

A Report on Tuition and Funding

2009 Update

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.

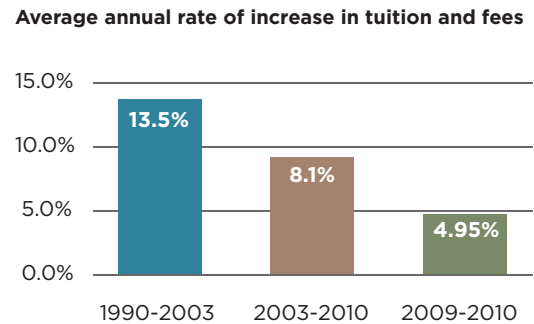
- UT Austin's average annual increases in tuition and fees since tuition deregulation in 2003 have actually been lower than they were in the 13 previous years (1990-2003). Tuition deregulation has had a moderating effect on tuition and fees and the process has become more transparent.
- Since 1990, state support for UT Austin's academic budget has grown by 1.9% annually. When adjusted for inflation, it has actually decreased by 1% per year. *Tuition now surpasses state general revenue as a source of funding for the academic enterprise at UT Austin.*
- UT Austin's core budget has grown only 2.8% annually from 1990 to the present when adjusted for inflation, including tuition and Available University Fund increases.
- Low- and middle-income students have experienced moderate tuition and fee increases at UT Austin as a result of increased financial aid.
- UT Austin's tuition and fees are reasonable compared to our peer institutions. In 2008, UT Austin's resident undergraduate tuition ranked 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 19th among the 100 best values in public universities in 2008. The magazine evaluated more than 500 public universities.
- Research universities are a good investment for Texas. UT Austin faculty members generated \$476 million in externally funded research in 2006-07, more than all the other state universities combined, not including Texas A&M.
- If annual state support of UT Austin's academic budget had increased at the average inflation rate, tuition increases could have been substantially lower.

A Report on Tuition and Funding

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.

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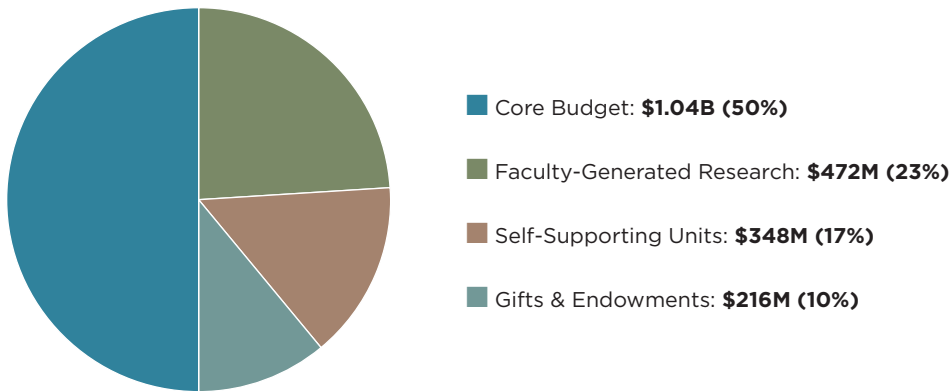


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WHERE DOES THE MONEY COME FROM?

UT Austin's 2008-09 total operating budget is \$2.076 billion. It comprises four components. The first component is the core budget (\$1.04 billion), 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 (\$472 million); gifts and endowments (\$216 million); and self-supporting units, such as dormitories, food service, athletics, parking, and the University Interscholastic League (\$348 million).

THE FOUR COMPONENTS OF THE UT AUSTIN BUDGET, 2008-09

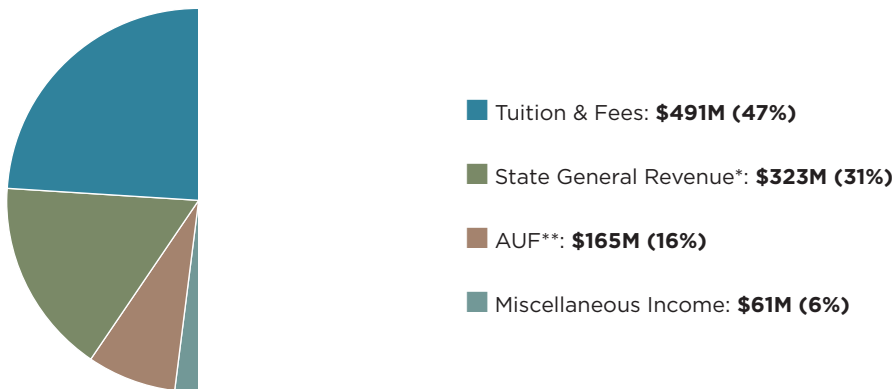


M= million; B= billion.

