

Tuition Remission Program Changes

Tuition Remission Program changes outlined in this document have been approved by the Executive Leadership Team, subject to review by the UofL Board of Trustees during its May/June 2011 meetings. Effective dates vary by provision, beginning July 1, 2011; Fall Semester, 2011; or Fall Semester, 2012 as noted.

In the interest of maintaining transparency with constituency groups, this document includes each proposal, summary of constituency feedback, HR observations, and final decisions by the Executive Leadership Team. Principal changes include:

Employee Tuition Remission Changes	Effective
1. Require Employees to Pay Student Fees.	Fall 2011
2. Establish Course Performance Standard of "C" or Better.	Fall 2011
3. Continue to Pay Graduate Program Surcharges.	NA
4. Continue to Pay 100% of Distance Ed Tuition & Fees.	NA
5. Permit 8 credit hours per semester (instead of 6; within current limit of 18 per year to allow flexibility for 4-hr courses).	July 1, 2011
Dependent Tuition Remission Changes	Effective
1. Clarify Definition of Eligible Child.	
a. Add Legal Wards (of Employees who are/were defacto custodians).	July 1, 2011
b. Establish Eligibility up to Age 26 (equivalent to health).	July 1, 2011
2. Require 12-mo Waiting Period for Dependent Eligibility for New Hires.	July 1, 2011
3. Require 5-yr Waiting Period for Disability or Death Benefit for New Hires.	July 1, 2011
4. Require Dependents to Pay Student Fees.	Fall 2011
6. Require Dependents to Pay Distance Ed Fees.	Fall 2011
5. Establish Credit Hour Limit at 144 Hours, with one-year transition period.	Fall 2012

Policy Review Process

The University currently provides tuition remission and mandatory fee waivers to regular FT faculty and staff up to six credit hours per semester and for regular PT faculty and staff up to three credit hours per semester. In addition, the University currently provides full tuition and mandatory fee waivers for the dependent children of regular FT faculty and staff. For FY 2009-10, tuition remission was budgeted at \$5.4 million (for all fund sources), but cost just over \$6.5 million, leaving a fiscal year deficit of approximately \$1.1 million. The current annual deficit competes directly with salary increase proposals for FY 2011-12 funding.

The Provost charged the Human Resources Advisory Committee with responsibility to review the tuition remission program and identify potential cost-saving strategies. This review was the most exhaustive benefit study in some time. A number of documents were made available through **HR Items of Interest** to the University community for a public discussion of this benefit including a summary of cost saving proposals, full discussion documents, a program history of the tuition remission program from 1954 through the present, a survey of tuition remission among KY public institutions, and a survey of tuition

remission or tuition assistance programs among doctoral/research peer institutions. Both the Faculty Senate and Staff Senate actively reviewed proposals and submitted feedback to University administration.

Most KY public and peer institutions match the University's employee benefit, providing six credits per semester. However, UofL's dependent tuition remission stands out as the most generous among KY public institutions and is highly competitive among peer institutions. We are hopeful that these program modifications will help ensure the sustainability of this important employee benefit in coming years.

Employee Tuition Remission Benefits

- 1) **Require Employees to Pay Student Fees.** The original Board of Trustees' tuition remission program expressly provided the program would cover tuition only and would exclude all student and course fees. This proposal would require employees to pay student fees. Estimated Savings: \$110,000.

Constituency Feedback: Both the Faculty & Staff Senates concur in this recommendation.

HR Observations: In recent years, the University has "bundled" certain mandatory student fees in its tuition – representing approximately \$18 per credit hour – inadvertently creating a situation where the tuition remission program has become responsible for paying both tuition and mandatory student fees, exceeding the scope of the Board of Trustees' original tuition remission program.

Decision: Require employees to pay student fees effective Fall Semester, 2011.

- 2) **Establish a Performance Standard.** The HRAC proposed that the University establish a performance standard equal to "C" or better (or a 2.0 semester GPA for multiple courses) to maintain continuing eligibility for tuition remission (with up to three unsuccessful attempts for 1st time college attendees).

Constituency Feedback: The Faculty Senate concurs; the Staff Senate recommends that we rely on the regular academic standards of the colleges as sufficient program control, without establishing a separate performance standard.

HR Observations: I understand that the regular academic standard for students to remain in "good standing" could result in an employee failing to meet proposed performance standards for up three consecutive semesters (at six credit hours per semester) before losing eligibility to participate in tuition remission – and would then require disenrollment for one semester before re-enrolling.

