

A Report on Tuition

Executive Summary

The purpose of this report is to respond to questions about tuition at The University of Texas at Austin and to explain how changes in university funding have shaped tuition policy.

- UT Austin's average annual increases in tuition and fees since tuition deregulation in 2003 have actually been lower than they were in the 13 previous years (1990-2003). Tuition deregulation has had a moderating effect on tuition and fees and the process has become more transparent.
- UT Austin's core budget has grown only 2.6% annually from 1990 to the present when adjusted for inflation.
- Since 1990, annual state support for UT Austin's academic budget, adjusted for inflation, has actually decreased by 1%. *Tuition now surpasses state general revenue as a source of funding for the academic enterprise at UT Austin.*
- Low- and middle-income students have been protected from tuition and fee increases at UT Austin. Since tuition deregulation in 2003, the 4-year compound annual increase for students from families earning less than \$40,000 per year has been 0%; for families earning \$40,000-60,000 it has been 3.0%; and for families earning \$60,000-80,000 it has been 5.7%.
- UT Austin's tuition and fees are reasonable compared to our peer institutions. In 2007, UT Austin's resident undergraduate tuition ranks 7th out of its 12-member National Comparison Group.
- Other sources confirm that UT Austin is a good value. *Kiplinger's Personal Finance* ranked UT Austin 24th among the 100 best values in public universities in 2008. The magazine evaluated more than 500 public universities.
- Administrative costs at UT Austin are a small part of the total operating budget. They amounted to 5.7% of the total budget in 2007, while the average for the public universities in Texas was 10.5%.
- Research universities are a good investment for Texas. UT Austin faculty members generated \$447 million in externally funded research in 2005–06, more than all the other state universities combined, not including Texas A&M.

A Report on Tuition

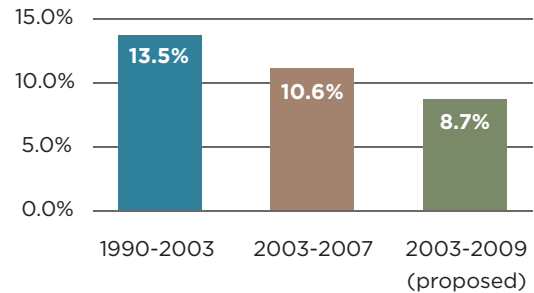
BACKGROUND ON TUITION AT UT AUSTIN

Recent tuition increases have raised a number of questions about university budgets and the affordability of a college education. The purpose of this report is to respond to questions about tuition at The University of Texas at Austin (UT Austin) and to explain where the university's money comes from, where it goes, and how changes in funding have shaped our tuition policy.

Three initial points:

- UT Austin's average annual increases in tuition and fees since tuition deregulation in 2003 have actually been lower than they were in the 13 previous years (1990-2003). Tuition deregulation has had a moderating effect on tuition and fees.
- UT Austin's core budget has grown only 2.6% annually from 1990 to the present when adjusted for inflation.
- Since 1990, annual state support for UT Austin's academic budget, adjusted for inflation, has actually decreased by 1%. *Tuition now surpasses state general revenue as a source of funding for the academic enterprise at UT Austin.*

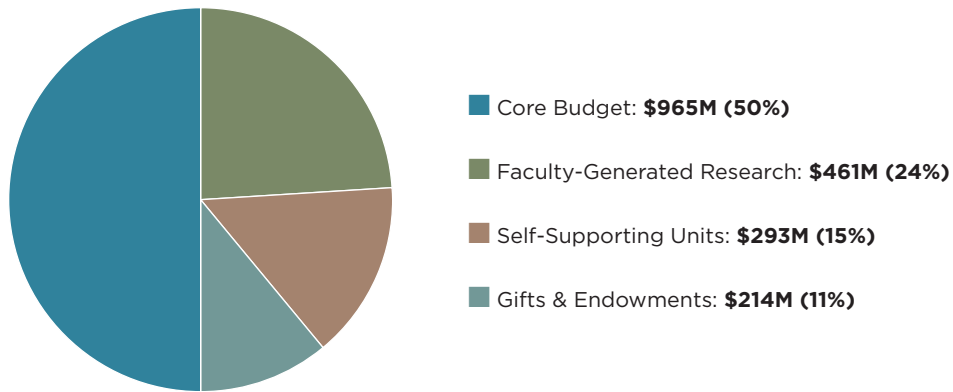
Rate of increase in tuition and fees



WHERE DOES THE MONEY COME FROM?