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, 2008-09

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



* State general revenue constitutes 16% 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.

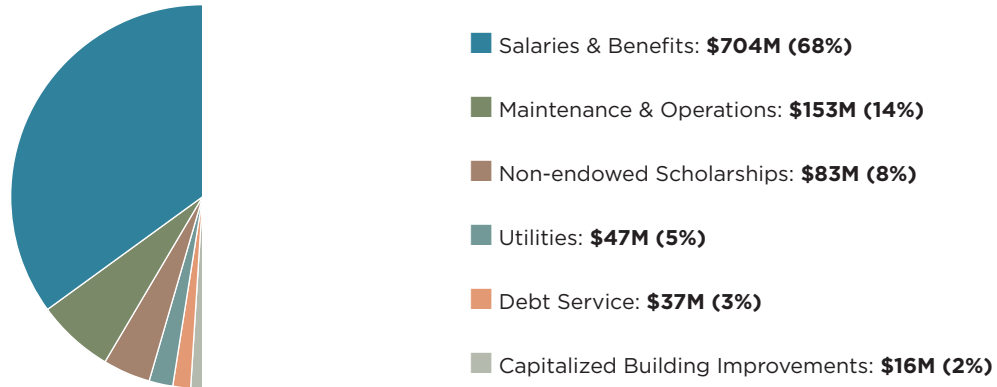
** AUF is the Available University Fund, which is funded by the Permanent University Fund Endowment.

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 (\$704M) of the core budget goes to pay salaries and benefits for faculty and staff.

EXPENDITURES FOR CORE BUDGET, 2008-09



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%
2003-10 (post-tuition deregulation)	8.1%
2009-10	4.95%

2. Low- and middle-income students have experienced moderate tuition and fee increases at UT Austin as a result of increased financial aid.

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

5-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 2008 tuition and fees (net of UT Grant*)	3,084	3,377	3,669	4,254
Net increase to student	363	656	948	1,533
Compound annual increase	2.5%	4.4%	6.2%	9.3%

* 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	08-09		State Appropriations		
	Tuition	Rank	University	Per Student*	Rank
Illinois	\$12,106	1	North Carolina†	\$19,935	1
Michigan	11,738	2	UCLA†	17,564	2
Michigan State	10,690	3	UC Berkeley	15,044	3
Minnesota	10,634	4	Minnesota†	13,774	4
UC Berkeley	8,932	5	Wisconsin†	9,534	5
Ohio State	8,679	6	Washington†	9,379	6
University of Texas at Austin	8,508	7	University of Texas at Austin	9,118**	7
UCLA	8,310	8	Ohio State†	8,946	8
Indiana	8,231	9	Michigan †	7,579	9
Wisconsin	7,568	10	Michigan State†	7,563	10
Washington	6,802	11	Illinois	7,008	11
North Carolina	5,397	12	Indiana	6,260	12

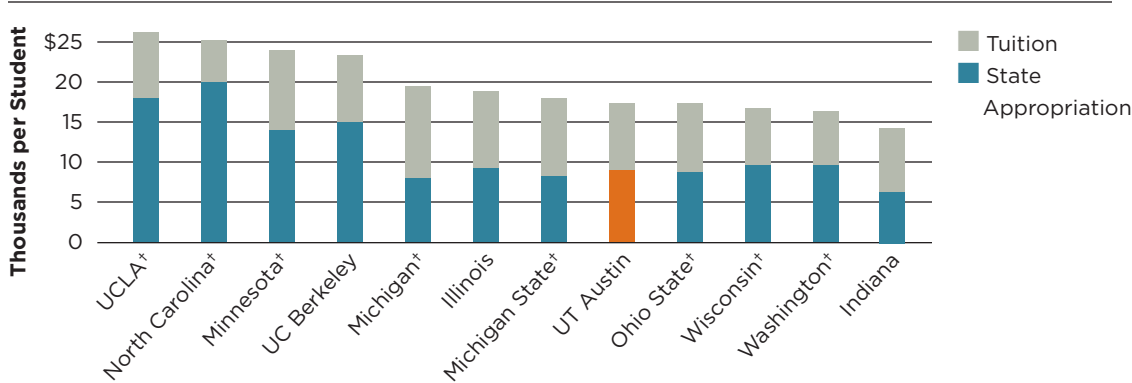
* 06-07, most recent available data.