Two of our sister KY institutions already require a "C" or better to continue tuition remission, as do three of our peer institutions. Most critically, the academic standing standard applies most readily to degree seeking students and does not lend itself as readily to employee tuition remission (which permits lifelong learning in any subject area,

with or without seeking a degree). Most private entities with tuition assistance programs and most public universities require a performance standard for open-enrollment tuition assistance programs (that do not require job relatedness and do not require the employee to be degree seeking). Also, the academic standing standard would not effectively address withdrawals after the drop/add deadline which are an area of concern.

I recommend we adopt the performance standard, as proposed. Cost savings were not estimated for this proposal, but a performance standard would help ensure effective use of limited tuition remission funds, consistent with the Provost's charge to the Human Resources Advisory Committee to identify strategies to "tighten up" administration of the tuition remission program.

Decision: Adopt performance standard as proposed effective Fall Semester, 2011. Course standard is "C" or better (or 2.0 semester GPA for two or more courses). Withdrawal after drop/add date constitutes unsatisfactory performance. Employee remains eligible to enroll next semester, but will not qualify for tuition remission for that semester. Once employee pays for a course and achieves a "C" or better, this restores tuition remission eligibility for the next succeeding semester.

- 3) **Require Employees to Pay Graduate School Surcharges.** Selected graduate programs include a tuition surcharge, including Urban & Public Administration (\$900/semester), the Professional MBA program (\$595/semester), and Law (\$3,228/semester). Medicine and Dentistry also charge substantial tuition surcharges, but are not open to part-time students. This proposal would establish a cap on employee tuition remission at the regular graduate tuition rate, and would require employees to pay graduate program surcharges. Est. savings: \$12,000 - \$15,000.

Constituency Feedback: The Faculty Senate voiced no objections; while the Staff Senate recommends that we maintain equal access to all degree programs for employees. The Dean of Law observed, "These savings will come almost entirely at the expense of non-faculty employees working in professional school units (where their interests most likely lie). This move would destroy much of the individual tuition benefit for those employees."

HR Observations: The HRAC endorsed an approach to equity that the tuition remission rate for graduate studies be the same across all disciplines (independent of degree program) by requiring employees to pay any graduate program surcharges. The Staff Senate has approached the question of equity from a different perspective, emphasizing that all degree programs that permit part-time enrollment should be equally available to employees, regardless of the degree program selected and without requiring employees to pay graduate program surcharges. I recommend we accept the Staff Senate's recommendation to continue to pay full tuition for all graduate programs.

Decision: Tuition remission will continue to pay 100% of both tuition and fees for graduate programs and employees will not be required to pay graduate surcharges.

- 4) **Course Scheduling Flexibility.** Though not a part of our cost-saving strategies, the HRAC noted that some sister KY institutions provide greater flexibility for employees participating in tuition remission. UofL currently provides up to credit hours per semester, subject to a limit of 18 credit hours per year. Some courses, however, require four credit hours.

HR Recommendation: I recommend we permit employees to take up to eight credit hours per semester, subject to the current limit of 18 credit hours per year.

Decision: Full-time employees will be permitted to take up to eight credit hours per semester, subject to a limit of 18 credit hours per year. Part-time employees (including contract part-time faculty) will be permitted to take up to four credit hours per semester, subject to a limit of 9 credit hours per year. Effective July 1, 2011.

- 5) **ROTC Detachment Personnel.** Historically, military personnel assigned to UofL ROTC Detachments have been permitted to participate in the University's tuition remission program on the same basis as employees. This practice has not been codified in policy, but should be included in proposed revisions to ensure accountability & transparency.

Decision: Military personnel assigned to UofL ROTC Detachments shall be permitted to participate in tuition remission to the same extent as equivalent UofL faculty and staff for the individual's own use. Dependent children shall not be eligible.

Note: It is intentional that there is no proposal to require employees to pay distance education fees for on-line courses (as will be required for dependent children, in the following section). In refraining from offering such a proposal, the HRAC expressly recognized that there is a mutual employee-institution interest in preserving unrestricted access to on-line courses for employees, which permits employees to take courses with minimal disruption to the work environment that would otherwise result from travel time or work-day scheduling requirements to attend on-campus courses. The University will continue to pay 100% of tuition and mandatory student fees for employees participating in the tuition remission program.