UT Austin's 2007-08 total operating budget is \$1.9 billion. It comprises four components. The first component is the core budget (\$965 million), mostly funded by tuition and fees and state general revenue. The three additional components generate their own support and do not receive any funding from tuition and fees or state general revenue. These three components include faculty-generated research (\$461 million); gifts and endowments (\$214 million); and self-supporting units, such as dormitories, food service, athletics, parking, and the University Interscholastic League (\$293 million).

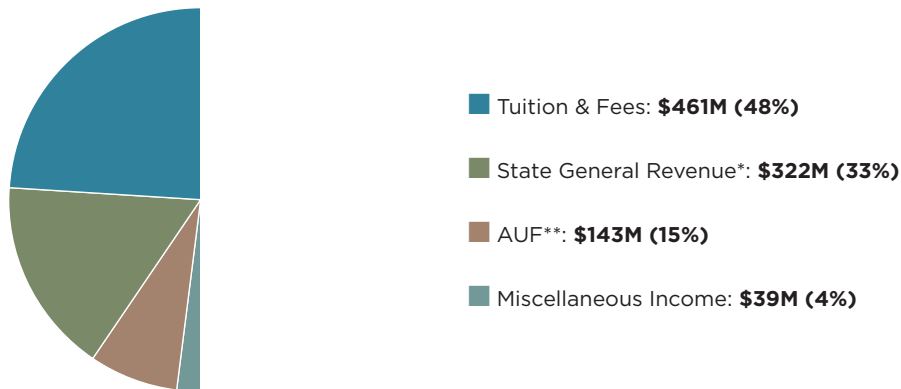
THE FOUR COMPONENTS OF THE UT AUSTIN BUDGET, 2007-08



The illustrations that follow focus on the core budget, the part of the University budget that affects tuition policy.

FUNDING SOURCES FOR UT AUSTIN CORE BUDGET, 2007-08

Percentages are for the core budget, not the total budget.



* State general revenue constitutes 16.7% of UT Austin's overall budget. The overall budget includes the core budget and the other three budget components— self-supporting units, gifts and endowments, and faculty-generated research.

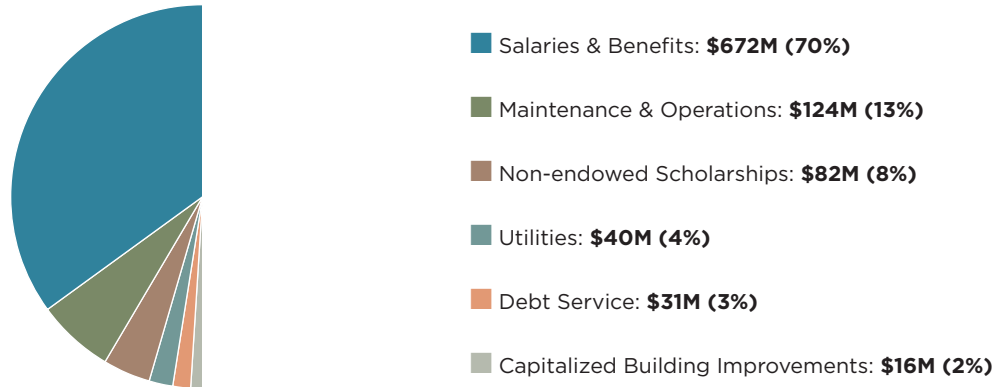
** AUF is the Available University Fund, which is funded by the Permanent University Fund Endowment.

Tuition and fees make up the largest category of funding support for the UT Austin core budget.

WHERE DOES THE MONEY GO?

The overwhelming majority of the core budget (\$672M) goes to pay salaries and benefits for faculty and staff.

EXPENDITURES FOR CORE BUDGET, 2007-08



WHAT IS HAPPENING WITH TUITION AND FEES?

1. *UT Austin's increases in tuition and fees since tuition deregulation in 2003 have actually been lower than before tuition deregulation.*

Average annual increases in tuition and fees:

1990-2003 (pre-tuition deregulation)	13.5%
2003-07 (post-tuition deregulation)	10.6%
2003-09 (proposed)	8.7%

2. *Low- and middle-income students have been protected from tuition and fee increases at UT Austin.*

TOTAL COSTS PER SEMESTER TO LOW- AND MIDDLE-INCOME STUDENTS

4-Year Analysis	Total Cost to Students from Families Earning:			
	Up to \$40K	\$40K to \$60K	\$60K to \$80K	\$80K and Up
Fall semester 2003 tuition and fees	\$2,721	\$2,721	\$2,721	\$2,721
Fall semester 2007 tuition and fees (net of UT Grant*)	2,721	3,057	3,393	4,065
Net increase to student	0	336	672	1,344
Cumulative 4-year increase	0%	12.3%	24.7%	49.4%
Compound annual increase	0%	3.0%	5.7%	10.6%

* UT Grants, which were created by UT Austin in 2003, are tuition-assistance financial aid provided to low- and middle-income students.

