measuring Up 2000, The State by State Report Card for Higher Education, The National Center for Public Policy and Higher Education

The one category where Oklahoma did not rate well was in the amount of state grant aid targeted to low-income students. More information regarding this report can be found at the website www.highereducation.org.

Higher Education Funding Initiatives for FY'02

Recognizing that an increase in tuition may adversely affect a student's ability to attend college, the Legislature appropriated an additional \$1.1 million to increase the award for the Oklahoma Tuition Aid Grant. Also known as OTAG, this program provides a maximum of \$1,100/year or 75 percent of enrollment costs, whichever is less, to low-income students residing in Oklahoma. The amount of the award was increased from \$1,000 to \$1,100 for FY'02. For more information regarding financial aid or scholarship programs contact the Oklahoma State Regents for Higher Education, (405) 225-9100, or visit their website, www.okhighered.org.

Since April of 2000, parents have been able to open a higher education savings account for their children and earn interest tax-free. House Bill No. 1896, enacted during the 2001 legislative session, greatly enhances this program by allowing families to deduct up to \$2,500 a year in contributions from their state taxable income. Administered by the board of trustees of the Oklahoma College Savings Board, the Oklahoma College Savings Plan program allows parents, family members and friends to contribute and invest personal funds in a number of different mutual funds tax-free until the funds are withdrawn. For more information regarding this program call 1-877 OK 4 SAVING or visit the website at www.ok4saving.com.

Other Financial Assistance and Scholarship Programs

Academic Scholars Program (Title 70, §2402-2404): Enticing Oklahoma's best students to stay in Oklahoma to attain a higher education degree is the mission of this scholarship program established in 1989. Students qualify for the program in one of three ways: (1) scoring among the top 0.5 percent of Oklahoma students on the ACT or SAT score; (2) receiving one of three official national designations; or (3) being nominated by a higher education institution. The program provides \$5,500/year to students attending OU, OSU or the University of Tulsa; \$4,000/year to students attending an Oklahoma four-year public or private college or university; or \$3,500 for students attending Oklahoma two-year colleges. In order to remain eligible for these awards, students must maintain a 3.25 GPA and complete 24 hours of courses a year. This program is funded by a statutory trust fund, which has \$7 million, and annual state appropriations of \$6,704,000 for FY'02. Projected expenditures for FY'02 total \$9.5 million with 1,770 students receiving awards.

Future Teachers Scholarship (Title 70, §698.1): Up to \$1,500/year is awarded to full-time upperclassmen and graduate students who intend to teach a subject in which there is a critical need of teachers. In order to qualify, students must have graduated in the top 15 percent of their high school graduating class, scored at or above the 85th percentile on the ACT or similar test, or have been accepted for admission to a professional accredited education program in Oklahoma. This program established in 1985 appropriates \$100,000 in state funds every year and serves 150 students.

Heart of the Heartland Scholarship Fund (Title 70, §2282): Lawmakers created this program in 1995 for children of victims of the April 19, 1995, bombing of the Alfred P. Murrah Federal Building in Oklahoma City. These awards can be applied to costs of tuition, fees, books, and room and board. Students attending an accredited higher education institution on a full-time basis receive the following amounts: \$5,500/year for a comprehensive university, \$4,000/year for a regional university, and \$3,500/year for a two-year college. Funding for this program is provided from revenue generated by special license plate fees.

National Guard Tuition Waiver: Members of the Army or Air National Guard who are pursuing an associate or baccalaureate degree at a state system institution receive an award amount equal to the cost of resident tuition. Established by the Oklahoma State Regents for Higher Education, the program expends approximately \$1.9 million a year and serves 2,150 students.

Oklahoma Higher Learning Access Program (OHLAP) (Title 70, §2601-2605): Since 1992, this program's mission has been to provide tuition assistance to students who otherwise might not attend or complete college. Qualifying students in families who earn less than \$50,000 annually receive free tuition assistance to any public or private higher education institution in Oklahoma for up to five years. To qualify, students must enroll in the program by the tenth grade, must agree to take a college preparatory curriculum, must have a grade point average of 2.5 in high school, and must refrain from unlawful behavior. This program is funded by a statutory trust fund, which has \$560,000, and annual appropriations of \$2.9 million for FY'02. Projected expenditures for FY'02 are \$2.9 million with 1,900 students receiving awards.

Oklahoma Tuition Aid Grant Program (OTAG) (Title 70, §626.1-626.10): This federal and state program provides a maximum annual award of 75 percent of enrollment costs or \$1,100, whichever is less, to low-income students residing in Oklahoma who are attending school at least part time. Federal funds are provided through the Leveraging Educational Assistance Partnership (LEAP). Students'

expected family contribution on federal financial aid forms must be less than \$1,500 in order to be eligible for OTAG. The program receives over \$750,000 from the federal government and over \$18.4 million from the Legislature. For FY'02 estimated program expenditures are \$19.3 million, and over 23,500 students will receive an award. 1971

Oklahoma Tuition Scholarship Program (Title 70, §2610-2613): This program was created by lawmakers in 1999 to reward outstanding students by providing up to two years of tuition assistance to high school senior students who score at least a 26 on their ACT, graduate in the top 15 percent of their class, and have earned at least a 3.25 GPA. To remain eligible, students must maintain a 2.75 GPA in college. The 2002-2003 graduating high school class will be the first class eligible for awards. There are no state funds in this program for FY'02.

Regional University Baccalaureate Scholarship: This program provides \$3,000 and a tuition waiver to students who have received an official national designation (such as National Merit Finalist) or have achieved an ACT composite score of at least 30. Scholarships are available only to students attending one of the Oklahoma four-year regional universities. This program was established by the Oklahoma State Regents for Higher Education, is budgeted at \$800,000 a year, and provides 270 students with awards.

Teacher Loan Repayment Program (Title 70, §698.3): Passed during the 2000 legislative session, this program reimburses qualifying participants for up to three years of tuition and fees after they have taught science or math in an Oklahoma public school district for five years. Qualifying students must enroll in the program by their sophomore year in college. The first year students will be eligible for this award is FY'06. There are no state funds in this program for FY'02.

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