Dependent Tuition Remission Benefits

- 1) **Clarify Definition of Eligible Child.** This proposal would include a definition of eligible children to include biological, adopted, and step children and legal wards up to the age of 26 and would provide that Human Resources will audit 100% of dependent eligibility upon the dependent's 1st semester of enrollment.

Constituency Feedback: The Faculty and Staff Senates both concur in this recommendation, but the Staff Senate recommends this change "exclude any current tuition remission dependents."

University Counsel notes that legal guardianships end at age 18 in Kentucky (unless the child is disabled) and Audit Services voices caution with respect to adding legal wards, noting this will complicate program administration and could lead to program abuse.

HR Observations: The definition of dependent children (biological, adopted, or step children) has been in effect since 2005 and should not require any grandfather

provisions – particularly in light of the fact that IRS guidelines define dependent children as being under the age of 24. Current policy provides that children are eligible provided the employee claims the child as a dependent for tax purposes or provides more than 50% of the child’s support. While IRS dependency for tax purposes remains age 24, the age 26 threshold is equivalent to the recently adopted eligibility guidelines for health insurance. It is notable that the University’s current six year graduation rate (representing ages 18-24 for traditional college students) is less than 50%. Consequently, affording dependent children an opportunity to pursue their undergraduate degrees up to age 26 (encompassing eight years for degree completion for traditional college students) would support the University’s goal to promote the 55,000 degree initiative.

With respect to inclusion of “legal wards,” the intention is to include children for whom the employee is (or was during the child’s age of minority) the primary caregiver for and responsible for the financial support of a child who has resided with the employee for more than one year and where such custodial responsibilities have been recognized by a court of competent jurisdiction (as *de facto custodians* are defined in KRS 403.270, who once recognized by the court have “the same standing in custody matters as given to each parent”). Such individuals are deemed by the HRAC to be equivalent to “step children” who are included in current policy. With respect to auditing dependent eligibility, it would appear reasonable to require employees to provide a copy of court-approved guardianship documents – just as we might require copies of employee income tax returns or other written certification of financial support. I do not believe adding legal wards will unduly complicate program administration.

I concur in the proposal to add legal wards (or appropriate equivalent language, as advised by University Counsel) to the existing definition of children and recognize eligibility through the end of the semester in which the child attains the age of 26.

Decision: Children must be the biological, adopted, or step child of the employee or the employee must have been recognized as the child’s *de facto custodian* during the age of the child’s minority status. Children must be financially dependent on the employee (as provided in current policy) and will be eligible through the end of the semester in which the child attains age 26. Human Resources will verify dependent children eligibility during the 1st semester of enrollment. Effective July 1, 2011.

- 2) **Re-establish 12-month Waiting Period.** The University’s original tuition remission program required a 12-month waiting period for dependent children to become eligible. This proposal would re-establish this limit.

Constituency Feedback: Both the Faculty Senate and Staff Senate concur.

HR Observations: No savings are estimated for this change, but it will promote a more sustainable benefit. I concur in the proposal to re-establish a 12-month waiting period for dependent children eligibility.

Decision: For all employees hired on or after July 1, 2011, the employee must have been employed for 12 months (as of the first day of classes) before the employee's child is eligible for tuition remission.

- 3) **Establish a Service Requirement for Continuing Dependent Eligibility.** The University continues to provide tuition remission for the children of employees who die in active service, become permanently disabled, or retire. Retirement requires seven years of continuous service, but there is no service requirement for death or disability. This proposal would require employees to have seven years of continuous service to "vest" in the continuing dependent eligibility (equivalent to the years of service required to establish retirement eligibility).

Constituency Feedback: The Faculty Senate concurs; the Staff Senate concurs with a recommendation that the vesting period be five years (instead of seven years), equivalent to the proposed vesting period for retirement contributions.

HR Observations: There would obviously be a moderate (but entirely random) difference in cost savings potential over time for five or seven year vesting; however, the Staff Senate focus on five years to vest in tuition eligibility would be consistent with traditional vesting concepts for retirement (i.e., the employee vests in university retirement matching contributions, even if the employee has not met the age & service requirements to establish retirement eligibility).

I concur with the Staff Senate recommendation to adopt a service requirement of five years for continuing dependent eligibility for employees who die in active service or become permanently disabled (equivalent to the five-year vesting requirement proposed for the retirement program).