3. UT Austin's tuition and fees are reasonable compared to our peer institutions.

This year, UT Austin's resident undergraduate tuition ranks 7th out of our 12-member National Comparison Group.

University	07-08		State Appropriations		
	Tuition	Rank	University	Per Student*	Rank
Illinois	\$11,130	1	North Carolina†	\$18,146	1
Michigan	11,111	2	UCLA†	16,693	2
Michigan State	9,912	3	UC Berkeley	14,296	3
Minnesota	9,598	4	Minnesota†	13,294	4
Ohio State	8,676	5	Wisconsin†	9,416	5
UC Berkeley	8,385	6	Ohio State†	9,029	6
University of Texas at Austin	8,130	7	University of Texas at Austin	8,778**	7
Indiana	7,837	8	Washington†	8,760	8
UCLA	7,713	9	Michigan State†	8,386	9
Wisconsin	7,188	10	Michigan†	8,355	10
Washington	6,385	11	Illinois	7,029	11
North Carolina	5,340	12	Indiana	6,385	12

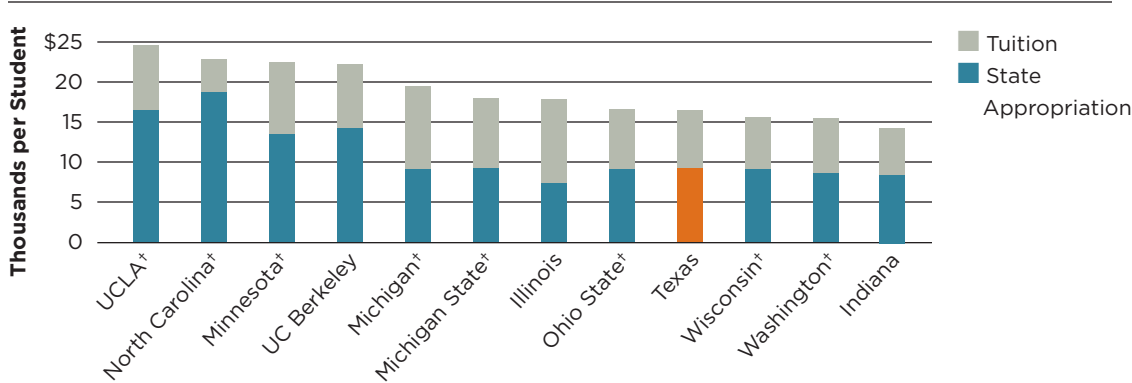
* 05-06, most recent available data.

** Includes the Available University Fund allocation (income from the Permanent University Fund).

† Institutions with medical schools on main campus.

Source: IPEDS Peer Analysis System (U.S. Dept. of Education); AAUDE; UT Budget Office.

Only the University of Wisconsin-Madison, the University of Washington, and the University of North Carolina have significantly lower tuition than UT Austin. However, North Carolina received \$18,146 per student in state support in 2005-06 (the most recent data available), or 106% more than the \$8,778 UT Austin received from the State of Texas for each student. In spite of North Carolina's low tuition, the sum of its annual state support and tuition is nearly \$7,000 per student more than that of UT Austin. The chart below depicts the total of tuition and state support per student at peer institutions using the most recent data. In this calculation, UT Austin ranks near the bottom.



† Institutions with medical schools on main campus.

UT Austin state support Includes Available University Fund. Source: See previous chart.

Among our national research university peers, UT Austin remains a good value for students paying in-state tuition. But universities throughout Texas have had to face funding challenges. For example, while the cumulative 4-year tuition and fee increase at UT Austin was 49%, Texas A&M had a similar increase during the same period (fall 2003–2007).

4. Other sources confirm that UT Austin is a good value.

Kiplinger's Personal Finance ranked UT Austin 24th among the 100 best values in public universities in 2008. The magazine, which evaluated more than 500 public colleges and universities, ranked schools that “combine outstanding economic value with top-notch education.” *U.S. News & World Report* and *The Princeton Review* also rate UT Austin as a best value.

