

Proposal for Tuition Rate Changes and Economic Impact Statement

Time, Date, and Place of Public Hearing on Proposed Tuition Rate Changes

Time: 2:00 pm
 Date: October 11, 2019
 Place: Jesus S. and Eugenia Leon Guerrero SBPA Building Room 129, University of Guam,
 Mangilao, Guam 96923

Proposal for Tuition Rate Changes

The University recommends the following adjustments to tuition rates: a 10% increase for resident rates beginning in the Fañomnåkan (Spring) 2020 semester and another 10% in the Fanuchånan (Fall) 2020 Semester, and another 10% in the Fañomnåkan (Spring) 2021 semester. Non-resident rates will be 200% of the resident tuition rates in the given academic year. Eligible candidates that meet the Western Interstate Commission for Higher Education (WICHE) requirements will pay 150% of the resident rate. Tuition rates for subsequent academic years will be adjusted based on the rate changes in the U.S. Consumer Price Index. Revenue generated by the proposed tuition increase will benefit academic quality and support student learning.

The language for each increase will give the President flexibility to increase tuition up to 10%. If the University receives additional amounts from the Government of Guam or if the University is able to generate additional revenues from alternate sources, the President will have discretion to reduce the amount of the increase.

Current and Proposed Tuition Rate Changes

| Academic Year | 2016-17 | 2017-18 | 2018-19 | Fañomnåkan 2020 | Fanuchånan 2020 | Fañomnåkan 2021 |
|-------------------------------|---------|---------|---------|--------------------|--------------------|--------------------|
| 1. Resident Undergraduate | \$210 | \$210 | \$210 | \$231 | \$254 | \$280 |
| 2. Resident Graduate | \$285 | \$285 | \$285 | \$314 | \$345 | \$379 |
| 3. Non-Resident Undergraduate | \$504 | \$504 | \$504 | \$462 | \$508 | \$560 |
| 4. Non-Resident Graduate | \$650 | \$650 | \$650 | \$628 | \$690 | \$758 |
| 5. WICHE Undergraduate | \$0 | \$0 | \$0 | \$347 | \$381 | \$419 |

- Increase the **resident undergraduate tuition rate** per credit hour to the following levels:
 - \$231 (+10% increase) effective Fañomnåkan (Spring) Semester 2020
 - \$254 (+10% increase) effective Fanuchånan (Fall) Semester 2020
 - \$280 (+10% increase) effective Fañomnåkan (Spring) Semester 2021
- Increase the **resident graduate tuition rate** per credit hour to the following levels:
 - \$314 (+10%) effective Fañomnåkan (Spring) Semester 2020
 - \$345 (+10%) effective Fanuchånan (Fall) Semester 2020
 - \$379 (+10%) effective Fañomnåkan (Spring) Semester 2021
- Change the **non-resident undergraduate tuition rate** per credit hour to the following levels:
 - \$462, effective Fañomnåkan (Spring) Semester 2020
 - \$508, effective Fanuchånan (Fall) Semester 2020

- \$560, effective Fañomnâkan (Spring) Semester 2021
4. Change the **non-resident graduate tuition rate** per credit hour to the following levels:
 - \$628, effective Fañomnâkan (Spring) Semester 2020
 - \$690, effective Fanuchânan (Fall) Semester 2020
 - \$758, effective Fañomnâkan (Spring) Semester 2021
 5. Provide an **undergraduate tuition rate per credit hour for eligible WICHE candidates** at the following levels¹:
 - \$387, effective Fañomnâkan (Spring) Semester 2020
 - \$381, effective Fanuchânan (Fall) Semester 2020
 - \$419, effective Fañomnâkan (Spring) Semester 2021

NOTE: The University of Guam also intends to revise its Resident policy to incentivize the Guam diaspora to attend and be provided resident tuition rates.

Purpose, Need and Assessment of Risk and Cost

The University requires sufficient funding to achieve its mission and maintain academic quality and student learning. We rely on revenues from Government of Guam appropriations, grants and contracts, student tuition/ fees and auxiliary enterprises for the majority of our operational funds. Government appropriations for the past five fiscal years has been anywhere between \$27-30 million (M) with the highest appropriation being provided in FY 2017 (\$30.7M).

