



Missouri State
U N I V E R S I T Y

February 24, 2021

Missouri Department of Higher Education and
Workforce Development
P.O. Box 1469
Jefferson City, MO 65102-1469

RE: 2021-22 HESFA Penalty Waiver

Dear Commissioner Mulligan and Ms. Stokely,

In accordance with the Higher Education Student Funding Act (HESFA), § 173.1003 RSMo, Missouri State University is permitted to increase tuition and required fees charged to Missouri resident undergraduate students from \$7,590.00 to \$7,900.91, an increase of \$310.91 for the 2021-22 academic year, without incurring a penalty.

On February 19, Missouri State University's Board of Governors approved a resolution establishing 2021-22 tuition and required fees for Missouri resident undergraduate students. The resolution increases tuition and required fees, as calculated by HESFA, by a total of \$870.00 resulting in a total of \$8,460.00.

Missouri State University respectfully requests a HESFA penalty waiver in the amount of \$559.09 (\$870.00 increase less the allowed increase of \$310.91). Details of this request are set forth in the attached Memorandum in Support of HESFA Waiver Request.

While MSU's tuition change results in a significant increase under HESFA, it is actually a revenue neutral adjustment. The university is establishing a new tuition model that will eliminate MSU's current policy of charging a different rate for seated and online classes. The tuition increase for seated classes will be offset by a tuition decrease for online classes. The typical student—and the student body as a whole—will not see an increase. This change is broadly supported by students, and leadership of MSU's Student Government Association have publicly stated their support on multiple occasions.

Please feel free to let me know if you have any questions or would like additional information.

Sincerely,

Clifton M. Smart III
President

Encl: Memorandum and exhibits

OFFICE OF THE PRESIDENT

901 South National Avenue, Springfield, MO 65897 • Phone: (417) 836-8500 • Fax: (417) 836-7669

President@missouristate.edu • www.missouristate.edu

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MEMORANDUM IN SUPPORT OF HESFA WAIVER REQUEST

The Higher Education Student Funding Act (HESFA) accomplishes three objectives. First, it requires public universities to report their tuition rates to the Coordinating Board for Higher Education (CBHE). Second, it establishes financial penalties for universities who increase tuition more than authorized by a series of calculations. Finally, the HESFA establishes a framework for the Commissioner of Higher Education to waive these financial penalties when an institution submits a waiver request that is “sufficiently warranted.” Mo. Rev. Stat. § 173.1003; 6 CSR 10-14.010.

When determining whether a waiver request is sufficiently warranted, “the factors considered by the commissioner shall include but not be limited to the relationship between state appropriations and the consumer price index and any extraordinary circumstances.” Mo. Rev. Stat. § 173.1003.5.

Missouri State University (MSU) requests that Commissioner Mulligan approve its waiver request as sufficiently warranted for the reasons described in this memorandum.

- 1. The increase in tuition for seated classes is offset by a decrease in tuition for online classes, resulting in a single blended tuition rate that will apply to all in-state undergraduate students.**

MSU currently charges two in-state undergraduate tuition rates:

- \$228 for seated and other classes (includes blended, etc.)
- \$299 for online classes

In 2021-22, MSU will charge the same tuition rate—\$257—for seated and online courses (Exhibit A). The university will not increase its required fees.

The HESFA calculation evaluates only the tuition rate for seated courses, so the offsetting decrease in MSU’s online tuition rate has not been accounted for in the HESFA calculation process.

2. The new tuition model is revenue neutral for MSU.

In FY2021, in-state undergraduate students paid \$87,630,000 in tuition and fees to MSU. Under the new model, these students would have paid \$87,605,000—\$25,000 less (Exhibit B).

In sum, when we account for the offsetting decrease in MSU’s online tuition rate, the new model is revenue neutral. The new model does not include a CPI tuition increase—it holds tuition flat for 2021-22.

The HESFA statute and regulations are premised on limiting “growth in [university] revenues in excess of the [consumer price index]”. 6 CSR 10-14(5)(B). MSU’s new tuition model does not result in revenue growth.

3. The new tuition model benefits students.

Most students take a mixture of online and seated classes. The new model will cost a student taking only seated classes slightly more in tuition and fees, and it will cost a student taking only online classes slightly less. However, the “typical” student who takes a mixture of online and seated classes will pay about the same amount.

