

Office of the President

TO MEMBERS OF THE BOARD OF REGENTS:

DISCUSSION ITEM

For Meeting of July 18, 2019

COHORT-BASED TUITION

EXECUTIVE SUMMARY

The University of California is exploring the adoption of a cohort-based tuition model in which the University would seek to keep tuition flat for students while they are enrolled at UC, with any change in tuition applying only to incoming cohorts of new students. If implemented, such an approach would avoid the unpredictable annual tuition and fee increases over the past two decades that have created planning challenges for UC students, families, and campuses. A cohort-based tuition policy also has the potential to improve affordability for UC students by generating new financial aid resources to help California resident students and families cover the total cost of attendance—not just tuition and fees. Adopting this model would require moderate and predictable increases to the University’s annual State appropriation. It would also require changes to processes and information systems at UC and the California Student Aid Commission in order to accommodate tuition rates that vary by cohort. Following additional consultation with faculty, students, staff, and other key internal and external UC stakeholders, an action item related to cohort-based tuition will be brought to the Board of Regents for its consideration.

BACKGROUND

The past two decades have seen periods of rapid increase in UC tuition and fees as well as periods of great stability. Between 2000 and 2011, for example, undergraduate in-state tuition increased in nine out of ten years, with increases ranging from \$384 to \$1,818. By contrast, since 2011, tuition has increased only once—by \$282, or 2.5 percent, in 2017. The substantial, variable increases of the early 2000s, which were implemented in response to large declines in State support for UC, created planning challenges for students and families. The nearly flat tuition levels since 2011, on the other hand, have created planning challenges for campuses, because they were not always accompanied by anticipated increases in State support for the University’s base budget or State support for enrollment growth. Keeping tuition flat also has resulted in no new funding for UC’s institutional financial aid program, which is primarily funded by tuition revenue. In this context, campuses have been challenged to maintain the University’s quality and improve affordability for students.

Several public institutions have adopted a cohort-based tuition model in order to mitigate the challenges posed by unpredictable annual tuition and fee levels. Under a cohort-based tuition plan, an institution assigns a tuition and fee level to each incoming cohort of students and then keeps that level flat for that student cohort for a specified number of years.

CONSIDERATIONS FOR ADOPTING COHORT-BASED TUITION AT UC

In order to better understand the potential benefits and challenges associated with implementing cohort-based tuition at the University of California, UC staff interviewed representatives from seven public institutions that have implemented cohort-based tuition. (A summary of the approaches taken by those institutions in adopting cohort-based tuition is presented in Attachment 1 of this item.) Findings from those interviews suggest that a cohort-based approach, if successfully implemented at the University of California, could provide greater financial predictability for students, families, and UC campuses while also improving UC affordability. A number of considerations that might inform discussions about how UC would implement a cohort-based tuition program are described below.

Potential Benefits

When successful, cohort-based tuition models provide the following benefits.

- **Increased predictability for students and families.** Under this model, the University would seek to hold tuition and fee levels constant for each continuing student at the student's initial entering cohort rate. This would provide greater predictability to students and their families and allow them to develop multi-year plans as they budget for college.
- **Improved affordability for undergraduates.** Tuition, together with support from the State's Cal Grant program, is the single largest source of need-based grant assistance for UC undergraduates. When tuition stays flat, no new revenue from either source is available to help UC students cover other parts of the total cost of attendance such as housing, food, books and supplies, and transportation. These other costs—which represent over half of the total cost of attendance—generally increase each year. Without additional funding for UC grants, the burden of these cost increases is passed along to students dollar for dollar.

In contrast, under a successful cohort-based tuition model, tuition revenue would increase predictably each year. These predictable increases would generate commensurate increases in funding for the University's Student Aid Program (USAP) to help students cover a portion of housing, food, and other cost increases, thereby reducing the need for students to cover these cost increases themselves with additional student loans or by working longer hours.

- **Stabilized revenue streams and enhanced planning opportunities for campuses.** Cohort-based tuition would enable campuses to know in advance projected tuition revenue from continuing students, which would greatly assist in campus planning efforts. If annual increases for incoming classes were pegged to a predictable index (e.g., changes

in the California Consumer Price Index), campuses would have an even clearer picture of this revenue stream to inform their planning processes.

