



NON-BINDING TUITION AND MANDATORY FEE TARGETS FOR INDIANA'S PUBLIC POSTSECONDARY INSTITUTIONS FOR 2017-18 AND 2018-19

May 11, 2017

Introduction

The Commission for Higher Education is required under statute (I.C. 21-14-2-12.5) to recommend “non-binding tuition and mandatory fee increase targets” for Indiana’s public postsecondary institutions. This recommendation must be made no later than 30 days after the enactment of a state budget.

The official statutory authority to set tuition and mandatory fees lies with the board of trustees of each Indiana public postsecondary institution. Institutions must hold a public hearing no later than 30 days after the Commission sets non-binding tuition and mandatory fee targets. Tuition and mandatory fee rates for the next two academic years must be set by the institutions no later than 60 days after the enactment of the state budget.

The Commission’s recommended tuition and mandatory fee targets reflect the coordinated effort among members of the Commission, representatives from Indiana’s colleges and universities, and state policy-makers to strike a balance between understanding the operational realities of the institutions and the need to ensure affordable access to college for Hoosier families. Aligning with the Commission’s goal of having 60% of Hoosiers with education beyond high school by 2025, the Commission focuses its recommendation to tuition and mandatory fee rate increases for resident undergraduate students.

Indiana and the National Landscape: Tuition and Mandatory Fees

Indiana’s recent tuition increases are the lowest in more than 25 years and are among the lowest in the nation. At Indiana’s public four-year colleges, in-state tuition and mandatory fee rates grew by an average of 1.8% each year from 2006-07 to 2016-17 compared to public four-year institutions nationally at 3.5%. This placed Indiana’s public four-year institutions as 6th in the nation for the lowest average one year increase in tuition and mandatory fee rates over the ten year period. In-state tuition and mandatory fee rates at Indiana’s public two-year colleges also increased below national averages over the same time period: 2.6% compared to 2.8% nationally (state ranking of 18).¹

Strong leadership at Indiana’s public institutions has been instrumental in setting a high bar for college affordability. Purdue University-West Lafayette and Indiana University-Bloomington have frozen tuition and mandatory fees for several consecutive years, and Indiana’s public institutions have shown

¹ College Board, Annual Survey of Colleges. State-level data: <https://trends.collegeboard.org/college-pricing/figures-tables/tuition-fees-sector-state-over-time> . National-level data: <https://trends.collegeboard.org/college-pricing/figures-tables/average-rates-growth-published-charges-decade>.



strong commitments to the Commission's tuition and mandatory fee recommendations. Over half (9 out of 16) of Indiana's public institutions met the Commission's 1.65% per year recommendation in the last biennium.

Commitment to College Affordability

Even though Indiana has shown significant progress in keeping tuition and fee rate increases low, the State must maintain its focus on increasing college affordability if it is to reach the 60% attainment goal by 2025. College tuition represents a large investment for Hoosier families with tuition and mandatory fees at Indiana's public institutions representing approximately 20% of Indiana per capita income. At Indiana's public four-year institutions in particular, tuition and mandatory fees can represent up to 25% of personal per capita income in the state. Considering that tuition and mandatory fees only make up a portion of the total cost of attendance, it is no surprise that many students believe that an education beyond high school is out of reach financially.

Keeping the cost of college down is essential to eliminating barriers to college access and completion, especially for low-income Hoosiers. College completion can be a gateway to economic opportunity. On average, Hoosiers with a college degree earn approximately 38% more than those with only a high school diploma (\$43,623 versus \$18,359 in average annual salary).² In addition, wage outcome data of Indiana public college graduates show that the payoff of a college degree increases over time and at each degree level.³ The correlation between educational attainment and income is also present at the statewide level; an analysis of state-level attainment and income data suggest that for each one percentage point increase in a state's attainment rate, the per capita income of a state increases by roughly \$1,000.⁴ The benefits of a college degree can go beyond the income premium with college graduates also contributing higher levels of fiscal support, philanthropic participation, and civic engagement in their communities.⁵ College affordability is a key component in the effort to increase educational attainment levels and create a greater well-being for all Hoosiers.

