INDIANA COMMISSION *for* HIGHER EDUCATION

Non-Binding Tuition and Mandatory Fee Targets for Indiana's Public Postsecondary Institutions for 2023-24 and 2024-25

May 18, 2023

Introduction

The Indiana Commission for Higher Education (CHE) 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 recommendation reflects 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 and financial realities of the institutions and the need to ensure ever-greater access to college for Hoosier families.

Indiana and the National Landscape: Tuition and Mandatory Fees

Indiana's recent tuition growth remains among the lowest in the nation when adjusted for inflation. At Indiana's public four-year colleges, in-state tuition and mandatory fee rates fell by an average of 2.1% annually from 2012-13 to 2022-23 compared to the national average growth of 0.2% for public four-year institutions using real dollars.

Consistent with historical recommendations, Commission staff ties its tuition and fees target-setting process to inflationary increases. This approach ensures that the cost to obtain an education becomes a smaller portion of a Hoosier's household budget, not a larger part. Strong leadership at Indiana's public institutions has been instrumental in setting a high bar for college affordability. Indiana's public institutions have shown steadfast commitments to the Commission's recommendations, which placed the state's public four-year institutions as **sixth best 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 below the national averages over the same period: 0.7% compared to 1.0[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.

During the immediate previous budget cycle, only two of Indiana's 15 public institutions exceeded the Commission's target recommendation.

Commitment to College Affordability

Indiana has consistently shown a commitment to keeping tuition and fee rate increases low. This commitment is best represented by our national standing in maintaining low tuition and fee growth. College tuition represents a large investment for Hoosier families with tuition and mandatory fees at Indiana's public two-year institutions comprising approximately 10% of Indiana's median household income, down from 11% in 2021. At Indiana's public four-year institutions, tuition and mandatory fees can represent up to 17% of the median household income in the state, down from 18% in 2021.[2]

Family wealth plays a major role in whether a young person goes to college. Less than 40% of Hoosier youth who come from families that qualify for the federal free and reduced lunch (FRL) school program go straight to college (roughly less than $34,000 for a family of two qualify for FRL). Over 61% of Hoosiers with a family income above the FRL threshold go straight to college. Meanwhile, the typical American with a college degree earns approximately 84% more than those with only a high school diploma ($72,000 versus $39,050 in average annual salary).[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 go beyond the income premium as well, as college graduates can expect to live twelve years longer and are half as likely to experience infant mortality. 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.

Value Proposition of Higher Education

As Indiana's economy is being transformed by technology, automation and higher skill requirements, it's critical we embrace postsecondary education and training as the most promising pathway to a good job and economic mobility. The overall perceived value of higher education is reflected in Indiana's declining college-going rate, which has dropped twelve percentage points in five years (65% to 53%). Like the going rate for high school graduates, there has been a similar decline in adults seeking postsecondary training and education – 13 percentage

[2] 2021 Median Salary, People 25 Years Old and Over (PINC-03), Census Bureau
[3] 2022 Indiana College Readiness Report, Indiana Commission for Higher Education[4] State Higher Education Commission Kicks Off Movement to Highlight the Value of Higher Education: https://www.in.gov/che/files/221114_RELEASE_Education-Value-Movement.pdf

points in five years. These declines have been steepest for low-income, Black, and Hispanic students.
The Commission undertook qualitative and quantitative research to understand why Hoosiers are – or increasingly aren't – enrolling in or promoting college. Two key themes emerged from the initial analysis: "College is too expensive," and "College isn't necessary."[4]

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. Part of this work includes a focus on all postsecondary attainment, especially those that can seamlessly integrate into a higher degree through means such as transfer pathways.[5] At the same time, we must continue to work to increase affordability to ensure Hoosiers can access and earn a credential. Maintaining consistent downward pressure on tuition and fees, combined with historic advancements in need-based aid such as automatically enrolling eligible 21st Century Scholars, ensuring high school seniors complete the FAFSA, incentivizing the Indiana College Core, and increases to the Frank O'Bannon grant are intentional efforts to address these challenges.

State Appropriations

The State maintained its strong commitment to higher education throughout the 2023-25 budget development process. The Governor, House and Senate all recommended increases to higher education funding through additional operating dollars. The 2023-25 biennial budget that was signed by Gov. Holcomb on May 4, 2023, includes over $3 billion in operating funding, $630 million in new cash-funded capital projects and over $1.1 billion 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. These investments will provide institutions with the necessary support to maintain their commitment to affordability to Hoosier students while investing in their current and future campus needs.

