INDIANA COMMISSION *for* HIGHER EDUCATION

Non-Binding Tuition and Mandatory Fee Targets for Indiana's Public Postsecondary Institutions for 2021-22 and 2022-23

May 13, 2021

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 policymakers 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 on tuition and mandatory fee rate increases for resident undergraduate students.

Indiana and the National Landscape: Tuition and Mandatory Fees

Indiana's recent tuition increases remain the lowest in nearly 30 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 2.2% each year from 2010-11 to 2020-21 compared to the national average of 3.8% for public four-year institutions. This placed Indiana's public four-year institutions as third in the nation for the lowest average increase in tuition and mandatory fee rates over the 10-year period. In-state tuition and mandatory fee rates at Indiana's public two-year colleges increased slightly above national averages over the same time period: 4.4% compared to 3.8% nationally (state ranking of 23).[1]

[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 leadership at Indiana's public institutions has been instrumental in setting a high bar for college affordability. Purdue University-West Lafayette recently announced plans to hold tuition flat for a tenth consecutive year, through the 2021-22 academic year. Indiana's public institutions have shown strong commitments to the Commission's tuition and mandatory fee recommendations, which is evidenced in part by Indiana's tuition increases falling below the national average.

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. College tuition represents a large investment for Hoosier families with tuition and mandatory fees at Indiana's public two-year institutions representing approximately 11% of Indiana's median household income. At Indiana's public four-year institutions, tuition and mandatory fees can represent up to 18% of the median household income in the state. Considering that tuition and mandatory fees make up only a portion of the total cost of attendance, it is understandable that many students believe 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- and middle-income Hoosiers. College completion can be a gateway to economic opportunity. The typical American with a college degree earns approximately 82% more than those with only a high school diploma ($65,161 versus $35,630 in average annual salary).[2] In addition, wage outcome data of Indiana public college graduates prove the payoff of a college degree increases over time and at each degree level.[3] The relationship between education and income is also present at the statewide level, with a state's ranking for per capita income often correlating with its ranking for educational attainment. The benefits of a college degree can go beyond the income premium as well, as college graduates also contribute greater fiscal support, philanthropic participation and civic engagement in their communities.[4] Given these factors, college affordability is a key component in the effort to increase educational attainment levels and create a greater sense of 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 2021-22 and 2022-23. The 2021-23 higher education budget, current student debt levels, Federal Higher

---

[2] 2019 Median Salary, People 25 Years Old and Over (PINC-03), Census Bureau
[3] 2020 College Value Report, Indiana Commission for Higher Education
[4] "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 .

Education Emergency Relief funding provided to institutions, and trends in inflationary costs experienced by Hoosier consumers all factored into the Commission's recommendation.

Value Proposition of Higher Education

As Indiana's economy is being transformed by technology, automation and higher skill requirements, it's critical that we embrace postsecondary education and training as the dominant pathway to a good job and economic mobility. The idea that a high school diploma is enough is reflected in Indiana's declining college-going rate, which has dropped six percentage points in four years (65 percent to 59 percent). Clearly, we must do more to prove to Hoosiers the value of more education and training, as well as encourage students to go to college. For many years, the Indiana Commission for Higher Education has focused on expanding the definition of "college" to include multiple postsecondary pathways, including high-value certificates and certifications as well as two-year, four-year and graduate degrees. At the same time, we must continue to work to increase affordability to ensure that Hoosiers can access and earn a credential.

State Appropriations

The State maintained a commitment to higher education throughout the 2021-23 budget development process. The Governor, House and Senate all recommended increases to higher education funding through additional operating dollars. The 2021-23 biennial budget that was signed by Governor Holcomb on April 23, 2021 includes over $2.8 billion in operating funding, $11.6 million in new capital projects (Regional Deferred Maintenance) and over $958 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

In the upcoming biennium, Indiana will provide up to over $390 million in FY 2022 and FY 2023 in 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 for eligible students. 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. The Commission approved base award amounts for the program in May 2020, which are still in effect today. Those approved amounts brought the award back up to 90% of the program's pre-recession award levels, resulting 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, 63% of graduates have student loan debt with an average loan balance of $25,435. This is a slight improvement to last biennium's figures which saw 68% of graduates with student loan debt and an average loan balance of $26,935. At Indiana's public two-year institutions, 43% of graduates accumulated an average of $12,697 in student loans. These figures also represent improvements over the biennium.[5] National student loan debt estimates are calculated slightly differently to allow for cross-state comparisons. However, recent data for four-year public and private colleges indicate that Indiana ranks 18th highest state in the nation for the proportion of graduates with debt at 59% and ranks 28th highest for the average level of debt at $28,112.[6] 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.***

Federal Higher Education Emergency Relief Funding

Indiana's public higher education institutions will have received about $985M in Federal COVID-19 relief funding once the Higher Education Emergency Relief funding is fully distributed. Roughly $425M of that funding must be provided to students in the form of emergency financial aid grants. While we understand that this funding must be tied to loss in revenues relating to the COVID-19 pandemic, it must be considered during this biennium when building our tuition and mandatory fee recommendation, as it is financial support to the institutions.