Considerations for ICHE Tuition and Mandatory Fee Recommendation

The Commission considered several factors in the process of establishing non-binding tuition and mandatory fee targets for Indiana's public postsecondary institutions for academic years 2017-18

² 2014 average annual wages for Indiana residents ages 25 or older: IPUMS-USA, University of Minnesota, www.ipums.org

³ 2016 Return on Investment Report, Indiana Commission for Higher Education: http://www.learnmoreindiana.org/wp-content/uploads/2015/12/2016_2015_ROI_Report_01-15-16.pdf.

⁴ Estimated based on a linear regression model predicting 2015 state per capita income (Bureau of Economic Analysis: <https://bea.gov/>) from the percentage of residents ages 25-64 with an associate degree or higher in 2015 (US Census, American Community Survey: <https://www.census.gov/programs-surveys/acs/>).

⁵ "Beyond the College Earnings Premium. Way Beyond," The Chronicle for Higher Education, January 29, 2017: <http://www.chronicle.com/article/Beyond-the-College-Earnings/239013>.



and 2018-19. The status of the 2017-19 higher education budget, current student debt levels, and trends in inflationary costs experienced by both Hoosier consumers and Indiana institutions all factored into the Commission's recommendation.

State Appropriations

The State maintained a strong commitment to higher education throughout the 2017-19 budget development process. The Governor, House, and Senate all recommended increases to higher education funding through additional operating, line item, and repair and rehabilitation dollars. The 2017-19 biennial budget that was signed by Governor Holcomb on April 27, 2017 includes approximately \$2.7 billion in operating funding, \$452 million in new capital projects, and over \$881 million in line item and financial aid funding over the biennium. The State's increased financial commitment to higher education this biennium shows the continued partnership between the State and its higher education institutions.

State Fiscal Liability and Student Need

The State of Indiana provides approximately \$350 million per year in need-based student financial aid dollars to cover the cost of tuition and mandatory fees for Hoosier students. The 21st Century Scholars program, one of the state's largest financial aid programs, funds 100% of tuition and mandatory fees at Indiana public institutions. In the case of 21st Century Scholars, state expenditures are directly tied to tuition and mandatory fee rates at Indiana public institutions. Additionally, 21st Century Scholar grant amounts at Indiana private institutions represent the average tuition and mandatory fee rates at public institutions; thus, increases in tuition and mandatory fee rates at public institutions increase state expenditures at Indiana private institutions. The State has strong fiscal interest in limiting tuition increases to stay within allotted appropriation levels over the biennium.

Unlike the 21st Century Scholarship, the Frank O'Bannon grant amounts are fixed based on a student's demonstrated financial need and school choice. These grant amounts do not automatically increase to accommodate higher tuition and mandatory fees. In March 2017, the Commission approved base award amounts that reach approximately 90% of pre-recession award levels, which will result in additional grant dollars being distributed to students. Increases in tuition and mandatory fees limit how far these award dollars can go to cover higher education expenses for Hoosier students.

Student Debt

At Indiana's public four-year institutions, over two-thirds (68%) of graduates had student loan debt with an average loan balance of \$27,214. This compares to over half (58%) of graduates at



Indiana's public two-year institutions who accumulated an average of \$18,392 in student loans.⁶ National student loan debt estimates are not available exclusively for public college graduates for comparison; however, recent data for four-year public and private colleges indicate that Indiana ranks 23rd in the nation for the proportion of graduates with debt at 61% and 21st in the nation for the average level of debt at \$29,022.⁷ Tuition increases further burden Hoosier students and families relying on loans to finance college. Restraining tuition and mandatory fee increases is one mechanism to help control student debt levels and default rates.

Inflation Indicators

Historically, the Commission has tied its tuition and mandatory fee target recommendation to inflationary increases. The Commission staff selected various inflation indices as part of the tuition and mandatory fee target setting process during the 2017-19 budget development. The inflation indices include data collected from the Bureau of Labor Statistics and the State Higher Education Executive Officers (SHEEO). The analysis focuses on the latest four years of available data, 2013 through 2016, to provide the most recent snapshot of price changes for the recommendation process.