WHAT DRIVES THE INCREASING COST OF A UNIVERSITY EDUCATION?

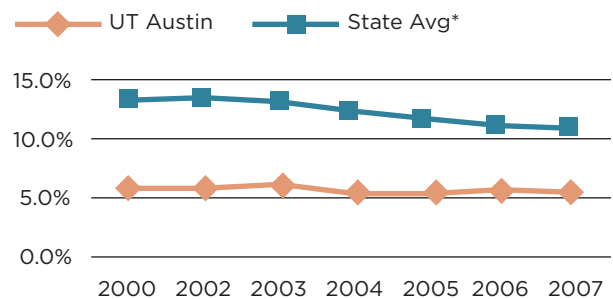
Labor costs represent more than two-thirds of university budgets, causing university budgets to grow faster than the Consumer Price Index.

Other drivers include the cost of utilities, construction, health benefits, and internally funded capital improvements such as new buildings and laboratories.

The Consumer Price Index measures the average price of consumer goods and services purchased by households. However, even though families don't spend 70% of their budget on labor, UT Austin does. For the past five years (2002-03 to 2007-08), the average annual increase in the UT Austin budget was 6.0%. The projected increase in the budget for 2008-09 is 3.9%.

ARE ADMINISTRATIVE COSTS A PROBLEM?

Administrative costs at UT Austin are a small part of the total operating budget. They amounted to 5.7% of our total budget in 2007, while the average for the public universities in Texas was 10.5%.



* State average for 35 Texas public universities.
Source: Texas Higher Education Coordinating Board.

A 2005 Legislative Budget Board (LBB) performance review stated,

In fiscal year 2003, UT Austin reduced its administrative costs by reorganizing administrative functions and eliminating approximately 600 positions. The action reduced UT Austin administrative cost per full-time equivalent student [FTSE] to \$1,490 and its four-year compound growth rate in administrative cost per student to 2.5 percent. Even though UT Austin's growth rate has been modestly higher than its peers, it remains among the lowest in administrative cost per FTSE.

The Executive Summary of the same LBB review stated simply, “UT Austin has low administrative costs compared to its peers.”

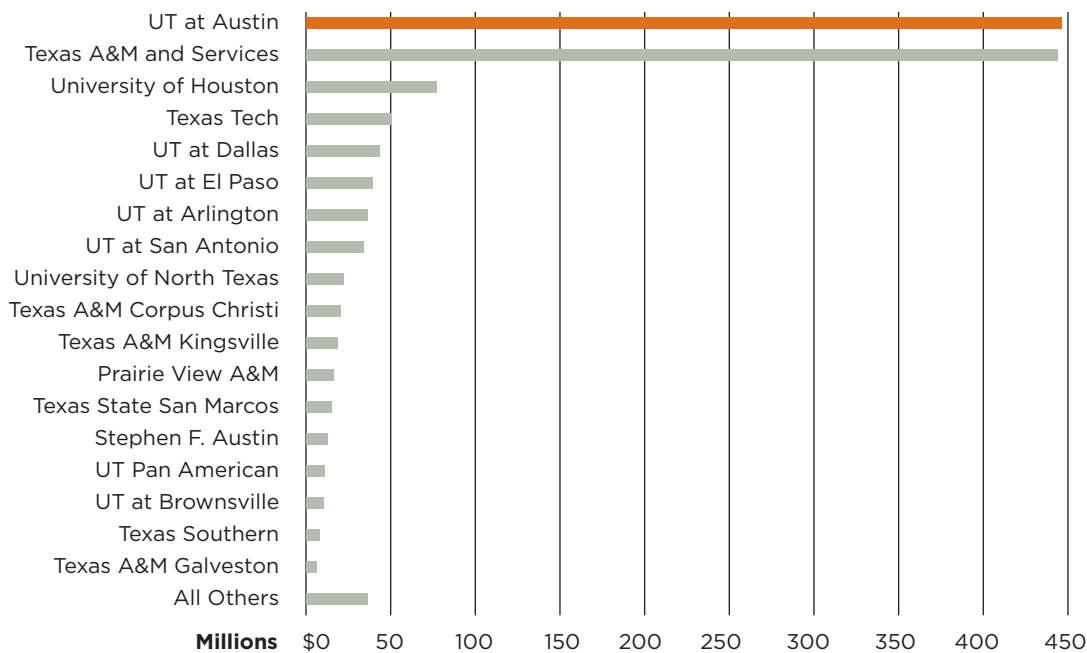
Complementing UT Austin's successful efforts to maintain low administrative costs are its successful efforts to make the most effective use of its physical plant. For both classrooms and laboratories, the UT Austin facilities utilization rates for fall 2007 ranked 3rd highest of the 35 state universities in Texas.