State Fiscal Liability and Student Need

In the upcoming biennium, Indiana will make available over $400 million in FY 2024 and FY 2025 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

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[4] State Higher Education Commission Kicks Off Movement to Highlight the Value of Higher Education: https://www.in.gov/che/files/221114_RELEASE_Education-Value-Movement.pdf

[5] Transfer Pathways: Indiana Commission for Higher Education: https://transferin.net/ways-to-earn-credit/transfer-pathways/

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 General Assembly showed historic support for this program through House Enrolled Act 1449. This legislation allows the Commission to automatically enroll financially eligible students, which will in turn allow the Commission to refocus its efforts on student persistence in high school and college and not on enrollment in grades 7 and 8.

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 June 2022, which are still in effect today. Those approved amounts brought the award back up to the program's pre-recession award levels, resulting in a 35% increase in 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.

Inflation Indicators

Historically, the Commission has tied its tuition and mandatory fee target recommendation to inflationary increases. For the 2023-24 and 2024-25 recommendation, Commission staff used the same inflation index that has been used for the last decade. The inflation indices include data collected from the Bureau of Labor Statistics and the State Higher Education Executive Officers (SHEEO). The analysis focuses on the latest four years of available data, 2019 through 2022, to provide the most recent snapshot of price changes for the recommendation process.

The inflation indices used in the analysis are:
- Consumer Price Index - Urban
- Consumer Price Index - Urban (Less Food and Energy)
- Consumer Price Index - Education and Communications
- Consumer Price Index - Midwest Region
- Higher Education Price Index (HEPI)
- Higher Education Cost Adjustment (HECA)

The four CPI indices provide a view of cost changes from the perspective of the consumer, particularly Hoosier students and families. The CPI indices measure the change in the price of goods and services over time, and each individual CPI index allows a unique view of price changes. The CPI-Urban and CPI-Midwest indices focus on the cost of overall goods and services. This compares to the CPI (Less Food and Energy) and the CPI (Education and Communication) indices that provide a specific focus on a set of goods and services more aligned with the cost of education.

The HEPI and HECA indices provide an alternative view of cost changes that is more contoured to higher education costs from the perspective of the institutions. Colleges and universities predominately spend money on staff salaries and benefits with a smaller amount on non-personnel costs such as utilities and supplies. Staff salaries continue to be the greatest expense for colleges and universities, making up roughly 75% of total expenditures.[6] In the competitive market of staffing highly educated individuals, salaries can be a high driver of cost increases at institutions. The HEPI index is based on tracking changes in a market basket of expenditures for colleges and universities, with trends in faculty and staff salaries making up the core component of the index. The HECA index is based on tracking changes in a market basket of personnel costs and non-personnel costs, measured through the Employment Cost Index (ECI) and the Gross Domestic Product Implicit Price Deflator (GDP IPD).[7]

As with any statistical measure, each index has its advantages and disadvantages. According to the Bureau of Labor Statistics, CPI area indices such as the CPI-Midwest allow price changes to be examined at a more local level; however, because they only include portions of the CPI sample, they are subject to substantially greater sampling error. Additionally, the CPI-Urban and CPI-Midwest indices provide a measure of overall price changes, but also include food and energy goods and services, which are highly volatile in price; for this reason, the CPI (Less Food and Energy) index is frequently used and is typically referred to as the "Core CPI."[8] Compared to the HECA index, the HEPI index incorporates personnel costs more specific to higher education (faculty and staff salaries); however, the HECA index is generally more up-to-date and measures inflation costs more in line with the broader U.S. economy.[9]

For the recommendation process, Commission staff focused on the three-year compound annual growth rate (CAGR) percentage change for the six indices. 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). The three-year CAGR percentage changes for the six indices are summarized below:

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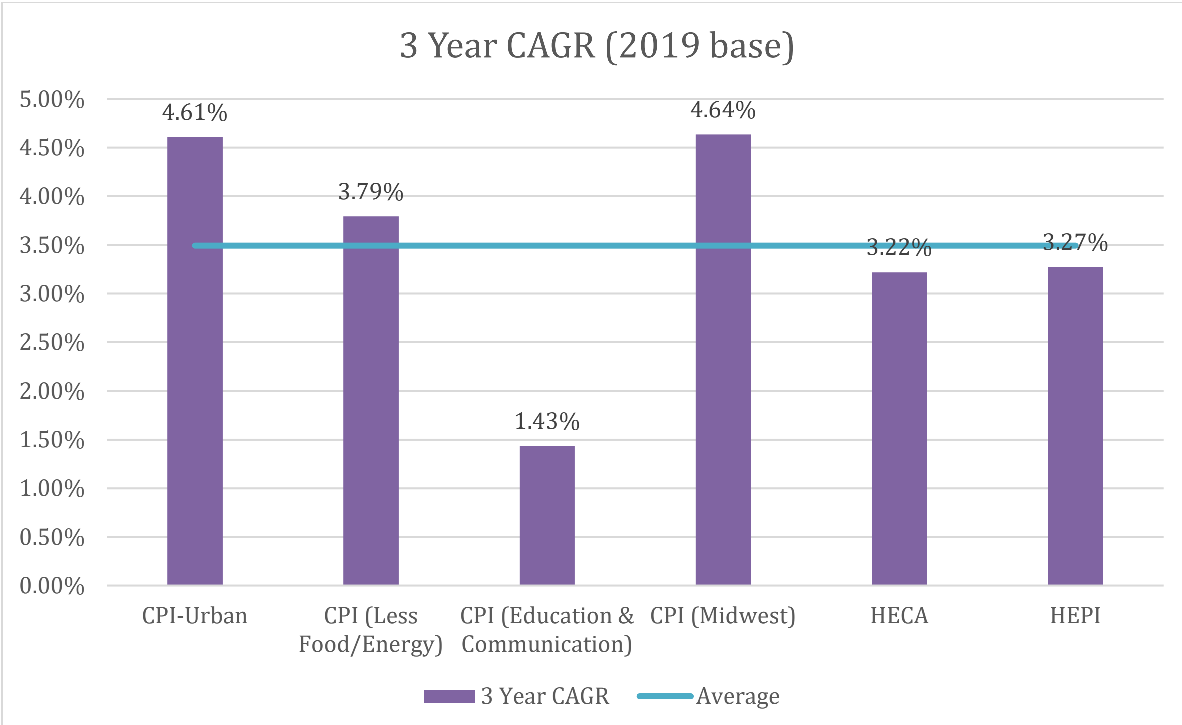
[6] Higher Education Cost Adjustment: A Proposed Tool for Assessing Inflation in Higher Education Costs, State Higher Education Executive Officers Association (SHEEO)

[7] Higher Education Cost Adjustment: A Proposed Tool for Assessing Inflation in Higher Education Costs, State Higher Education Executive Officers Association (SHEEO)

[8] The Consumer Price Index, Bureau of Labor Statistics: https://www.bls.gov/opub/hom/pdf/homch17.pdf

[9] Higher Education Cost Adjustment: A Proposed Tool for Assessing Inflation in Higher Education Costs, State Higher Education Executive Officers Association (SHEEO)



Staff Recommendation

As noted in the "Indiana and the National Landscape: Tuition and Mandatory Fees" section, Commission staff ties its tuition and fees target-setting process to inflationary increases. The agency's staff recommends that base tuition and mandatory fees for resident undergraduate students be held at current levels or adjusted by no more than 3.5% per year in each year of the biennium. The 3.5% maximum is based on the average three-year compound annual growth rate across six CPI and SHEEO inflation indicators examined through a staff analysis. Institutions that exceed the 3.5% increase should be prepared to provide a justification to the Commission and the State Budget Committee. The Commission's non-binding tuition and mandatory fee targets for 2013-24 and 2024-25 for each institution are included in Table 1.

INDIANA COMMISSION for HIGHER EDUCATION

Table 1. Non-Binding Tuition and Mandatory Fee Targets for 2023-24 and 2024-25.

Resident Undergraduate Tuition and Mandatory Fee Recommendation 2023-2025					
Institution	2022-23 Tuition and Mandatory	Recommendation		Maximum Impact	
		2023-2024	2024-2025	2023-2024	2024-2025
INDIANA STATE UNIVERSITY	$9,732	0 - 3.5%	0 - 3.5%	10,073	10,425
UNIV OF SOUTHERN INDIANA	$8,475	0 - 3.5%	0 - 3.5%	8,772	9,079
BALL STATE UNIVERSITY	$10,440	0 - 3.5%	0 - 3.5%	10,805	11,184
VINCENNES UNIVERSITY	$6,656	0 - 3.5%	0 - 3.5%	6,889	7,130
ITCCI	$4,637	0 - 3.5%	0 - 3.5%	4,799	4,967
INDIANA UNIVERSITY SYSTEM					
Bloomington	$11,447	0 - 3.5%	0 - 3.5%	11,848	12,262
East	$7,941	0 - 3.5%	0 - 3.5%	8,219	8,507
Kokomo	$7,941	0 - 3.5%	0 - 3.5%	8,219	8,507
Northwest	$7,941	0 - 3.5%	0 - 3.5%	8,219	8,507
South Bend	$7,941	0 - 3.5%	0 - 3.5%	8,219	8,507
Southeast	$7,941	0 - 3.5%	0 - 3.5%	8,219	8,507
IUPUI	$10,144	0 - 3.5%	0 - 3.5%	10,499	10,867
PURDUE UNIVERSITY SYSTEM					
West Lafayette	$9,992	0 - 3.5%	0 - 3.5%	10,342	10,704
Northwest	$8,174	0 - 3.5%	0 - 3.5%	8,460	8,756
Fort Wayne	$8,985	0 - 3.5%	0 - 3.5%	9,299	9,625

Source: 2022-23 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.