** 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 \$19,935 per student in state support in 2006-07 (the most recent data available), or 119% more than the \$9,118 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 about \$7,700 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 8th out of 12.



† 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 5-year tuition and fee increase at UT Austin was 56.3%, Texas A&M had a similar increase during the same period (fall 2003–2008).

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

Kiplinger's Personal Finance ranked UT Austin 19th among the 100 best values in public universities in 2009. 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?

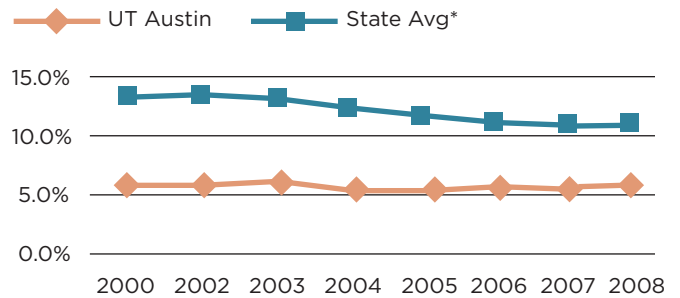
Labor costs represent more than two-thirds of university budgets, causing university budgets to grow faster than the Consumer Price Index.

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 six years (2002-03 to 2008-09), the average annual increase in the UT Austin budget was 6.2%.

ARE ADMINISTRATIVE COSTS A PROBLEM?

Administrative costs at UT Austin are a small part of the total operating budget. They amounted to 5.1% of our total budget in 2008, 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.

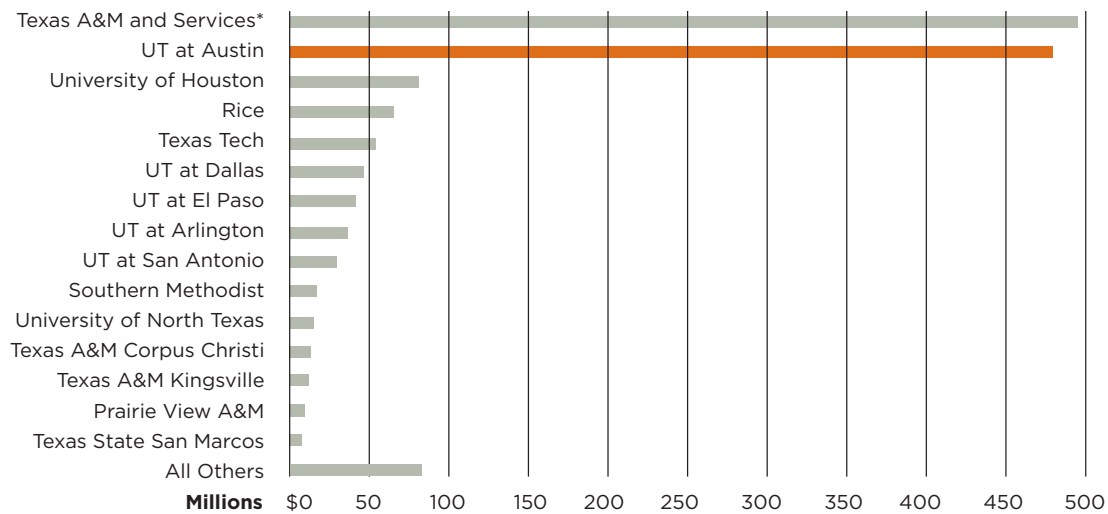
Complementing UT Austin's successful efforts to maintain low administrative costs are its successful efforts to make the most effective use of its physical plant. For both classrooms and laboratories, the UT Austin facilities utilization rates for fall 2008 ranked 6th highest of the 35 state universities in Texas for classrooms and 5th for laboratories.

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 2006-07 were \$476 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 FY2006-07



Most recent comparative data available. Source: Texas Higher Education Coordinating Board.
 * Includes Texas A&M service agencies.

Texas A&M and Services	\$492.7M	UT at San Antonio	\$32.3M
UT at Austin	476.3M	Southern Methodist	17.0M
University of Houston	78.1M	University of North Texas	14.5M
Rice	67.3M	Texas A&M Corpus Christi	14.1M
Texas Tech	52.2M	Texas A&M Kingsville	13.7M
UT at Dallas	46.5M	Prairie View A&M	11.2M
UT at El Paso	42.0M	Texas State San Marcos	10.3M
UT at Arlington	39.6M	All Others	78.7M

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 School of Undergraduate Studies was created 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. 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 88.0% for the 1997 class to 90.9% for the 2007 freshman class.

