

MEMORANDUM

March 18, 2016

TO: Arizona Board of Regents

FROM: Michael M. Crow

RE: Tuition/Fee Proposal for FY17

Arizona's future has never seemed more promising: The entrepreneurial spirit of the state provides a fertile environment for innovators looking to create the advanced industries that will power the economy through the coming decades. Its awe-inspiring beauty makes it a remarkably attractive place to live. And after navigating a difficult economic period, the state has found itself in possession of a more than \$1 billion budget surplus.

To create the kind of future that we all want for Arizona, it's crucial that we continue to increase the number of state residents who not only graduate from high school but also go on to achieve a post-secondary education. The increasing complexity of the modern workplace will require special skills and if we want employers to base their operations in Arizona, we need a substantial population of what we at ASU think of as "master learners" to form the skilled workforce that businesses rely upon. More importantly, research has revealed a direct correlation between educational attainment and the economic strength of an individual and the region where he or she lives. Western states with whom Arizona can be said to compete for economic advantage – Colorado, Utah and Texas, to name just a few – understand this proposition and leaders in those states resumed investing in their public colleges and universities as the Great Recession ended.

In the Grand Canyon State, the cuts continued through last year, bringing the reduction in state investment in ASU to almost 60% on a per student basis since 2008. An annual national survey found our state at the bottom of the list of states that are spending less on higher education than they were five years ago.

We did not let these circumstances deter us. The New American University model that we have evolved over more than a decade allowed us the flexibility to improve our service to students and meet our responsibilities to the state even as we made difficult adjustments to cut after cut. Consider that even after this difficult period, we at ASU can boast that:

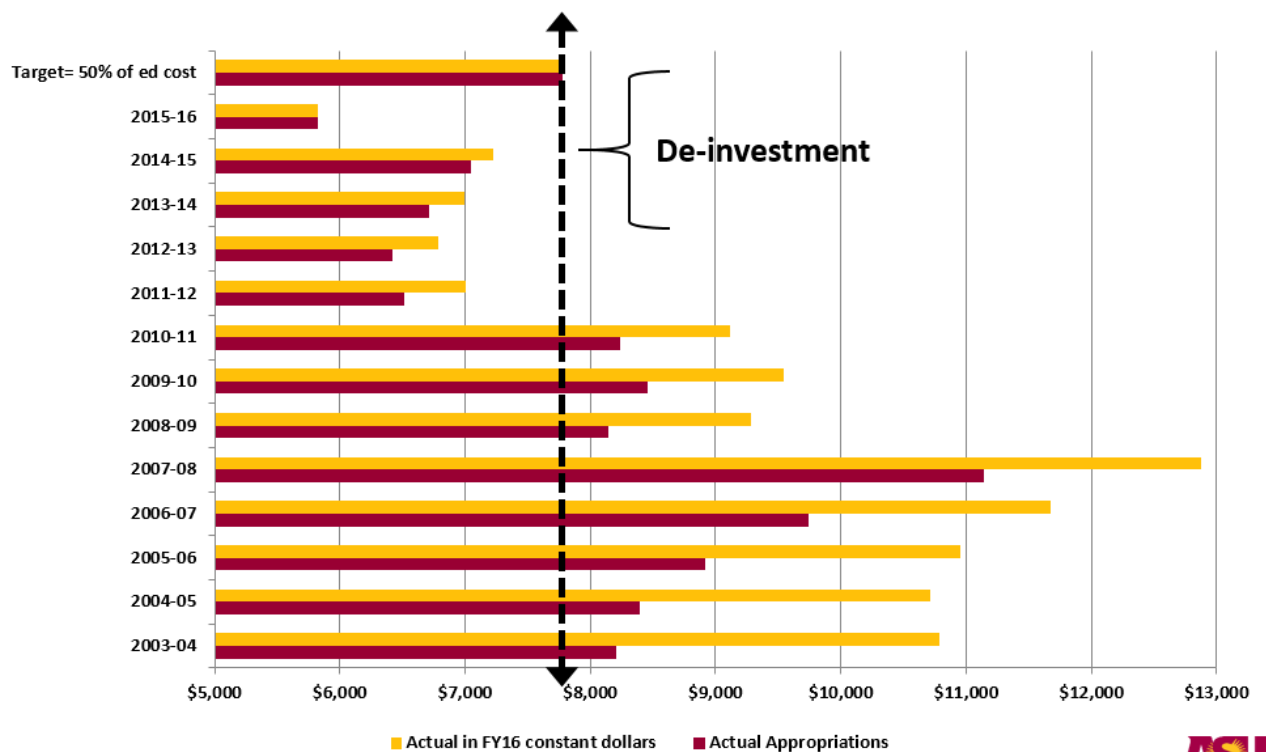
- US News & World Report named ASU the "most innovative" university, ahead of the Massachusetts Institute of Technology and Stanford University.
- NASA selected ASU to lead a lunar mission that will send a miniature satellite to map water on the face of our closest celestial neighbor.
- The New York Times called our Barrett Honors College "the gold standard" among honors colleges.
- US Education Secretary Arne Duncan said that our Mary Lou Fulton Teachers College "raises the bar" for all other teacher preparation programs.
- The National Science Foundation made ASU one of only two institutions in the nation to lead two Engineering Research Centers.