The university’s old model of charging different rates for online and seated classes has been widely scrutinized by the student body. MSU’s Student Government Association leadership stated their support for the new model publicly at the Board of Governors meeting where the new model was approved. The new model is fairer and more transparent for students. Students will be

better equipped to estimate the cost of their education. It removes financial impact from the calculus when a student is deciding which classes and modalities to take. It also recognizes the modern reality that the line between “seated” and “online” classes has blurred.

4. The penalty waiver decision criteria for “extraordinary circumstances” set forth in 6 CSR 10-14.010(5)(B) support a waiver.

This tuition change can be approved without considering the criteria set forth in the HESFA implementing regulation because it does not result in “growth in [university] revenues in excess of the [consumer price index],” and the HESFA statute and regulations are premised on limiting such growth. 6 CSR 10-14.010(5)(B).

However, the penalty waiver decision criteria set forth in 6 CSR 10-14.010(5) also support MSU’s HESFA penalty waiver request.

“Historical trends in . . . tuition policy[] and other financial issues and relationships” and “[t]he current and[] historical structure of [MSU’s] total budget” support MSU’s request. 6 CSR 10-14.010(5)(B)(2), (5). Historically, tuition for online classes was higher because there were higher expenses (technology, personnel, etc.) associated with delivering those classes. As more and more classes (seated and online) incorporated online and technology-based components, those extra expenses have now been spread over the university’s entire operations and can no longer be properly attributed only to online classes. The new tuition model will adjust the tuition students pay to match this shift in expenses.

Mandatory costs and costs related to the institution’s mission, initiatives, and needs support MSU’s waiver request. 6 CSR 10-14.010(5)(B)(1), (3)-(4). Mandatory costs have risen dramatically. Examples include the university’s required contribution under MOSERS and health care expenses under the university’s medical plan. MSU must also address expenses related to its

physical and digital infrastructure and labor needs. MSU has taken great strides to become as efficient as possible. If MSU were forced to blend its tuition at a lower rate (one that would not be revenue neutral), MSU would not be able to appropriately manage increases in mandatory and other costs.

Moreover, as set forth above, the tuition change is revenue neutral and will not have a negative financial impact on most students. Accordingly, the “magnitude of tuition increase and the likely impact on the students of the institution” criterion supports MSU’s request. 6 CSR 10-14.010(5)(B)(8).

For the reasons set forth herein, MSU requests that Commissioner Mulligan approve its HESFA penalty waiver request as sufficiently warranted based on extraordinary circumstances pursuant to Mo. Rev. Stat. §173.1003 and 6 CSR 10-14.010.

Exhibit A -

Board of Governors Proposal and Resolution



TUITION AND FEE PROPOSAL

I. Summary

MSU currently charges two in-state undergraduate tuition rates:

- \$228 for seated and other classes (includes blended, etc.)
- \$299 for online classes

As we discussed in December, the university has developed a plan to charge the same tuition rate for seated and online courses. This will be more transparent and fairer for students. It will eliminate the need to consider the financial impact on students when making decisions regarding the format of a class. It also recognizes the modern reality in which the line between “online” and “seated” classes has blurred.

Additional information has been received and supplemental calculations have been made since the December Board of Governors meeting. Based upon this additional information and analysis, the leadership team recommends the following:

- Tuition for all in-state undergraduate students be established at \$257 per credit hour
- Students taking at least one seated course be charged fees consistent with the current fee schedule
- Students taking only online courses be charged a new fee that is substantially lower than the current fee schedule
- The university seek a HESFA penalty waiver from the Commissioner of Higher Education

II. Impact

This proposal will have minimal impact on most students and is revenue-neutral with regard to tuition.¹ In FY2021, in-state undergraduate students paid \$87,630,000 in tuition to Missouri State University. Under the new model, these students would have paid \$87,605,000 in tuition.

The new model will have only a modest impact on the university’s cost competitiveness.

¹ By creating a student fee for online classes, the model recaptures a portion of lost student fees. Student fees have steadily eroded as students have gradually moved to online classes. Fall 2020 student fee revenue was \$2 million less than fall 2018. The new model would recapture approximately \$1 million of this \$2 million decline.

The chart below shows Missouri State’s current and proposed annual cost for in-state undergraduates compared to other public universities in Missouri and other regional competitors. To comport with the MDHEWD’s method of calculating cost, this chart assumes that students enroll in 15 seated credit hours each semester. The chart uses current tuition and fee costs for other universities, but most of these universities will raise their tuition and fees for 2021-22, and the HESFA cap will allow most or all of the universities in Missouri to raise their tuition and fees well in excess of inflation.

