DATE: April 15, 2011

TO: Board of Regents, Coalition of Student Leaders, and System Governance Council

FROM: Patrick Gamble, President

RE: Scheduled Tuition Adjustment Notice AY2014

I have studied how we attempt to forecast tuition at UA and have found many aspects of the process that appeal to me – the transparency, the collaboration, and the opportunity for public input are qualities of the methodology that I believe serve to minimize the kind of divisiveness that troubles other public universities in their tuition setting efforts. However, despite the openness, it turns out that openness does not contribute much to an accurate tuition forecast in times of economic and market volatility like we are experiencing now.

So for example, in setting the tuition rate for AY2014 today (in AY2012), we have no idea what will drive the general funds that will be appropriated for either AY2013 or AY2014. Nor do we know what the inflation rate may be for AY2013 or AY2014. Decisions made over the next two years regarding Alaska’s economy could materially impact the answers to these questions. I also see increased retention, increased enrollment and the need for serious cost containment as factors that will impact the tuition calculation in both directions.

When markets and economics are in flux most money managers will shorten the forecasting period for investments, so as to try and minimize the probability of error. As an example, short-term treasuries or CDs often are preferable to long-term investments in volatile markets. Likewise, I see a need to account for the same economic volatility by temporarily shortening our forecasting period for tuition calculation.

Pursuant to Regents’ Policy 05.10.060(A) and (B), I recommend that decisions and any specific recommendations on both the inflation adjustment and the recommended change in tuition for
AY2014 be delayed until approximately fall 2012 so as to have the benefit of the most accurate and relevant budget data.

This proposal is not without consequence – helping students and their families plan will be limited to one year in advance instead of well over two. But the concern for securing the “right” numbers is a sword that cuts both ways. Announcing rates some two and a half years in advance greatly increases the chances that an expectation could be set that will be changed later, raising all the attention and concerns for broken promises that accompany such announcements. On the other hand, as many of you are aware, the UA Advisory Task Force on Tuition and Affordability continues to meet regularly and discuss financial issues that impact students, including tuition forecasts. Two issues in particular – consolidated tuition and differential graduate tuition – hold significant promise for UA, creating opportunity for how we generate and manage future tuition revenues. I have asked for both issues to be presented to the President’s Cabinet for consideration later this spring.

The tuition rate for AY2014 will be announced once we have confirmation on our appropriation, no later than September 2012.

Thank you.

PKG

cc: Chancellors