WHY DO WE NEED MORE REVENUE?

1. A stronger university will allow us to generate even more economic growth for Texas.

UT Austin's expenditures for faculty-generated externally funded research in fiscal year 2005-06 were \$447 million, more than all the other Texas public universities combined, not including Texas A&M. Only the state's two national research universities deliver a return on investment of this scale. This research provides tremendous economic value to the state. However, these external resources can only be spent on the intended research projects. Technology transfer generates patents, licensing, proprietary processes, corporate start-ups, and spin-off companies. Companies created as a result of advances at UT Austin include Tracor, Radian, National Instruments, and Evolutionary Technologies.

Total Research Expenditures FY2005-06



Most recent comparative data available. Source: Texas Higher Education Coordinating Board.

The Austin Technology Incubator is a UT Austin division that promotes student and faculty involvement in entrepreneurial ventures. More than 150 early-stage companies have been assisted by this entrepreneurial laboratory. According to a 2004 study by the IC² Institute, these companies have generated more than \$2.9 billion in revenue and more than 2,700 jobs. At least 5,200 additional jobs have been created indirectly as a result of economic activity by these companies.

In recent years, UT Austin has established new programs in biomedical engineering, neuroscience, nanoscience, and environmental studies. Most recently, UT Austin has added the Energy Institute, which will expand Texas' role as a world leader in energy-related research and technology development. These programs attract leading faculty and students who are working on innovations in new fields with enormous potential for scientific exploration and commercial development. As we add laboratory space and faculty, the faculty will perform more research that contributes to economic development.

2. More resources will enable us to enhance the student experience, continue to build a more diverse student body, and help keep college affordable.

We are at work on a variety of fronts to improve undergraduate education, especially the freshman-sophomore experience. The Office of the Dean of Undergraduate Studies was created in 2006 to implement reform of the undergraduate curriculum. Some of the new or expanding programs include Freshman Interest Groups, First-Year Signature Courses, Longhorn Scholars, and expanded undergraduate research opportunities—all designed to enrich learning inside and outside the classroom. The University Lecture Series was established in 2007 especially for first- and second-year students to offer a common intellectual experience and to promote discussion with faculty and classmates. A university-wide advising center is being developed in addition to existing academic advising services in each college so students can make more informed course selections and career choices. These efforts, which contribute to improved freshman retention rates and graduation rates, were funded by new resources.

Improved freshman retention

Rate of freshmen who return for their sophomore year has increased from 87.7% in 1997 to 91.9% in 2006.

Improved graduation rates

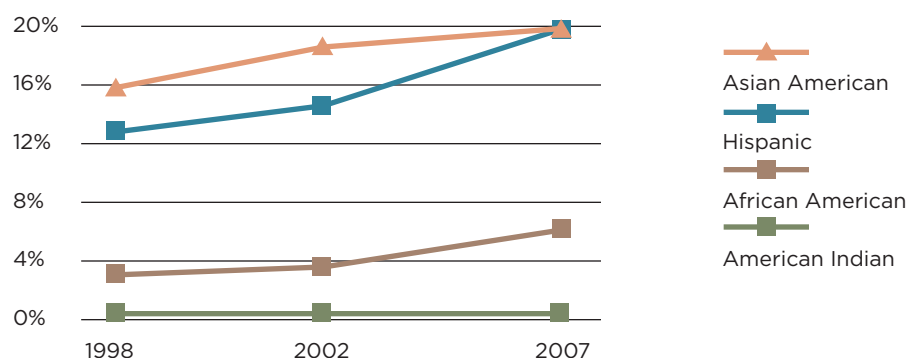
4-year graduation rate increased from 30.2% in 1997 to 51.0% in 2007.

6-year graduation rate increased from 64.6% in 1997 to 77.4% in 2007.

Students who avoid prolonging their education by one semester save their families about \$10,000 in education and living costs, plus they have the benefit of their post-graduation earnings. Reducing the 4-year graduation rate has reduced education costs for the average student. To the extent that increased tuition expands services that improve timely graduation, improved graduation rates can actually reduce overall education costs.

Additional resources enable us to be more effective in recruiting minorities through scholarships and outreach programs. UT Austin enrolled its most diverse freshman class ever in fall 2007 (19.7% Hispanic, 19.7% Asian American, and 5.8% African American).