	Tuition	Student Fees	Total Cost
University of Missouri-St. Louis	\$371.40	\$0.00	\$11,142.00
University of Kansas	\$336.40	\$491.95	\$11,075.90
Missouri University of Science and Technology	\$306.00	\$744.05	\$10,668.10
University of Missouri-Kansas City	\$301.60	\$793.66	\$10,635.32
Northwest Missouri State University	\$212.76	\$2,121.00	\$10,624.80
University of Missouri-Columbia	\$306.00	\$696.40	\$10,572.80
Kansas State	\$312.50	\$472.50	\$10,320.00
University of Arkansas	\$252.28	\$908.00	\$9,384.40
MSU Proposal	\$257.00	\$549.00	\$8,808.00
University of Central Missouri	\$237.60	\$588.75	\$8,305.50
Truman State University	\$265.83	\$162.00	\$8,299.00
Lincoln University	\$224.00	\$681.43	\$8,082.86
Southeast Missouri State University	\$225.95	\$627.00	\$8,032.50
MSU Current	\$228.00	\$549.00	\$7,938.00
Missouri Southern State University	\$248.73	\$0.00	\$7,461.90
Missouri Western State University	\$220.00	\$426.45	\$7,452.90
Harris-Stowe State University	\$210.00	\$597.00	\$6,234.00

III. Specific Proposal

A. In-State Undergraduate Tuition

	Current	Proposed	Percent Change
Seated	\$228	\$257	12.7%
Online	\$299	\$257	-14.0%

B. Student Services Fee

Students taking only online courses will be charged a new student services fee as follows:

1 credit hour	\$30
2 credit hours	\$60
3 credit hours	\$90
4 credit hours	\$120
5 credit hours	\$150
6 credit hours	\$180
7+ credit hours	\$210

All other students (including students taking some seated and some online classes) will be charged a student services fee consistent with the current fee schedule as follows:

1 credit hour	\$194
2 credit hours	\$247
3 credit hours	\$299
4 credit hours	\$351
5 credit hours	\$402
6 credit hours	\$456
7+ credit hours	\$549

C. Total Cost for In-State Undergraduate Students

Credit Hours (per semester)	Current	Proposal	Percent Change
Seated 15	\$7,938.00	\$8,808.00	11.0%
Seated 9, online 6	\$8,790.00	\$8,808.00	>0.1%

IV. Options for Consideration

Rate	Total Cost	Change in Total Cost (9 credits seated, 6 online)	Est. Tuition Revenue	Est. Change in Tuition Revenue
\$250	\$8,598	(\$192)	\$85,219,000	(\$2,411,000)
\$255	\$8,748	(\$42)	\$86,923,000	(\$707,000)
\$257	\$8,808	\$18	\$87,605,000	(\$25,000)
\$260	\$8,898	\$108	\$88,627,000	\$997,000

IV.B.2.

RECOMMENDED ACTION – Approval of FY2022 Missouri Resident Undergraduate Tuition and Student Services Fee Resolution.

The following resolution was moved by _____
and seconded by _____:

WHEREAS, Missouri State University currently charges two in-state undergraduate tuition rates: \$228 per credit hour for seated and other classes and \$299 for online classes; and

WHEREAS, charging in-state undergraduate students a single tuition rate for all classes would be more transparent and equitable, would eliminate the need to consider the financial impact when making decisions about the format of a class, and recognizes that the line between “online” and “seated” classes has blurred; and

WHEREAS, charging the current online tuition rate (\$299) for all in-state undergraduate classes would be unduly burdensome on students; and

WHEREAS, charging the current seated tuition rate (\$228) for all in-state undergraduate classes would result in an unsustainable revenue loss for the university that would significantly impact the education and services provided to students; and

WHEREAS, the Board of Governors and administration have developed a new tuition model for FY2022 that charges a single tuition rate for all courses taken by in-state undergraduate students; and

WHEREAS, the new tuition model is revenue neutral for the university and will have minimal financial impact on most students; and

WHEREAS, the university has also developed a new model for student service fees that charges a lower fee to students enrolled only in online classes when compared to the fee charged to students enrolled in one or more seated class; and

WHEREAS, administration has met with multiple student groups and leaders about the new tuition and fee model and, while not unanimous, the overwhelming majority have supported the new model for the reasons set forth above.