Our appropriations have since declined when the 2017 Federal Tax Cuts and Jobs Act was implemented, going from a \$30.7M in FY 2017 to \$27.4 in FY 2019. Receiving the full appropriation has also been a struggle for the last three fiscal years. It is clear that the University cannot sustain its current operations given the allotment shortfalls now coupled with appropriation cuts. The University looks to educate over 3,500 students every year.

For the past three years, the University has experienced significant allotment shortfalls of approximately \$12M, receiving less than what was appropriated. The lack of this cash and the continued uncertainty of how much will actually be received has impeded on planning and has brought a number of strategic projects to a standstill. We have done our best to not have this impact our students and have worked with less, asking all departments to reduce costs and put off what they can. We are now at a point where there is nothing left to cut. In order to remain on a path of growth and expansion, we can no longer put off spending for critical items another year. Putting off hiring of critical faculty and staff and deferring maintenance of campus buildings can no longer be the solution to deal with the allotment shortfalls.

By way of comparison, in 2004 there were 2,923 students. The FY04 appropriation was \$25.1M. Adjusted for inflation, it would take a \$37.6M appropriation to have the same buying power today². That is \$10M more than the \$27.6M appropriation provided in PL 35-36. Yet, there are nearly 600 (20%) more students today. It is clear that the University needs to control costs and earn lots of external funds, including tuition, in order to operate.

The University is submitting this proposal and scheduling a public tuition hearing in October to provide sufficient time to meet deadlines for the publication of course schedules. This timing also allows students to plan ahead for their tuition and fees and affords the University the time to reapportion its operating budgets.

¹ This rate may also be applied for special cases under UOG's Professional International Programs.

² US Dept. of Labor Bureau of Labor Statistics Inflation Calculator, <https://data.bls.gov/cgi-bin/cpicalc.pl>

Financial Impact upon the University and Our Students, Guam's Economy and the People of Guam

In order to maintain academic quality and student learning, support enrollment, and meet mandated cost increases for such as retirement and utilities, the University requested a \$33.8M appropriation for our FY20 general operations. The FY 2020 Budget Law appropriated \$27.6M for FY 2020, a \$6.2M shortfall compared to the initial request. In recent years, the University has been subject to a 15% allotment reserve which means approximately \$4M is held back until there is enough positive cash flow with the government of Guam. At these levels, our operations cannot be sustained in their current form and something needs to change. Viable options for the University are to restructure basic operations, seek new revenues, request supplemental appropriations, and/or increase tuition rates/ fees. We are pursuing all four options in order to bridge the gap for FY 2020. Specifically:

- The initial 10% tuition rate increase is sought to fill \$1.6M of the gap.
- Approximately \$4.6M will be filled through additional belt-tightening cost reductions; energy and utility conservation measures; deferral of hiring, elimination of positions or deferred hiring; increase revenue generation; and academic program consolidations/ phase-outs over time, larger class sizes and fewer class offerings.

These actions will further reduce the University's operational capacity and lead to substantive changes.

The proposed tuition rate changes will result in the following financial impacts on students:

Resident undergraduates taking 24 credits per year and currently paying \$5,040 p.a. in tuition:

- \$252 increase in the 2020 Fañomnåkan (Spring) Semester to \$5,292 p.a.
- \$1,116 increase in the 2021 Fanuchånan (Fall) Semester to \$6,408 p.a.
- \$312 increase in 2021-2022 Fañomnåkan (Spring) Semester to \$6,720 p.a.

Resident graduates taking 18 credits and currently paying \$5,130 p.a. in tuition:

- \$261 increase in the 2020 Fañomnåkan (Spring) Semester to \$5,391 p.a.
- \$1,125 increase in the 2021 Fanuchånan (Fall) Semester to \$6,516 p.a.
- \$306 increase in the 2021 Fañomnåkan (Spring) Semester to \$6,822 p.a.

Non-resident undergraduates taking 24 credits and currently paying \$12,096 p.a. in tuition:

- \$504 decrease in the 2020 Fañomnåkan (Spring) Semester to \$11,592 p.a.
- \$1,224 increase in the 2021 Fanuchånan (Fall) Semester to \$12,816 p.a.
- \$624 increase in the 2021 Fañomnåkan (Spring) Semester to \$13,440 p.a.

Non-resident graduates taking 18 credits and currently paying \$11,700 p.a. in tuition:

- \$198 decrease in the 2020 Fañomnåkan (Spring) Semester to \$11,502 p.a.
- \$1,530 increase in the 2021 Fanuchånan (Fall) Semester to \$13,032 p.a.
- \$612 increase in the 2021 Fañomnåkan (Spring) Semester to \$13,644 p.a.