- A jaw found by ASU anthropologists fundamentally changed our understanding of the earliest origins of man.
- Research carried out at ASU played a fundamental role in development of an Ebola vaccine.
- The world's first white laser emerged from one of our labs.
- Business Insider named ASU among the best universities to attend if you want to find a job in Silicon Valley.

And when Fulbright scholars were named last month, ASU was the top producer of the prestigious scholars among research institutions, with 10 awards to faculty members. The University ranked fifth in the nation among research institutions in Fulbright scholarships to students, with 22.

As we look ahead to the next academic year we are determined to continue to lead nationally in our teaching and research, but competing at this level requires resources. We were gratified to see that the governor embraced a new funding model for the state's public universities that focuses directly on supporting Arizona students, and his budget did offer an initial investment in that model. At a time when the state's finances have recovered, we are hopeful that members of the state House and Senate will provide adequate funding to ensure that the model embraced by the governor can be successful. The recent history of the state's de-investment in higher education is highlighted in the chart below.

FY2004 to FY2016 Higher Ed General Fund Investment Per Resident Student (HC)- Three Universities Nominal Dollars and Constant FY16 Dollars



ASU Proposal

We indicated four years ago that we would not raise tuition more than 3% per year for the ten-year planning horizon. We have kept that promise and will continue to do so. However, it is extremely difficult to remain competitive in the higher education market and keep costs low for Arizona students given the massive reductions in state support in recent years.

Last year, we enacted a \$320 surcharge to all resident students to help cover a portion of the \$53 million state cut we sustained and stave off drastic steps that could have damaged the quality of our educational offerings. As stated at the time, the surcharge was intended to fill a portion of the public funding gap until the state's finances stabilized and its support for the university returned to historic levels.

ASU proposes reducing the surcharge by \$50 to \$270 since it appears likely that state leaders will restore a portion of last year's funding cut in FY2017. The remainder of the surcharge would be kept in place until there is a restoration of general purpose educational funding equal to 50% of the FY16 reduction. Given the current substantial recovery in state revenues, we hope this can be accomplished in the FY18 budget cycle at the latest.

While progress has begun on new revenue, inadequate funding continues to pose a risk to the quality of the educational experience we provide to students. Accordingly, ASU proposes to increase base tuition by a modest amount to allow for incremental improvements in the education we provide and to cover inflation partially. For resident students (undergraduate and graduate), the increase proposed is \$200 for the year. For non-resident and international undergraduate students the increase is \$1,000 for the year. For non-resident and international graduate students the increase is \$1,100 for the year.

Continued Commitment to Enterprise Framework

With this proposal, ASU will continue to implement the tuition strategy, outlined in its annual strategic enterprise framework report, of very limited growth in resident tuition and market-rate increase for non-residents and graduate students. With the FY17 proposal approval, the combination of tuition and surcharge for resident undergraduates will have increased at an average annual rate of \$149 or 1.6% per year in the five years since FY12. This is half the high end of the planning range.