NOW, THEREFORE, BE IT RESOLVED by the Board of Governors of Missouri State University that, effective July 1, 2021, the tuition for Missouri resident undergraduate courses and student service fees be set as set forth in the attached document titled Springfield Campus Required Student Fees.

BE IT FURTHER RESOLVED that the university pursue a Higher Education Student Funding Act penalty waiver through Commissioner Zora Mulligan and the Missouri Department of Higher Education and Workforce Development for the tuition rate set by this resolution.

VOTE: **AYE** _____

NAY _____

SPRINGFIELD CAMPUS REQUIRED STUDENT FEES

I. Tuition (Fall 2021, Spring 2022, and Summer 2022)*

	Missouri Resident
Regular Instruction (per credit hour)	
Courses numbered 1-599	\$257.00
Internet-Based Instruction (per credit hour)	
Courses numbered 1-599	\$257.00

II. Student Services Fees (assessed in addition to Tuition)

Student Services Fees are based on the total credit hours for which a student enrolls, excluding credit hours associated with sections identified as Intersession and high school dual credit. **Student Service Fees for students enrolled in at least one Regular Instruction Course will be charged as follows on all credit hours:**

Fall 2021 and Spring 2022

	Credit Hours						
	1 hr	2 hrs	3 hrs	4 hrs	5 hrs	6 hrs	7 hrs or more
Student Initiatives							
Capital Projects – Wyrick	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Student Art Gallery	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Student Involvement	7.00	10.00	13.00	16.00	19.00	22.00	25.00
Student Security	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Centennial Leaders	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Student Government Association	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Student Initiatives Excluded Under the Higher Education Student Funding Act (SB 389)							
Bill R. Foster and Family Recreation Center *	30.00	38.00	46.00	54.00	62.00	70.00	80.00
Student Initiative Fund	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Sustainability Fee	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Flu Shot & Services Fee*	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Mental Health Fee	8.00	8.00	8.00	8.00	8.00	8.00	8.00
B.E.A.R. Fee*	19.00	24.00	29.00	34.00	39.00	44.00	50.00
Capital Improvement Fee Auxiliary Enterprise System*	11.00	14.00	17.00	20.00	23.00	26.00	29.00
Equipment & Facilities							
Operating & Designated Funds							
Computer Usage	15.28	21.83	27.94	34.05	40.60	46.72	65.45
JK Hammons Hall for the Performing Arts	0.25	0.36	0.45	0.55	0.66	0.76	1.06
Educational Fee	20.00	26.00	33.00	39.00	44.00	52.00	57.00
Auxiliary Enterprise System Funds							
Auxiliary System Operational Fee*	63.47	84.81	104.61	125.40	145.74	166.52	213.49
Total	194.00	247.00	299.00	351.00	402.00	456.00	549.00

*Net revenues from these fees are pledged as security for outstanding Auxiliary Enterprise System Bonds.

Summer 2022

	Credit Hours			
	1 hr	2 hrs	3 hrs	4 hrs or more
Student Initiatives				
Capital Projects - Wyrick	3.00	3.00	3.00	3.00
Student Art Gallery	0.00	0.00	0.00	0.00

Student Involvement	7.00	10.00	13.00	16.00
Student Security	5.00	5.00	5.00	5.00
Centennial Leaders	3.00	3.00	3.00	3.00
Student Government Association	0.00	0.00	0.00	0.00
Student Initiatives Excluded Under SB 389				
Bill R. Foster and Family Recreation Center *	17.00	27.00	35.00	45.00
Student Initiative Fund	0.00	0.00	0.00	0.00
Sustainability Fee	0.00	0.00	0.00	0.00
Flu Shot & Services Fee*	2.00	2.00	2.00	2.00
Mental Health Fee	0.00	0.00	0.00	0.00
B.E.A.R. Fee*	0.00	0.00	0.00	0.00
Capital Improvement Fee Auxiliary Enterprise System*	7.00	9.00	12.00	15.00
Equipment & Facilities				
Operating – Designated				
Computer Usage	7.85	12.24	16.63	20.99
JK Hammons Hall for the Performing Arts	0.17	0.27	0.37	0.46
Educational Fee	13.00	17.00	24.00	28.00
Auxiliary Enterprise System Funds				
Auxiliary Operational Fee*	55.98	76.49	98.00	121.55
Total	121.00	165.00	212.00	260.00

*Net revenues from these fees are pledged as security for outstanding Auxiliary Enterprise System Bonds.