The inflation indices used in the analysis are:

- Consumer Price Index - Urban
- Consumer Price Index - Urban (Less Food and Energy)
- Consumer Price Index - Education and Communications
- Consumer Price Index - Midwest Region
- Higher Education Price Index (HEPI)
- Higher Education Cost Adjustment (HECA)

The four CPI indices provide a view of cost changes from the perspective of the consumer, particularly Hoosier students and their families. The CPI indices measure the change in price of goods and services over time, and each individual CPI index allows a unique view of price changes. The CPI-Urban and CPI-Midwest indices focus on the cost of overall goods and services. This compares to the CPI (Less Food and Energy) and the CPI (Education and Communication) indices that provide a specific focus on a set of goods and services more aligned with the cost of education.

The HEPI and HECA indices provide an alternative view of cost changes that is more contoured to higher education costs from the perspective of the institutions. Colleges and universities predominately spend money on staff salaries and benefits with a smaller amount on non-

⁶ 2016 Return on Investment Report: Data-At-A-Glance, Indiana Commission for Higher Education: <http://in.gov/che/3155.htm>.

⁷ Project on Student Debt, The Institute for College Access and Success: http://ticas.org/posd/map-state-data#overlay=posd/state_data/2016/in.



personnel costs such as utilities and supplies. Staff salaries continue to be the greatest expense for colleges and universities, making up roughly 75% of total expenditures.⁸ In the competitive market of staffing highly educated individuals, salaries can be a high driver of cost increases at institutions. The HEPI index is based on tracking changes in a market basket of expenditures for colleges and universities, with trends in faculty and staff salaries making up the core component of the index. The HECA index is based on tracking changes in a market basket of personnel costs and non-personnel costs, measured through the Employment Cost Index (ECI) and the Gross Domestic Product Implicit Price Deflator (GDP IPD).⁹

As with any statistical measure, each index has its advantages and disadvantages. According to the Bureau of Labor Statistics, CPI area indices such as the CPI-Midwest allow price changes to be examined at a more local level; however, because they only include portions of the CPI sample, they are subject to substantially greater sampling error. Additionally, the CPI-Urban and CPI-Midwest indices provide a measure of overall price changes, but also include food and energy goods and services, which are highly volatile in price; for this reason, the CPI (Less Food and Energy) index is frequently used and is typically referred to as the “Core CPI.”¹⁰ Compared to the HECA index, the HEPI index incorporates personnel costs more specific to higher education (faculty and staff salaries); however, the HECA index is generally more up-to-date and measures inflation costs more in line with the broader U.S. economy.¹¹

For the recommendation process, Commission staff focused on the three year compound annual growth rate (CAGR) percentage change for the six indices. The three year CAGR incorporates longer-term historical data in the percentage change estimates (in comparison to one year percentage changes that only include the latest two years of data). It also measures the average yearly growth rate, which provides a useful interpretation for higher education stakeholders who typically make decisions on an academic year basis (compared to two year and three year percentage changes that summarize changes across multiple years). The three year CAGR percentage changes for the six indices are summarized below:

⁸ Higher Education Cost Adjustment: A Proposed Tool for Assessing Inflation in Higher Education Costs, State Higher Education Executive Officers Association

(SHEEO): http://www.sheeo.org/sites/default/files/SHEF_FY15_Technical_Paper_A_HECA.pdf

⁹ Higher Education Cost Adjustment: A Proposed Tool for Assessing Inflation in Higher Education Costs, State Higher Education Executive Officers Association

(SHEEO): http://www.sheeo.org/sites/default/files/SHEF_FY15_Technical_Paper_A_HECA.pdf

