

Arizona's Universities Fee-Setting Processes

CONCLUSION: Although the Arizona Board of Regents (ABOR) and the State's universities—Arizona State University (ASU), Northern Arizona University (NAU), and the University of Arizona (UA)—have established some fee-setting processes that generally align with best practices that help to promote transparency and accountability, they should further enhance these processes. ABOR has statutory authority to set tuition and fees and has established policies and guidance that the universities must follow when setting fees. ASU, NAU, and UA have also developed some fee-setting policies and processes that are consistent with fee-setting standards and guidelines to guide their implementation of ABOR fee-setting policies and guidance and additional internal review and approval processes for establishing class fees that are \$100 or less. However, ASU, NAU, and UA should further ensure that class fee revenues are used for approved purposes and address instances of noncompliance with existing fee-setting policies and procedures we identified. In addition, ABOR, ASU, NAU, and UA should enhance their fee-setting processes to further align them with fee-setting standards and guidelines.

ABOR and universities have established some fee-setting processes consistent with best practices, but should enhance their processes

ABOR has established categories of student fees the universities may charge and the universities collected \$310 million from student fees in fiscal year 2016—ASU, NAU, and UA charge hundreds of student fees annually in addition to tuition to pay for various services that are intended to benefit students. ABOR has statutory authority to set university tuition and fees and has established four categories of fees the universities may charge to students: mandatory fees, which are charged to all students unless specifically excluded; differential tuition/program fees, which are charged to students based on their degree program; and class fees, which are charged to students in specific classes. ABOR requires the universities to obtain its approval before charging students any mandatory fees, differential tuition/program fees, and class fees over \$100. ABOR policy permits the universities to establish class fees that are \$100 or less without ABOR approval. In fiscal year 2016, ASU, NAU, and UA collected approximately \$310.4 million from 5,655 student fees.

ABOR has established some policies and guidance for university fee-setting consistent with fee-setting best practices and universities have developed some additional processes—Best practices recommend a fee-setting approach that promotes transparency and accountability. ABOR's fee-setting policies and guidance, which the universities must follow when establishing or increasing student fees, are generally consistent with the best practices outlined in fee-setting standards and guidelines. For example, consistent with best practices, which recommend that entities involve stakeholders in the fee-setting process and consider costs when setting fee rates, ABOR policies and guidelines require the universities to involve students in the process of setting mandatory fees and differential tuition/program fees, and specify that class fees may only be charged to cover the cost of specific items or services. Further, ASU, NAU, and UA have also developed some fee-setting policies and processes to guide their implementation of ABOR fee-setting policies and guidance. For example, all three universities require academic departments to submit an online form to establish class fees, and have established processes to review some existing fees.

ASU, NAU, and UA should further ensure that class fee revenues are used for approved purposes—

We reviewed spending and university fee proposals for a sample of 56 student fees that the universities charged during fiscal year 2016, including 44 class fees, and found that all three universities deposited revenues from multiple class fees into combined accounts without otherwise separately accounting for individual fees' revenues or spending in some cases. As a result, we could not determine if fee revenues were spent for approved purposes for 38 of the 44 class fees that we reviewed. Combining fee revenues into single accounts may help fee-setting entities manage the administrative burden of accounting for multiple class fee revenues and expenses. Best practices indicate that entities should retain sufficient records to demonstrate how fee revenues were used while balancing the administrative burden of doing so. UA

reported that as of fiscal year 2017, it had implemented a new process that should help it to better account for and review class fee spending. Additionally, ASU has implemented a procedure that allows academic departments to deposit class fee revenues into combined accounts when these revenues are intended to be spent for shared resources. If properly implemented, this procedure should allow ASU to track revenues for class fees deposited into combined accounts. We were informed of this procedure after completing our test work and will review the procedure during this report's 6-month followup. NAU has not established written procedures to help ensure that class fee revenues deposited into combined accounts are spent for approved purposes, and it should do so.

ASU, NAU, and UA should address instances of noncompliance with fee-setting policies and procedures—The universities have not consistently followed fee-setting policies, procedures, and guidance established by ABOR or their own internal policies and procedures. Specifically, contrary to ABOR policy and inconsistent with the fees' approved use, UA requires its departments to remit a 1 percent service charge on all purchases made with class fee revenues to pay for a portion of institutional support or administrative costs, and ASU incorrectly spent approximately \$5,000 in class fee revenues to pay student workers whose duties were not consistent with the fees' approved purpose. In addition, in fiscal year 2016, ASU spent approximately \$445,000 of Student Athletics fee revenues for recruiting-related expenses that, although consistent with the ABOR-approved purpose of the fee, appear to be inconsistent with the fee uses agreed upon by ASU student government, university administration, and the athletics program. Further, contrary to ABOR policy, NAU did not obtain student input for one of the program fees we reviewed.

ABOR and the universities should enhance their fee-setting processes to further align them with fee-setting standards and guidelines—Although portions of their fee-setting policies and guidance are consistent with best practices, ABOR and the universities should further enhance these processes. For example, contrary to best practices, ABOR approved overly broad purposes for mandatory and differential tuition/program fees, and as a result, the universities spent fee revenues on items that appeared unusual or may not have been consistent with the approved use. In addition, although NAU and UA developed processes for identifying fees that may no longer be necessary or have rates that are set too high, as recommended by best practices, ASU has not developed such a process. Further, with the exception of a procedure UA developed for class fees, ABOR and the universities have not established policies for considering the cumulative impact of the multiple fees that students must pay to attend the universities, or may not have had the information necessary to do so, because the inventories of existing fees the universities provide to ABOR do not include class fees, which are the majority of the fees that the universities charge, and are not always accurate.

Recommendations

ABOR should:

- Determine if administrative costs are an allowable use of class fee revenues, and revise its policies accordingly;
- Revise its fee-setting policies and guidance for mandatory fees and differential tuition/program fees to require the universities to develop clearly defined purposes for proposed fees, consider the appropriateness and costs of the items or services for which each fee is intended to pay, and include administrative costs in fee proposals; and
- Require the universities to include in differential tuition, program fee, and class fee proposals information about all existing fees students must pay for a particular degree program.

ASU should:

- Develop and implement written policies, procedures, or other guidance to direct academic departments' reviews of class fee revenue spending to help ensure that fee revenues are used for approved purposes, and consider all required fees students may potentially pay when proposing new fees or increases to existing fees; and
- Ensure that it conducts a planned review of its Student Athletics fee charter and revise its Student Athletics fee procedures and guidance to reflect any changes made to the charter.

NAU should develop and implement written policies, procedures, or other guidance to help ensure that class fee revenues deposited into combined accounts are spent for approved purposes; ensure that it complies with ABOR's requirement to obtain student input for mandatory fees and program fees; and consider all required fees students may potentially pay when proposing new fees or increases to existing fees.

UA should continue to implement its process to better account for and review class fee revenues and expenses, continue to implement its new procedure for considering cumulative impact when establishing class fees, and develop and implement additional fee-setting procedures for considering cumulative impact when establishing all fees.