Decision: For all employees hired on or after July 1, 2011, the employee must have five years of total creditable service before the employee's children would be eligible for continuing dependent eligibility if the employee dies in active service or becomes permanently disabled.

- 4) **Require Dependents to Pay Student Fees.** As previously discussed for employees, this proposal would require dependents to pay student fees of approximately \$18 per credit hour. Estimated savings: \$220,000.

Constituency Feedback: Both the Faculty & Staff Senates concur.

HR Observations: I concur in the proposal to require dependent children to pay student fees.

Decision: Require dependents to pay student fees, effective Fall Semester 2011.

- 5) **Establish Credit Hour Limit.** The current dependent tuition remission program subsidizes the 1st undergraduate degree with no limits on number of years or total credit

hours before the first degree. This proposal would establish a total credit hour limit at 140 hours attempted. Estimated savings: \$86,000 - \$129,000.

Constituency Feedback: The Faculty Senate concurs; while the Staff Senate concurs in establishing a total credit hour limit, but recommends the limit be set equal to the “average number of credit hours” that current undergraduate students actually take to graduate (instead of 140 credit hours). The Staff Senate also recommends that any credit hour limit apply to newly enrolled dependents only (so as not to undercut current students).

HR Observations: The alternative recommendation to set a credit hour limit based on “average number of credit hours” taken by current undergraduate students (if this is materially greater than 140 hours) seems a reasonable proposal. Since the Staff Senate discussion, the Office of Institutional Research has documented that, over the past three years, the weighted average number of credit hours to graduate for individuals participating in the tuition remission program is 139.1 credit hours – so, the proposed credit hour limit of 140 hours appears adequate. The Institutional Research analysis, notably, identified degrees completed with fewer than or more than 144 credit hours – equivalent to 48 three-credit hour courses. In consideration of this threshold, the Staff Senate proposed that the university adopt a credit hour limit of 144 hours.

I concur with the proposal to establish a credit hour limit of 144 hours chargeable to the tuition remission program for undergraduate degree completion (including transfer credits).

With respect to the Staff Senate proposal to exempt currently enrolled students from a credit hour limit, it would appear sufficient to defer enforcing the limit for one year from the date of adoption to allow a reasonable transition for currently enrolled students to complete degrees in progress, making this change effective July 1, 2012. I do not recommend we waive this requirement altogether.

Decision: Dependent tuition remission will be limited to 144 credit hours (including transfer credits) effective Fall Semester 2012.

- 6) **Require Dependents to Pay Distance Ed Surcharge.** Current tuition remission pays 100% of cost for both on-campus and distance education courses; however, distance ed courses include a 30% surcharge. This proposal would require dependents to pay the distance ed surcharge, limiting tuition remission to the regular undergraduate tuition rate. Estimated savings: \$130,000.

Constituency Feedback: The Faculty Senate concurs. The Staff Senate does not support this recommendation, offering the rationale that, while dependents should be required to pay “student fees” (as discussed above), the distance education surcharge is “still solely a tuition charge.”

HR Observations: The original Board of Trustees’ tuition remission program was explicit in excluding all student and course-related fees, providing for the remission of

tuition only. Whether billed as tuition or segregated as a “course fee,” the distance education surcharge is clearly a separate fee for the convenience of taking a course on-line, over and above the tuition for the same course offered on campus.

Since the Staff Senate discussion, the Provost has reported that a 10-year review of the University’s distance education tuition policy has recently been completed. The resulting proposal would permanently “de-couple” the distance education surcharge from the regular on-campus tuition rate beginning Fall 2011. Under the current proposal, distance education fees would be billed separately as course fees beginning FY 2011-12, would no longer be a flat 30% surcharge, would be reviewed annually by the Tuition & Fees Committee, and would be approved by the Board of Trustees. It is also notable that distance education courses currently comprise only 5.0% of total courses at UofL, so the impact of this decision on dependents would be moderate.

I recommend we require dependents to pay any distance education surcharge (whether billed as tuition or billed as a course fee).

Decision: Require students to pay any distance education surcharge, effective Fall Semester, 2011.

Proposed changes, adopted by the Executive Leadership Team, will be submitted to the UofL Board of Trustees during its May and June meetings with changes to be effective July 1, 2011; Fall Semester 2011; or Fall Semester 2012 as indicated herein. This document may be used for planning purposes and shared with University employees or prospective students.

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