Inflation Indicators

Historically, the Commission has tied its tuition and mandatory fee target recommendation to inflationary increases. The Commission staff used the same inflation index that has been used previously. The inflation index includes data collected from the Bureau of Labor Statistics. The

[5] 2020 College Value Report, Indiana Commission for Higher Education.

[6] Project on Student Debt, The Institute for College Access and Success. Class of 2019.

analysis focuses on the latest four years of available data, 2017 through 2020, to provide the most recent snapshot of price changes for the recommendation process.

The Consumer Price Index (CPI) index provides a view of cost changes from the perspective of the consumer, particularly Hoosier students and their families. The CPI index measures the change in price of goods and services over time. Using the index measuring inflation of all goods and services in the Midwest region of the country is a practical methodology to ensure that we meet the objective of keeping the price of higher education flat relative to other types of goods and services.

For the recommendation process, Commission staff focused on the three-year compound annual growth rate (CAGR) percentage change for this index. 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).

Hoosier consumers in the Midwest region of the country experienced an average yearly growth rate in prices of 1.45% from 2017 to 2020 as measured by the average three-year CAGR of the CPI-Midwest index. As a note, Hoosier per capita income (adjusted for inflation) grew at a rate of 2.45% using the three-year CAGR calculation.[7]

Staff Recommendation

Consistent with historical recommendations, Commission staff considers inflationary changes when determining its maximum tuition and fees target. To keep the price of higher education flat relative to other types of goods and services, it must be constrained by an overall price index, not a higher education inflation index. Using the index measuring inflation of all goods and services in the Midwest region of the country is a practical methodology to ensure that we meet this objective. The staff preference that institutions keep tuition and fees flat is due to the importance of maintaining the focus on increasing college affordability.

Commission staff recommendation is flat. If tuition and fees must be increased, the increase should be no greater than 1.45% each year. Institutions that exceed the 1.45 percent increase should be prepared to provide a justification to the Commission and the State Budget Committee. This inflationary approach is based on the three-year compound annual growth rate in the CPI for all goods and services for the Midwest. The baseline for this recommendation is the 2020-21 resident undergraduate base tuition and mandatory fee rates submitted to the Commission during

[7] 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 2017 through 2020. Per capita income data for 2021 were preliminary at the time this report was created.

INDIANA COMMISSION *for* HIGHER EDUCATION

the 2021-23 biennium. The Commission's non-binding tuition and mandatory fee targets for 2021-22 and 2022-23 for each institution are included in Table 1.

Table 1. Non-Binding Tuition and Mandatory Fee Targets for 2021-22 and 2022-23. Commission staff recommendation is flat. If tuition and fees must be increased, the increase should be no greater than 1.45% each year.

INSITUTIONAL INCREASES					
	2020-21	CHE Recommendation		Impact	
Institution	Tuition and Fees	2021-22 Target	2022-23 Target	$ for 2022	$ for 2023
INDIANA STATE UNIVERSITY	$9,466	0-1.45%	0-1.45%	$9,603	$9,743
UNIV OF SOUTHERN INDIANA	$8,146	0-1.45%	0-1.45%	$8,264	$8,384
BALL STATE UNIVERSITY	$10,144	0-1.45%	0-1.45%	$10,291	$10,440
VINCENNES UNIVERSITY	$6,250	0-1.45%	0-1.45%	$6,341	$6,433
ITCCI	$4,637	0-1.45%	0-1.45%	$4,704	$4,772
INDIANA UNIVERSITY SYSTEM					
Bloomington	$11,221	0-1.45%	0-1.45%	$11,384	$11,549
East	$7,715	0-1.45%	0-1.45%	$7,827	$7,941
Kokomo	$7,715	0-1.45%	0-1.45%	$7,827	$7,941
Northwest	$7,715	0-1.45%	0-1.45%	$7,827	$7,941
South Bend	$7,715	0-1.45%	0-1.45%	$7,827	$7,941
Southeast	$7,715	0-1.45%	0-1.45%	$7,827	$7,941
IUPUI	$9,944	0-1.45%	0-1.45%	$10,088	$10,235
PURDUE UNIVERSITY SYSTEM					
West Lafayette	$9,992	0-1.45%	0-1.45%	$10,137	$10,284
Northwest	$7,942	0-1.45%	0-1.45%	$8,057	$8,174
Fort Wayne	$8,730	0-1.45%	0-1.45%	$8,857	$8,985

Source: 2020-21 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