Students enrolled only in courses identified as iCourses, internet, or taught in any location other than the Springfield Campus and not enrolled in any Regular Instruction Course will be charged as follows:

Fall 2021 and Spring 2022

	Credit Hours						
	1 hr	2 hrs	3 hrs	4 hrs	5 hrs	6 hrs	7 hrs or more
Total	30.00	60.00	90.00	120.00	150.00	180.00	210.00

Summer 2022

	Credit Hours			
	1 hr	2 hrs	3 hrs	4 hrs or more
Total	30.00	60.00	90.00	120.00

Exhibit B -

Calculations

Academic Period			Fall 2020		Spring 2021		Summer 2020	
RESIDENCY_DESC	COURSE_LEVEL_DESC	Instruction_Method	Headcount	Credit Hours	Headcount	Credit Hours	Headcount	Credit Hours
			Value	Value	Value	Value	Value	Value
Missouri Resident	Undergraduate		13,281	169,058	11,806	149,422	4,599	22,395
		Blended Course	8,452	50,317	7,186	38,663	0	0
		ITV/Classroom Conferencing	178	1,040	93	640	0	0
		Internet - Other	9,745	58,414	9,222	60,272	4,419	21,327
		Online-Video	239	720	55	165	0	0
		Traditional	9,456	53,535	7,250	37,698	222	606
		Web Conference Class	1,730	5,032	3,278	11,984	183	462
Total by COLUMNS			13,281	169,058	11,806	149,422	4,599	22,395

Academic Period			Total by ROWS		Tuition Rate		Calculated Tuition Revenue			
RESIDENCY_DESC	COURSE_LEVEL_DESC	Instruction_Method	Headcount	Credit Hours	Summer	Fall/Spring	Summer	Fall	Spring	Total
			Value	Value						
Missouri Resident	Undergraduate		14,742	340,875						
		Blended Course	10,057	88,980	\$223.00	\$228.00	\$0.00	\$11,472,276.00	\$8,815,164.00	\$20,287,440.00
		ITV/Classroom Conferencing	220	1,680	\$223.00	\$228.00	\$0.00	\$237,120.00	\$145,920.00	\$383,040.00
		Internet - Other	12,989	140,013	\$295.00	\$299.00	\$6,291,465.00	\$17,465,786.00	\$18,021,328.00	\$41,778,579.00
		Online-Video	293	885	\$295.00	\$299.00	\$0.00	\$215,280.00	\$49,335.00	\$264,615.00
		Traditional	10,868	91,839	\$218.00	\$228.00	\$132,108.00	\$12,205,980.00	\$8,595,144.00	\$20,933,232.00
		Web Conference Class	4,471	17,478	\$223.00	\$228.00	<u>\$103,026.00</u>	<u>\$1,147,296.00</u>	<u>\$2,732,352.00</u>	<u>\$3,982,674.00</u>
Total by COLUMNS			14,742	340,875			\$6,526,599.00	\$42,743,738.00	\$38,359,243.00	\$87,629,580.00

Calculated Revenue \$87,629,580.00
Average per Credit Hour \$257.07

Census data \$257.00 \$87,604,875.00 (\$24,705.00)
Student Class Exclude Precollege
Program Desc Exclude
Civil Engineering BS
Electrical Engineering BS
Mechanical Engineering BS

Fiscal Year 2021 Allowed Under HESFA

Board Approved MOUG Tuition	\$228.00	\$6,840.00	Revenue Neutral Blended Rate	\$257.00	\$7,710.00
Student Fees per Semester	\$549.00			\$549.00	
Less Excluded Under HESFA	<u>(\$174.00)</u>			<u>(\$174.00)</u>	
Student Fees for HESFA	\$375.00	\$750.00		\$375.00	\$750.00
HESFA Tuition and Fees		\$7,590.00			\$8,460.00
Allowed Under HESFA FY2021		\$7,590.00	HESFA Tuition and Fees 2020-21		\$7,590.00
CPI			HESFA Increase 2021-21		\$870.00
CPI amount		107.72	Fiscal Year 2022 Allowed Under HESFA		\$7,900.91
Recoup reduction appropriation		<u>203.19</u>	Waiver Request		\$559.09
		310.91			7.1%

Fiscal Year 2022 Allowed Under HESFA \$7,900.91