ASU has worked very hard to keep resident tuition from excessive increases by growing new sources of revenue and through cost containment. It is important to note that State investment was reduced by 15.2% on a per-student basis during this same five-year time period, and that the rate of cost growth across higher education (as measured by the Higher Education Price Index compiled by the Common Fund (HEPI) shows an average annual growth rate of 2.2% from 2012 to 2015. The fact that resident tuition and surcharge growth has been only 1.6%, while all success indicators have risen is a powerful achievement that demonstrates the dynamism of our institutional design.

Nationally competitive

ASU tuition remains reasonable and competitive on a national basis. In FY16, ASU's resident undergraduate tuition, surcharge and mandatory fees sits at the median position (#25) among the lead institutions in the 50 states, and .3% and 1.6% below the mean and medians. This median position has been ASU's stated target. For non-resident undergraduates, ASU is in the 33rd position—11.8% below the median and 9.7% below the mean. In FY15 it was 33rd 12.7% below median and 9.5% below the mean. Our current international undergraduate tuition would rank 29th among the lead institutions in the 50 states. The target has been to set tuition at rates dictated by ASU's market position, and this reasonably reflects this goal.

Affordability

The stated tuition rates do not tell the story of the affordability of an ASU degree. ASU's commitment to financial aid remains strong. As evidence, of the 36,743 resident undergraduate students in Fall 2015, 80% received gift aid from University or federal sources, and 27% received gift aid sufficient to cover all tuition, surcharge, and mandatory fees. The average amount of gift aid was \$6,350, leaving only 39% of the stated rates (\$4,125) to be paid. While, as expected, non-

resident undergraduates had a smaller proportion of costs covered by gift aid. The aid averaged 29.3% of the billed costs and was received by 72% of the students.

Undergraduate College, Course, Lab Fees – No Increase

There will not be any additional increases in college, course or lab fees for immersion undergraduates. At the graduate level, those programs seeking increases are based on programmatic needs and are all market based.

Undergraduate Student Government Proposal

Lastly, the student leadership is advancing a \$5 undergraduate student program fee increase to support large scale programming initiatives, cultural programming, student clubs/organizations, events and activities. This fee has not increased since it was originally implemented in 2008. This fee will be waived for undergraduate students enrolled in ASU Online programs.

The chart below reflects the proposed tuition rates for all student categories.

		Current Tuition/Surcharge (FY16)	Proposed Tuition/Surcharge (FY17)	\$ Net Increase
Resident Undergraduate students	All research campuses except as noted for Polytechnic School and New College	\$9,484/\$320	\$9,684/\$270	\$150
Resident Graduate students	All research campuses	\$10,610/\$320	\$10,810/\$270	\$150
Resident Freshmen and Sophomore Majors in Polytechnic School and New College	Polytechnic and New College	\$8,536/\$320	\$8,716/\$270	\$130
Non-Resident Undergraduate students	All research campuses except as noted for Polytechnic School and New College	\$24,784	\$25,784	\$1,000
International Undergraduate Students	All research campuses	\$26,584	\$27,584	\$1,000
Nonresident Freshman and Sophomore Majors in Polytechnic School and New College	Polytechnic and New College	\$22,306	\$23,206	\$900
International Freshman and Sophomore Majors in Polytechnic School and New College	Polytechnic and New College	\$24,106	\$25,006	\$900
Non-Resident Graduate students	All research campuses	\$27,086	\$28,186	\$1,100
International Graduate Students	All research campuses	\$28,886	\$29,986	\$1,100
Resident Undergraduate	ASU Eastern Arizona College	\$5,716/\$320	\$5,816/\$270	\$50
Resident Undergraduate	ASU Colleges Lake Havasu City	\$6,180/\$320	\$6,280/\$270	\$50

		Current Tuition/Surcharge (FY16)	Proposed Tuition/Surcharge (FY17)	\$ Net Increase
Non-Resident Undergraduate	ASU Colleges Lake Havasu City	\$9,548	\$9,698	\$150

ASU online base credit hour charges will increase 2% for both undergraduate and graduate students. This is in line with board policy to set online charges based on market and other relevant factors.