Policy Elements

Different institutions have taken different approaches when implementing cohort-based tuition plans. Currently, the University is exploring a plan with the features shown below.

- **Student eligibility.** Cohort-based tuition could potentially be implemented for all degree-seeking undergraduate and graduate students in State-supported programs. (At the undergraduate level, it would apply to both freshman and transfer entrants.) This approach would be more expansive than that of typical cohort-based tuition programs, which apply only to undergraduate students. Charging predictable tuition levels, however, is a desirable goal for graduate as well as undergraduate students.
- **Student charges included in the plan.** Cohort-based rates could be implemented not only for base tuition but also for the Student Services Fee and Nonresident Supplemental Tuition. Professional Degree Supplemental Tuition (PDST) levels would continue to be determined according to existing Regental policy, and campus-based fees would continue to be established or increased based on student referenda at each campus.
- **Duration of cohort-based rates.** Institutions with cohort-based tuition plans typically limit eligibility to four years, with various exceptions and appeals processes that must be evaluated on a case-by-case basis for students enrolled beyond four years. The University is exploring an alternative approach in which students in a given cohort would be assessed the same tuition and fee level for up to six years, with the opportunity to petition to further extend eligibility in extraordinary circumstances. This approach would avoid penalizing those undergraduate students who may require more than four years to graduate—for example, students who enroll at UC with gaps in their academic preparedness or who have difficulty getting into a required course—and would also accommodate students in academic doctoral programs that have a longer normative time-to-degree. Even with a six-year duration, all students would continue to have a strong financial incentive to graduate in a timely way in order to avoid costs associated with housing, food, and other student expenses.

State Partnership

Cohort-based tuition works well when other elements of a University's revenue model are also increasing at a moderate, steady rate. For the University of California, State appropriations currently contribute approximately the same amount as tuition revenue towards the University's core instructional activities. As a result, for cohort-based tuition to work effectively, it is important to stabilize State appropriations as the other primary component of instructional support. Absent stable annual funding from the State, a cohort-based tuition model is unsustainable. The University System of Georgia, for example, was compelled to discontinue its cohort-based tuition program after three years due to State funding reductions in 2009. Given the possibility of an economic downturn, one highly important feature of any cohort-based tuition

policy would be a shared understanding between the University, the State, and the general public about the circumstances under which the University would be able to maintain a flat tuition level for each continuing cohort of students and when, in the absence of sufficient State support, the University would be expected deviate from that plan.

Implementing a cohort-based tuition model would also require administrative changes to the Cal Grant program because Cal Grant awards are tied to tuition and fee levels at UC. The California Student Aid Commission, which has primary responsibility for administering the Cal Grant program, would need to modify its grant administration system to ensure that it could award Cal Grants according to a student's entering cohort.

Implementation Considerations

The multi-year budget plan presented to the Regents in March 2019 included annual inflation-based adjustments in tuition and fees for all students. In moving to a cohort-based tuition model, having an increase apply only to the incoming cohort of students would initially result in a substantial shortfall in tuition revenue relative to that multiyear budget plan. In order to help mitigate that shortfall and the inevitable problems it would create for campus planning efforts, a cohort-based tuition model could entail an initial tuition and fee increase that is slightly greater than the rate of inflation for the first few incoming student cohorts. The goal, however, would be to reduce tuition and fee increases for subsequent cohorts such that, within four years, tuition charged to an incoming cohort would exceed the amount charged to the prior cohort by no more than the rate of inflation.

Institutions that have adopted cohort-based tuition note that its implementation creates certain administrative challenges. Tracking each cohort's tuition level requires substantial modifications to student information systems (e.g., billing, registration, and financial aid systems) at each campus. Institutions that have implemented cohort-based tuition required up to twelve months to adequately prepare for this policy change.

CONCLUSION

Cohort-based tuition has the potential to benefit students, families, and campuses by providing greater predictability of annual tuition and fee levels. Such an approach would also enhance the affordability of a UC education by generating new funding for financial aid to help financially needy students cover other components of the total cost of attendance, including housing, food, books and supplies, and transportation. A strong partnership with the State, however, would be essential to successfully implementing cohort-based tuition at the University of California. Following additional consultation with faculty, students, staff, and other key internal and external UC stakeholders, an action item related to cohort-based tuition will be brought to the Board of Regents for its consideration.

Attachment: Comparison at other public universities