Fall Enrollment of New Freshmen Minority Students by Ethnicity



3. For Texas to be a leading state—economically, culturally, and politically—13th best is not good enough. Texas needs a Top 5 university.

UT Austin is the highest ranked public research university in Texas, and is tied for 13th nationally among public institutions, according to *U.S. News & World Report*. But in the overall rankings, UT Austin ranks 96th in financial resources and 110th in faculty resources. Clearly, given the limited UT Austin budget, Texas is getting a high-quality educational outcome for its investment of state revenue.

However, for Texas to compete successfully with other states, it must have public research universities that compete at the highest levels. Competition at those levels can only be reached and sustained with funding comparable to the nation’s leading institutions.

4. We need to attract and retain the best faculty.

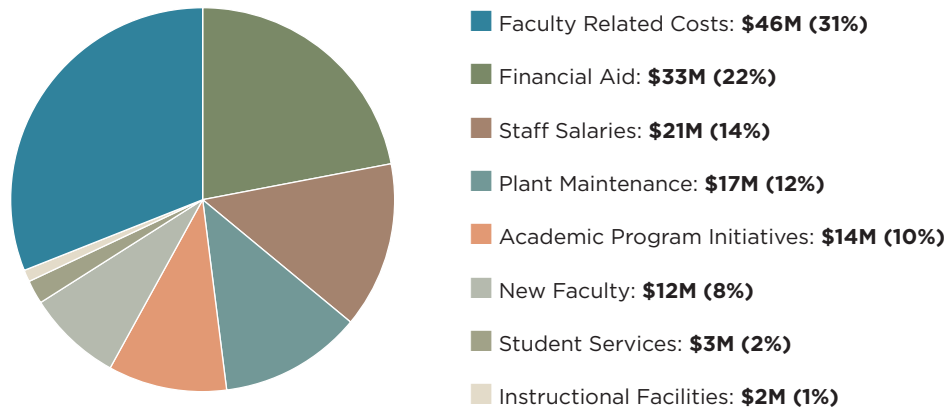
In order to accomplish these goals – to generate more economic growth, to enhance student success, and to be a leading public research university – we need outstanding faculty. UT Austin competes for the best, and we must compete against both public and private universities.

UT Austin – Most Serious Competitors			
Average Faculty Salaries 2006-2007			
	Professor	Associate	Assistant
Stanford	\$164,300	\$114,700	\$91,000
Columbia	162,000	104,600	81,500
Pennsylvania	156,500	106,400	91,800
Northwestern	147,200	97,500	83,500
Duke	142,000	96,800	82,400
UCLA	133,200	84,200	72,100
UC Berkeley	131,300	86,800	76,200
Rice	130,400	91,000	78,000
Michigan	130,400	86,600	75,000
North Carolina	126,800	85,500	71,800
UT Austin	121,200	78,300	75,100
Illinois	120,900	79,500	71,700
Wisconsin	103,500	78,100	66,000
Average	\$136,100	\$ 91,500	\$78,200

Source: *Academe* magazine and individual institutions.

Closing the salary gap between UT Austin and Michigan, for example, would require an additional \$12.5 million per year.

HOW HAS ADDITIONAL TUITION REVENUE BEEN SPENT?



New revenue from tuition increases since deregulation has been used for hiring new faculty, faculty and staff salary increases, student financial aid, academic initiatives, and other expenses. Without tuition increases, UT Austin would have required \$115 million in additional recurring state general revenue from 2003–04 to 2007–08.

CLOSING THE GAPS

UT Austin is contributing to the state’s “Closing the Gaps” initiative by conferring more than 12,000 degrees per year; awarding the highest number of doctoral degrees of any university in Texas; awarding the highest number of doctoral degrees to Hispanics of any American university; and producing the highest graduation rates for minority students among public universities in Texas. UT Austin is also increasing math and science teacher certifications through its UTeach program, which is so successful that it is being copied at 12 other universities nationwide through a grant from ExxonMobil. UT Austin is advancing the Texas Closing the Gaps in Research initiative by leading all Texas universities in federal research grants.

WHAT ARE OTHER STATES DOING?

A New York state commission established by the governor recently called for higher state support to develop great research universities and to support them with higher tuition and a \$3 billion innovation fund. Plans have been advocated for substantial increases in higher education resources in Florida, Georgia, Illinois, and other states. California, Massachusetts, and North Carolina have long experienced tremendous economic growth around their concentrations of research universities. Tuition is a critical funding component for research universities in Texas and throughout the nation.



FOR MORE INFORMATION

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