ASU Graduate Differential Tuition and Program Fee Proposals

College of Health Solutions

School of Nutrition and Health Promotions – All Master’s Programs

\$100/semester program fee increase

Graduate programs in the School of Nutrition and Health Promotion provide rigorous and relevant education in order to train the next generation of medical professionals and to provide cutting-edge interdisciplinary research that addresses the current health needs of our communities. This program fee helps to maintain important aspects of these programs, including but not limited to: new technology capabilities, research laboratory upgrades, instruction from industry professionals, student professional development opportunities, teaching and research assistantships, graduate conference travel support, academic advising, and clinical/internship placement opportunities. The requested fee increase will help to support the increased cost of providing these important programmatic enhancements.

M.S. in Biomedical Informatics

\$2,000/semester new program fee

Robust faculty mentoring and advising, academic, and administrative support are required to help prepare students for success in entering the bioinformatics workforce. Faculty costs include health care professionals (physicians) and clinical researchers. Additional funding is needed also to help cover the costs of academic advising, administrative and academic support, and course development for students in the program. Additionally, several BMI courses use advanced computing facilities for data storage and analysis, for which there are higher than standard operating costs. The proposed fee is competitive with national and local fee structures, and graduates receive compensation that is in line with the higher educational costs.

Master of Integrated Health Care (MIHC)

\$2,000/semester new program fee

The Master of Integrated Health Care (MIHC) will provide students with an interdisciplinary foundation for careers in the emerging field of integrated health care. The proposed fee will support investments in an innovative, interactive curriculum that emphasizes the emerging field of integrated health care as exemplified by the Patient Centered Medical Home and Accountable Care Organization. The fee will be used to support the quality of the program through investments in curriculum delivery that develops team-based skills, with real-time group assignments such as role-play business cases. It will also support the student Capstone Projects as the faculty mentor and guide students as consultants/industry liaisons on their Projects. The program fees also will support student academic services, technology, and facilities.

College of Liberal Arts & Sciences

PSM – Nanoscience

\$500 (FT)/\$250 (PT) per semester program fee increase

The Professional Science Master's-Nanoscience program offers students unique opportunities in learning the business perspectives of non-academic employers and in practical problem solving by conducting research with ASU faculty members. Each student is required to work for at least two semesters in the lab environment of a faculty member who is the student's faculty advisor. The increased program fee is needed to support enhancements in the research experience for students by covering part of the research expenses, maintaining high-quality instruction, and improving student services in areas such as recruitment and admissions, capstone conferences, and networking with industrial leaders and potential employers.

Herberger Institute for Design & the Arts

MA Creative Enterprise & Cultural Leadership

\$400/semester new program fee

The Master of Arts in Creative Enterprise and Cultural Leadership includes courses examining the intersection of business, government and leadership in the creative and cultural industries. In addition, it engages national leaders who demonstrate the power of bringing together art and leadership for cultural, social and economic progress. To be consistent with the other programs in the Herberger Institute and fund the curricular and co-curricular activities of the new program, this new program fee is requested. All master's programs in the Herberger Institute have at least an \$800/year fee (those in The Design School are higher). Fees collected are needed to support the higher costs associated with applied projects, conference travel, workshops with industry professionals, lectures/demonstrations, and master classes, all of which serve to keep the program current.

College of Public Service & Community Solutions

Executive Master of Public Administration (EMPA)

\$5,300/semester new program fee

The Executive Master of Public Administration (EMPA) degree is designed to provide public sector managers at all levels of government, and those in the non-profit and private sectors who work extensively with government officials, with the tools they need to succeed in delivering effective solutions to the challenges they face. The program combines online courses with on-campus learning at ASU and in Washington, DC at the McCain Institute for International Leadership, enabling managers to interact with and learn from senior government officials at the local, state, and federal levels. The program fee will support necessary hiring of specialized faculty and staff to support the executives enrolling in the program as well as support the additional operating expenses for online and remote instruction.