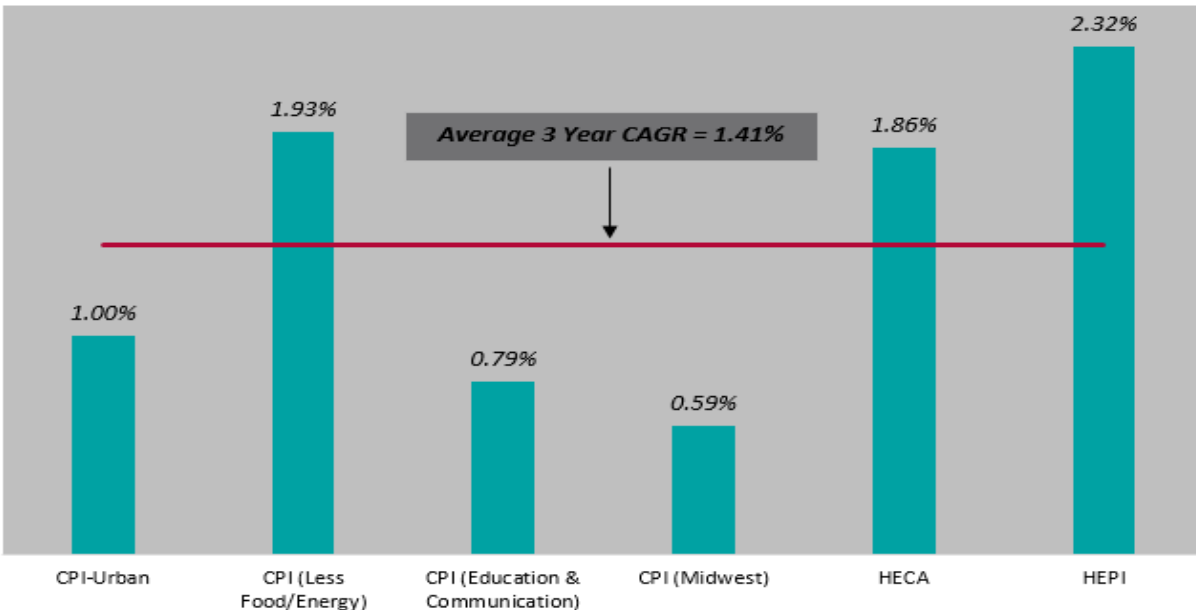
¹⁰ The Consumer Price Index, Bureau of Labor Statistics: <https://www.bls.gov/opub/hom/pdf/homch17.pdf> .

¹¹ Higher Education Cost Adjustment: A Proposed Tool for Assessing Inflation in Higher Education Costs, State Higher Education Executive Officers Association

(SHEEO): http://www.sheeo.org/sites/default/files/SHEF_FY15_Technical_Paper_A_HECA.pdf



3 Year Compound Annual Growth Rate (Base Year = 2013)



The three year CAGR results for the CPI indices varied, ranging from 0.59% (CPI-Midwest) to 1.93% (CPI – Less Food and Energy). Comparisons of the three year CAGR values across the four CPI indices provide insights into the different inflationary cost changes experienced by Hoosier students and their families from 2013 to 2016. For example, the three year CAGR for CPI (Less Food and Energy) was considerably higher than the other CPI indices suggesting that Hoosier consumers faced larger yearly increases in costs outside of food and energy such as housing, medical care, and education over the three year time period. The CPI-Midwest index was lower than the CPI-Urban index suggesting that Hoosier consumers may have faced lower yearly price increases for similar goods and services compared to consumers nationally from 2013 to 2016. The three year CAGR averaged 1.1% over the four CPI indices. When excluding the CPI-Urban and CPI-Midwest indices which contain the highly volatile costs of food and energy, the three year CPI CAGR averaged 1.4%.

The three year CAGR percent changes for the HECA and HEPI indices which provide insights into the cost changes from the institutional perspective were 1.86% and 2.32%, respectively. Comparing the three year CAGRs for HECA and the CPI (Education and Communication), which are related in concentration, suggest that the education costs from the perspective of the institution may have increased at a higher rate than that of the education costs from the perspective of the Hoosier consumer. However, when comparing the HECA to the CPI(Less Food and Energy) index, which encompasses a broader picture of the cost changes experienced by Hoosier consumers, the cost changes were roughly the same from both perspectives.



