

Policy Number: 4-104	Policy Name: Procedure for Setting and Distributing Tuition and Fees
Policy Revision Dates: 8/2006, 1/03, 4/02, 3/01, 1/96, 3/95, 12/90, 2/90, 2/88, 12/87, 1/84	Page 1

#### 4-104 Procedure for Setting and Distributing Tuition and Fees

##### A. Procedure for Setting Tuition and Fees

1. The Board's decision to establish BASE tuition and fees shall be based upon a review of the following:
  - a. A report on the average state expenditure authority per full-time equivalent student (SEAPS). The SEAPS shall be computed as follows: The state operating expenditure authority for a given year divided by full-time equivalent students.
  - b. A report on the availability of student financial aid including the sources of student financial aid; the number of students receiving aid by type of aid, the amount of aid awarded by type and by source; the ratio of gift aid to self-help aid, and information about the status of student need including unmet need for various categories of students (e.g., resident undergraduates).
  - c. Other student fees and charges established by each university.
  - d. Revenues required to service bonded indebtedness.
  - e. A report on the price of attendance at each university calculated using a common framework that is consistent with federal guidelines. Student financial assistance offices are to inform students through their financial aid publications of the possibility that additional costs may be included in the calculation of the price of attendance for individual students, and of the availability of an appeals process.
2. Except as provided in 4-104.B., any adjustment to resident tuition rates shall be made subject to the limitation that total mandatory undergraduate resident student tuition and fees shall not exceed the amount required to maintain a position at the top of the lower one-third of rates set by all other states for undergraduate resident tuition and mandatory fees at the senior public universities. It is the intention of the Board to reach the top of the lowest one-third (the 34th position) and maintain that position for the

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foreseeable future. The specific institutions to be included in this calculation will be described in a list approved by the Executive Director.

3. For professional graduate degree programs, the Board may establish fee ranges with upper and lower limits, subject to the provisions for disclosure and public hearing described below. Decisions will be based upon a review of the markets for these programs and will be effective for a period of up to three years. At any time during the three-year period, the Board may approve a specific fee within the established fee range.
  4. The Board shall conduct at least one public interactive hearing on the proposed tuition and fee increases at least one week prior to the Board meeting at which tuition and fees will be determined.
  5. At least ten days prior to the public hearing, a notice of the date, time and location of the hearing will be published in general circulation newspapers in Maricopa, Coconino and Pima Counties and other publications as determined.
  6. At least ten days prior to the public hearing, each university will publicly disclose any recommended increases in tuition, university-wide fees and class fees over fifty dollars.
  7. Final Board action on changes in tuition or fees shall be taken by roll call vote.
- B. Differential Tuition And Special Program Fees
1. As provided below, universities may request approval of differential tuition or a special program fee at either the undergraduate or graduate level.
  2. In limited situations as prescribed in this section, the board may approve differential tuition or a special program fee for resident undergraduates that exceeds the top of the lower one-third of rates set by all other states for resident undergraduate base tuition and mandatory fees at the senior public universities.
  3. Procedure for establishing differential tuition

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- a. Differential tuition may be higher or lower than base tuition and applies to all academic programs on a campus or in a college/school. At the undergraduate level, a higher differential tuition may only apply to professional programs and only be charged to upper division students, beginning in a student's junior year.
- b. A university proposing differential tuition must develop a rationale addressing the following criteria. All proposals should address the criteria although not all of the criteria must be met in every single proposal.
  - (1) The quality of the student experience:
    - (a) Higher differential tuition should substantially increase the quality of the learning experience for the student and provide a basis for later opportunities that would not be possible without the differential increase.
    - (b) Lower differential tuition should not reduce the quality of the program or future opportunities for the student in that field.
  - (2) Access and affordability:

A higher differential tuition plan must allow for access for qualified students who cannot afford the differential amount. Each proposal, whether for a higher or lower differential, must include a financial aid plan with a minimum of 14 percent of the differential tuition set aside for need-based aid. The plan should shall include a college advising process that enables the student to anticipate future cost increases and (if necessary) to seek additional aid to cover the differential amount over base tuition.
  - (3) College/school/campus cost of instruction:

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The differential tuition plan must include a clear justification related to the variance in cost for the college/school/campus compared to the funds that would be provided through base tuition.

(4) Market pricing:

There should be evidence that the differential tuition is comparable to the student cost for similar units at peer institutions so that the college/school or campus is not placed at a disadvantage in attracting the best students and that the differential tuition is appropriate to the market level nationally. The university should address elasticity of demand in its justification. At a minimum, the university shall provide tuition and fee data from each of the senior public universities (to which the board compares base tuition) and which charges differential tuition for a comparable college/school.

(5) Benefits to the entire university

If the differential tuition provides benefits to the university as a whole – and not just to a college/school or campus -- the university shall provide evidence of these benefits.

(6) Student consultation and support:

All differential tuition plans must show evidence of extensive and thorough consultation with the students who would be affected, both via student representative groups and via organized opinion-gathering among the students that would be or are already being charged differential tuition. Although universities have some discretion in meeting this requirement, the board will consider the results of organized student referenda on proposals for differential tuition.