There are also financial impacts on the people and economy of Guam.

Family debt levels will likely rise. The Pew Research Center reports that the median outstanding student loan debt in 2016 among bachelor's degree holders is \$25,000³. With tuition rates increasing nationwide student debt has been growing since, as have default rates on student debt.

³ *5 Facts About Student Loans*, Pew Research Center, 13 August 2019

- Students and their families are price-sensitive and have a wide range of choices for higher education. Should students attend off-island colleges and universities because of the tuition price increase, they take off-island the money that would be spent and would circulate here.
- With a tuition increase, students and their families would spend less on other goods and services.
- The new non-resident and WICHE tuition rates are planned to attract more students to the island for their higher education, bringing outside money to the island that would be spent and would circulate here.

Potential Impacts on the Cost of Living and Availability of Goods and Services

Nationwide, the Pew Research Center reports that 75% of the public say college is too expensive for most Americans to afford⁴. This statistic is likely even more powerful for Guam. With the proposed tuition increase higher education at the University of Guam will be less affordable and accessible to the people of Guam and the region. Tuition is already 13% of median household income on Guam⁵. All else being equal, this will increase to 17% over the next three years. Nevertheless, the University of Guam's tuition rates will remain one of the lowest in the nation should the proposed adjustments be adopted.

Our students and their families pay for their education by reducing their current consumption and through federal and local student aid. Generally, published tuition costs are not what students actually pay out of pocket due to financial need. 83% of all undergraduates receive some form of student aid, of which 48% receive Pell Grant. Unfortunately, with the tuition increases students and families will have less of their cost of education covered by Pell Grants and Student Financial Aid Programs. In 2019 Pell Grants will cover a maximum of \$6,195 for undergrads, which is similar to the proposed annualized tuition and fees, but less than the \$6,720 proposed for Academic Year 2021. In addition, students will not have additional grant monies to cover books and supplies.

The tuition rate proposals for non-residents will be set at 2.0 times the cost of the resident rate beginning in Fañomñakan 2020. Eligible candidates for the WICHE rate will be set at 1.5 times the resident rate. While this change will lower their tuition costs, it is designed to increase the likelihood of their attending the University of Guam. Non-resident undergraduate students currently pay \$12,096 in tuition per year to attend, which is 2.4 times more than the \$5,040 tuition paid by resident undergraduates. The proposed non-resident rates will fully cover the direct and indirect costs of educating a student at the University (resident rates are subsidized by the Government of Guam appropriation). The new non-resident tuition rates have been set to attract more students to the island for their higher education, leading to a more diverse student body and enriching experiences for resident students.

Impacts on Employment and Availability of Jobs

The University of Guam has graduated over 18,000 students who now serve in every part of our society and economy. Students who have graduated from the University have become our nurses, teachers, entrepreneurs, political leaders, environmental experts, public safety officers, and managers of all different public and business sectors. This is who we are and this is our collective impact on Guam and Micronesia.

⁴ *College Graduation: Weighing the Cost...and the Payoff*, Pew Research Center, 17 May 2012
⁵ 2010 median household income \$39,052. *Household and Per Capita Income: 2010 Report*, Guam Department of Labor, Bureau of Labor Statistics <http://bls.guam.gov/household-and-per-capita-income/>

A Georgetown University study concluded that 56% of all good jobs will require at least a four-year college degree⁶. A person holding only a high school degree will have access to 20% of good jobs, and those with more than a high school diploma, but less than a bachelor's degree will have access to 24%. This means that Guam's high school graduates can still access good jobs, but will have a better chance at obtaining a good job with a bachelor's degree.

Students who graduate from the University of Guam are more likely to pursue careers on-island compared to those who attend off-island colleges and universities. Students who pursue careers on island, pay taxes on island, and pay higher taxes as well.

Impacts on the Costs of Doing Business

None

Any Other Adverse or Beneficial Impacts

All revenue generated by the proposed tuition increase will benefit academic quality and support student learning.

⁶ Carnevale, Anthony P., Jeff Strohl, Neil Ridley, and Artem Gulish. 2018. "Three Educational Pathways to Good Jobs." Washington, DC: Georgetown Center on Education and the Workforce, p.4. <https://cew.georgetown.edu/wp-content/uploads/3ways-FR.pdf>