Collectively, Hoosier consumers and Indiana institutions experienced an average yearly growth rate in prices of 1.4% from 2013 to 2016 as measured by the average three year CAGR across the six CPI and SHEEO inflation indicators. As a note, Hoosier per capita income (adjusted for inflation) grew by a similar rate of 1.6% using the three year CAGR calculation.¹²

Staff Recommendation

Consistent with historical recommendations, Commission staff ties its tuition and fees target setting process to inflationary increases. Commission staff recommends that base tuition and mandatory fees for resident undergraduate students be held at current levels or adjusted by no more than 1.4% per year in each year of the biennium. The 1.4% maximum is based on the average three year compound annual growth rate across six CPI and SHEEO inflation indicators examined through a staff analysis. The baseline for this recommendation is the 2016-17 resident undergraduate base tuition and mandatory fee rates previously submitted to the Commission during the 2015-17 biennium. The Commission's non-binding tuition and mandatory fee targets for 2017-18 and 2018-19 for each institution are included in Table 1.

In addition to providing a recommendation on tuition and fee target rates, the Commission provides further considerations regarding:

- Promoting the adoption of banded tuition structures that encourage students to take 15 credits per semester.
- Encouraging higher education stakeholders and university partners to strengthen conversations with Indiana employers to offer their employees up-front tuition support, tuition reimbursement, and matching contributions to college savings plans.

UPDATE: Institutional enacted tuition and mandatory fee rates for 2017-18 and 2018-19 are provided in Table 2 as a reference to the ICHE recommendation targets presented in Table 1.

¹² Indiana per capita income data were sourced through the Bureau of Economic Analysis: <https://bea.gov/>. The 3 year CAGR calculation includes per capital income data from 2012 through 2015. Per capita income data for 2016 were preliminary at the time this report was created. Updates to 2016 per capita income will not be provided by the Bureau of Economic Analysis until September 26, 2017.



Table 1. Non-Binding Tuition and Mandatory Fee Targets for 2017-18 and 2018-19

Institution	2016-17 Tuition and Fees	CHE Recommendation		Impact	
		2017-18 Target	2018-19 Target	\$ for 2018	\$ for 2019
INDIANA STATE UNIVERSITY	\$8,746	0-1.4%	0-1.4%	\$8,868	\$8,993
UNIV OF SOUTHERN INDIANA	\$7,105	0-1.4%	0-1.4%	\$7,204	\$7,305
BALL STATE UNIVERSITY	\$9,654	0-1.4%	0-1.4%	\$9,789	\$9,926
VINCENNES UNIVERSITY	\$5,574	0-1.4%	0-1.4%	\$5,652	\$5,731
ITCCI	\$4,175	0-1.4%	0-1.4%	\$4,233	\$4,292
INDIANA UNIVERSITY SYSTEM					
Bloomington	\$10,388	0-1.4%	0-1.4%	\$10,533	\$10,680
East	\$7,072	0-1.4%	0-1.4%	\$7,171	\$7,272
Kokomo	\$7,072	0-1.4%	0-1.4%	\$7,171	\$7,272
Northwest	\$7,072	0-1.4%	0-1.4%	\$7,171	\$7,272
South Bend	\$7,072	0-1.4%	0-1.4%	\$7,171	\$7,272
Southeast	\$7,072	0-1.4%	0-1.4%	\$7,171	\$7,272
IUPUI	\$9,205	0-1.4%	0-1.4%	\$9,334	\$9,465
PURDUE UNIVERSITY SYSTEM					
West Lafayette	\$10,002	0-1.4%	0-1.4%	\$10,142	\$10,284
Northwest	\$7,478	0-1.4%	0-1.4%	\$7,582	\$7,688
IUPU-Fort Wayne	\$8,213	0-1.4%	0-1.4%	\$8,330	\$8,450

Source: 2016-17 tuition and mandatory fee rates were sourced through the Indiana Commission for Higher Education Tuition and Mandatory Fees Survey

Note: Above tuition and mandatory fee totals are based on a 30 credit hour course load for resident undergraduate students