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- c. Lower differential tuition may be charged where costs of delivery are consistently and substantially below average main campus expenses.
- d. Subject to the criteria in policy 4-104 B.3, higher differential tuition may be charged by colleges/schools that:
  - (1) Require markedly higher than university average expenditures, especially for faculty and/or equipment, throughout a whole college/school or campus and
  - (2) Lead to employment possibilities from that entity that give students' prospects that are demonstrably worth the higher price.
- e. Before approving a differential tuition request which would be applicable to a resident undergraduate, the board will review the weighted average of all proposed tuition, mandatory fees, differential tuition, and special program fees for resident undergraduates for the ensuing year and consider how it corresponds to the top of the lower one-third of rates set by all other states for resident undergraduate base tuition and mandatory fees at the senior public universities.
- f. Differential tuition will be administered as one total sum out of which the standard deductions for the qualified tuition reduction program and need-based financial aid will be subtracted in the same way these are deducted from base tuition at each university

#### 4. Procedure for establishing special program fees

- a. Special program fees are additional amounts charged to students in select undergraduate and graduate professional degree programs within colleges/schools or departments, including honors colleges, that have demonstrably higher costs of delivery overall because of special equipment, technological, and/or key personnel expenses. Special program fees shall be charged only

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to upper division students, beginning in a student's junior year, except when the fee has been approved for an honors college.

- b. A university proposing a special program fee must develop a rationale addressing the following criteria. All proposals should address the criteria, though not all of the criteria must be met in every single proposal.
- (1) The quality of the student experience: the special program fee will substantially increase the quality of the learning experience for the student, providing a basis for later opportunities that justifies the extra cost to the student.
  - (2) Access and affordability: the special program fee plan must allow for access for qualified students who cannot afford the special program fee and include a financial aid plan with a minimum of 14% of the fee set aside for need-based aid. The plan should shall include a college advising process that enables the student to anticipate future cost increases and (if necessary) to seek additional aid to cover the differential amount over base tuition.
  - (3) Cost of delivering the college/school instructional program: the special program fee plan must indicate additional costs for operating the program that are markedly in excess of the normal and usual costs of a university program, including additional services, materials, and/or opportunities that are provided for students in the program.
  - (4) Market pricing: there should be evidence that the program fee in a college/school is comparable to the student cost for such majors at peer institutions so that the college/school is not placed at a disadvantage in attracting the best students and that the program fee charged is appropriate to the market

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level nationally. The university should address elasticity of demand in its justification.

- (5) Benefits to the entire university: if the special program fee provides benefits to the university as a whole, the university shall provide evidence of these benefits. At a minimum, the university shall provide tuition and fee data from each of the senior public universities (to which the board compares base tuition) and which charges differential tuition for a comparable program.
  - (6) Student consultation and support: all special program fees plans must show evidence of extensive and thorough consultation with the students who would be affected, both via student representative groups and organized opinion-gathering among the students that would be or are already being charged a special program fee. Although universities have some discretion in meeting this requirement, the board will consider the results of organized student referenda on proposals for special program fees.
  - (7) Increased earnings potential of program graduates: there should be evidence of the potential for substantially higher salaries than the average for those who earn a graduate degree.
  - (8) Accountability: universities to which a program fee is granted must annually present evidence of an internal process that audits the spending of program fees to ensure that they are applied to the needs and purposes for which each program fee has been approved.
- c. Before approving a special program fee request which would be applicable to a resident undergraduate, the board will review the weighted average of all proposed tuition, mandatory fees, differential tuition, and special program fees for resident

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undergraduates in the ensuing year and consider how it corresponds to the top of the lower one-third of rates set by all other states for resident undergraduate base tuition and mandatory fees at the senior public universities.

- d. A special program fee is not included as a part of base tuition.
- e. Except where a tuition waiver is required by law, special program fees are not subject to waivers. Each university may choose to offset the extra cost of a special program fee with deductions for the qualified tuition reduction program and need-based financial aid set aside. This may be done either centrally or by the college/school or campus, prior to the remainder being allocated to the program involved.

(1) A master list of special program fees shall be maintained by the institution. The listing should show programs for which special fees or deposits must be paid, the amount of the fee/deposit and the account where the funds are credited.

(2) A listing showing program and fee/deposit amounts is to be published on all media used as part of each semester's schedule of classes. Programs for which fees or deposits must be paid are to be footnoted as such within the text of the course listings regardless of media used.

(3) Before requesting a special program fee, each university should consider the number of special program fees being charged by a college/school to determine if differential tuition should be charged rather than a special fee.

#### C. Distributing Tuition and Fees

- 1. The universities shall submit to the Regents each year as part of their operating budget request their calculation of the funds required to be

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retained locally from tuition and fee revenues for (1) operating needs, and (2) bond debt service. The submitted request shall include a list of those activities and specific bond issues for which the universities anticipate using the retained funds.

2. Funds so collected may be distributed as follows:
  - a. For debt service on bonding obligations authorized by the Board of Regents.
  - b. For local fund activities and activities to improve the quality of educational operations as approved by the Board of Regents.
  - c. All remaining funds shall be deposited with the State Treasurer.