Improved graduation rates

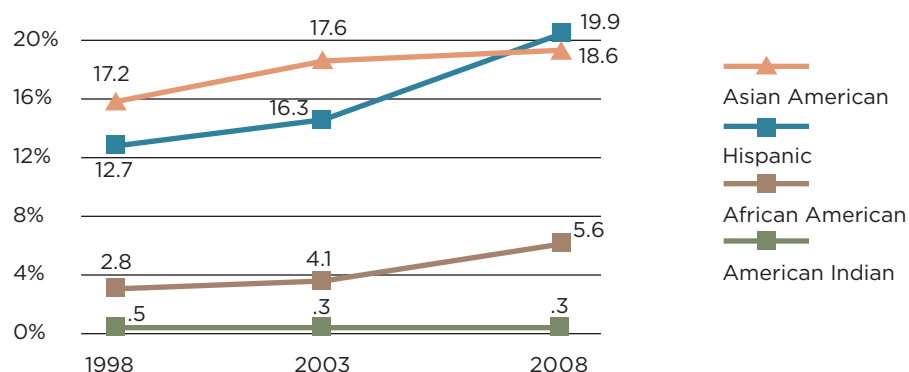
4-year graduation rate increased from 30.2% in 1997 to 52.4% in 2008.

6-year graduation rate increased from 64.6% in 1997 to 77.8% in 2008.

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. Improving 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 one of its most diverse freshman classes in fall 2008 (19.9% Hispanic, 18.6% Asian American, and 5.6% African American).

Fall Enrollment of New Freshmen Minority Students by Ethnicity



3. For Texas to be a leading state—economically, culturally, and politically—15th 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 15th nationally among public institutions, according to *U.S. News & World Report*. But in the overall rankings, UT Austin ranks 94th in financial resources and 107th 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.

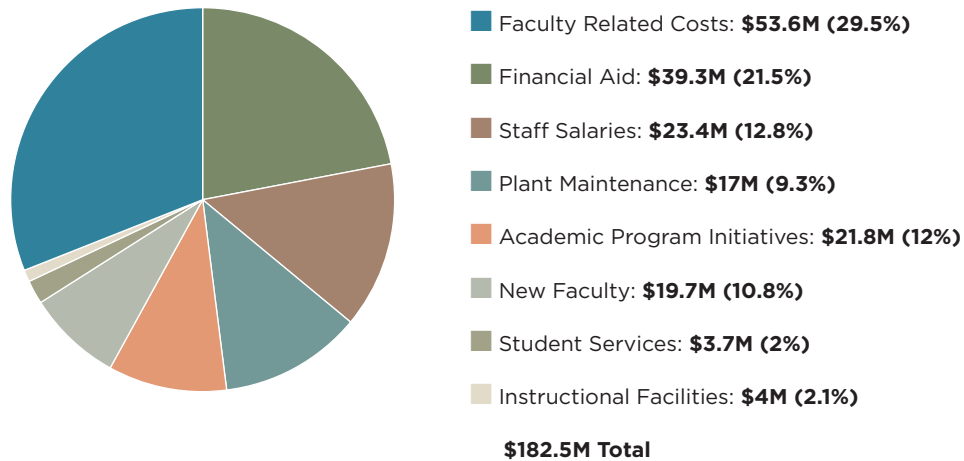
In order to accomplish these goals – to generate more economic growth, to enhance student success, and to be a leading public research university – we need outstanding faculty. UT Austin competes for the best, and we must compete against both public and private universities.

UT Austin – Most Serious Competitors Average Faculty Salaries 2006-2007			
	Professor	Associate	Assistant
Stanford	\$173,700	\$122,200	\$94,300
Columbia	166,200	106,600	83,700
Pennsylvania	163,300	107,500	95,900
Northwestern	153,600	100,500	87,900
Duke	152,600	102,500	87,300
UCLA	142,000	90,700	76,800
Berkeley	141,000	94,400	78,500
North Carolina	138,500	90,900	76,900
Rice	137,100	94,500	81,600
Michigan	137,000	89,100	79,300
UT Austin	126,000	81,300	77,600
Illinois	125,700	82,200	73,700
Wisconsin	104,700	80,300	69,100
Average	\$143,200	\$95,600	\$81,700

Source: *Academe* magazine and individual institutions.

Closing the salary gap between UT Austin and Michigan, for example, would require an additional \$13.9 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 \$144 million in additional recurring state general revenue from 2003–04 to 2008–09.

CLOSING THE GAPS

UT Austin is contributing to the state’s “Closing the Gaps” initiative by conferring more than 13,000 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.

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FOR MORE INFORMATION

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