Master of Public Safety Leadership & Administration

\$660/semester new program fee

This degree program provides students with skills and knowledge to manage and assume positions of leadership within the field of public safety. Concepts of public policy and management, analysis, technology, and criminal justice are blended together to enhance and foster critical thinking within the general field of study. The program requires specialized expertise provided by professionals who will be hired to serve as program consultants as well as faculty associates. It also requires substantial investment to build the program. A capstone experience is expected, which is a mentored project tying theory to practice. The program can be completed in one year.

Thunderbird School of Global Management

Executive Master of Global Management – Global Cohort

\$2,598.30 per credit hour - new program fee

While based on the same curriculum, and targeting a similar executive profile as the Arizona Executive Master of Global Management (EMGM), the EMGM-Global Cohort will attract a broader and more global audience. The EMGM-Global Cohort is a new program modality, targeting a different, predominantly international audience. The current Arizona cohort of the Executive MGM, on the other hand, targets an Arizona and Southwest-U.S. audience, and going forward these students will have the choice of both program options. The tuition and fees for the Arizona cohort are not changing.

To transport the Thunderbird education and experience to multiple points around the world while delivering this unique global program at the expected service level, there are considerable additional operational expenses. These include but are not limited to: faculty travel, student accommodations while overseas, site visit facilitation and logistics, and appropriate classroom and breakout space with necessary technology on four continents and five countries. In addition to online components there are a total of 6 delivery modules, of which 5 will be hosted outside of the Arizona campus. In locations without on-site Thunderbird and ASU staff, it will be necessary to utilize additional local coordinators.

The program price covers the increased costs needed to facilitate an immersive educational experience in an encapsulated modular approach, a format which will appeal to global executives who would be unable to travel to Arizona for the 20 required on-campus weekends.

W.P. Carey School of Business

MBA Evening

\$1,000 program fee increase

The last significant increase in the fee for the MBA Evening program was \$1,250, approved for the incoming Fall 2010 class. Since this increase, costs continue to increase for delivery of curriculum, services and materials that are essential to a high-quality educational experience. A fee adjustment is now requested to maintain the level of curriculum content and delivery, services, and new building infrastructure that support educational quality at the W. P. Carey School. The requested program fee adjustment positions the Evening MBA degree to remain price competitive in the peer group of institutions with whom we compete for the most qualified students.

MBA Online

\$1,000 program fee increase

The last significant increase in the fee for the MBA Online program was \$1,250, approved for the incoming Fall 2010 class. Since this increase, costs continue to increase for delivery of curriculum, services and materials that are essential to a high-quality educational experience. A fee adjustment is now requested to maintain the level of curriculum content and delivery, services, and new technology infrastructure that support educational quality at the W. P. Carey School. The requested program fee adjustment positions the Online MBA degree to remain price competitive in the peer group of institutions with whom we compete for the most qualified students.

MS in Business Analytics (MSBA)

\$1,000 program fee increase

The MS in Business Analytics is a 9-month specialized master's degree that trains students to understand business analytics, which is the broad field that comprises the combination of skills, technologies, applications and processes used by organizations to gain actionable insights for their business based on data, statistics, quantitative modeling/analysis and natural language processing. The costs continue to increase for delivery of curriculum, services and materials that are

essential to a high-quality educational experience. A fee adjustment is now requested to maintain the level of curriculum content and delivery, services, technology and new building infrastructure that support educational quality at the W. P. Carey School. The requested program fee adjustment positions the MSBA degree to remain price competitive in the peer group of institutions with whom we compete for the most qualified students.

MS in Finance (MSF)

\$2,000 program fee increase

The Master of Science in Finance (MSF) program fee was first approved by ABOR for fall 2014. It is a 9-month specialized master's degree that prepares students to excel in a highly competitive marketplace for talent with advanced knowledge of finance, with a curriculum that spans corporate finance and asset/portfolio management. The curriculum is also designed to ensure that students have a solid understanding of statistics and modeling tools essential in today's financial industry. A fee adjustment is now requested to maintain the level of curriculum content and delivery, services, technology and new building infrastructure that support educational quality at the W. P. Carey School. The requested program fee adjustment positions the MS in Finance degree to remain price competitive in the peer group of institutions with whom we compete for the most qualified students.