

The January 2018 Arizona’s universities performance audit found that the Arizona Board of Regents (ABOR), Arizona State University (ASU), Northern Arizona University (NAU), and the University of Arizona (UA) had established some fee-setting processes consistent with best practices but should further enhance their processes. ABOR and the universities’ status in implementing the recommendations is as follows:

Status of 21 recommendations

Implemented:	16
Implemented in a different manner:	1
Partially implemented:	1
In process of being implemented	2
No longer applicable:	1

Unless otherwise directed by the Joint Legislative Audit Committee, this concludes our follow-up work on ABOR and the universities’ efforts to implement the recommendations from the January 2018 performance audit.

Finding 1: ABOR and universities have established some fee-setting processes consistent with best practices, but should further enhance their processes

1.1 ABOR should determine if administrative costs are an allowable use of class fee revenues, and if it does so, ABOR should revise its policies and guidance to authorize this use, including providing guidance on how the universities should calculate the portion of class fee revenues that will be used for administration.

Implemented at 36 months

1.2 ABOR should revise its fee-setting policies and guidance for mandatory fees and differential tuition/program fees to require the universities to:

a. Develop clearly defined purposes for proposed fees, such as by outlining the benefits that those who pay the fee should expect to obtain or providing information about the specific items for which the fee is intended to pay.

Implemented at 36 months

b. Consider the appropriateness and costs of the items or services for which each fee is intended to pay, including whether the proposed fee rate will cover all or a portion of these costs, and specifying the cost information that should be provided to ABOR for review and approval.

Implemented at 18 months

c. Include administrative costs in fee proposals, including outlining under what circumstances spending fee revenues for administrative costs will require ABOR approval and specifying the administrative cost information that should be submitted to ABOR for review and approval.

Implemented at 18 months

- 1.3 ABOR should revise its fee-setting policies and guidance to clarify its expectations for what information should be submitted to ABOR about student input that has been obtained for fees and determine if there are additional opportunities that can be provided for obtaining student input on all student fees charged by the universities, including class fees.

Implemented at 36 months

- 1.4 As part of its review of existing fee-setting processes, ABOR should revise its fee-setting policies and guidance to require a periodic review of the universities' fee-setting processes to help ensure revenues are spent for approved purposes and that the fees are still necessary and set at appropriate rates.

Implemented at 36 months

- 1.5 ABOR should determine whether all student fees charged by the universities require its review and approval, and revise its fee-setting policies and guidance accordingly.

Implemented at 18 months

- 1.6 ABOR should revise its fee-setting policies and guidance to 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.

Implemented at 36 months

- 1.7 ASU should develop and implement written policies, procedures, or other guidance to:

- a. Direct academic departments' reviews of class fee revenue spending to help ensure that fee revenues are used for approved purposes, including specifying the frequency of these reviews, defining central university administration's oversight role and responsibilities for these reviews, and providing guidance on reviewing spending for all class fees to determine if expenses were for approved purposes, including reviewing class fees with revenues that are deposited into combined accounts to determine whether the justification for combining the accounts is consistent with the approved purposes of the individual fees and that fee revenues were spent for shared resources as outlined in the justification to combine fee revenues.

Implemented at 18 months

- b. Consider all required fees students may potentially pay when proposing new fees or increases to existing fee rates and to provide this information to those responsible for reviewing and approving the fees.

Implemented in a different manner at 18 months—In April 2019, ABOR approved ASU's proposal to eliminate most of its individual class fees and instead charge a flat-rate, tiered college fee depending on the degree program. ASU's 2019 tuition and fee proposal stated that the university's goal in restructuring its fees was to support the ability of students and families to understand these charges and increase transparency. As part of its process, ASU reported conducting a comprehensive review of all instructional costs and fees assessed for every degree program, grouping degree programs with similar costs, and averaging the fee rate for each category. In addition to reviewing and restructuring its fees, ASU provided required information in the fee proposals it submitted to ABOR for review and approval during its April 2019 and May 2020 fee-setting processes. Although ASU did not propose any increases to its flat-rate fees in its May 2020 fee proposal, its proposal included a new flat-rate fee for ABOR's review and approval.

- c. Conduct regular reviews of all student fees to determine if they are still necessary and set at appropriate rates.

Implemented at 18 months

- 1.8 ASU should take steps to ensure that its review of the Student Athletics fee charter is completed as planned, revise its Student Athletics fee procedures and guidance to reflect any changes made to the charter, and implement any new procedures and/or guidance consistent with the revised charter.

Implemented at 6 months

1.9 ASU should take steps to identify and make available opportunities for students to provide input on class fees and/or the process for setting class fees.

No longer applicable—ABOR revised its fee-setting policies to state that the universities are not required to submit evidence of student consultation for class fees and approved ASU’s proposal to eliminate most individual class fees.

1.10 NAU should develop and implement written policies, procedures, or other guidance to:

a. Help ensure that class fee revenues deposited into combined accounts are spent for approved purposes and provide the expected benefits to the students who paid the fees.

Implementation in process—NAU’s updated class fee policy states that class fees may only be used for the purposes approved by the university and ABOR and must benefit the student paying the fee during the term the student is taking the course for which the fee applies. In calendar year 2020, NAU also implemented a new class fee accounting structure to better track class fee revenue deposits and spending. This new accounting structure requires academic departments to specify the intended use of class fee revenues, including whether the revenue is intended to be spent that term for the benefit of students who paid the fee, accrued for a future expense—such as an equipment purchase that will be used by current and future students—or pooled across multiple classes in a program for the benefit of all students enrolled in these classes. NAU indicated that the one authorized use of combined accounts for class fee revenues is for such pooled expenses. Additionally, NAU’s updated procedures list prohibited uses of class fees, require its budget office to review class fee accounts monthly, and require academic departments to report monthly to the budget office on the amount and purpose of class fee revenues spent. However, NAU did not provide documentation of these monthly reviews indicating that class fee revenues were spent according to its policy and procedures and that students who paid the fees received the expected benefits. Finally, in October 2020, NAU completed a review of class fee fund balances, including directing academic departments to review and justify any class fee account fund balances.

b. Outline its process for obtaining student input for mandatory fees and program fees, and identify and make available opportunities for students to provide input on class fees and/or the process for setting class fees.

Implemented at 36 months

c. Consider all required fees students may potentially pay when proposing new fees or increases to existing fee rates and to provide this information to those responsible for reviewing and approving the fees.

Implementation in process—NAU has not developed and implemented policies and procedures for considering the cumulative impact of all required fees students may potentially pay when proposing new fees or increases to existing fee rates. However, it has posted guidance on its fee-setting website directing faculty and administrators involved in the fee-setting process to consider the impact of fees on students’ total cost of attendance. Additionally, in calendar year 2020, NAU developed a tool for reviewing and approving new class fees or increases to class fees that includes the total amount of required class and program fees that students enrolled in these degree programs would be responsible for paying, but this tool does not consider existing mandatory fees students may potentially pay. Further, ABOR requires the universities to provide it with information about other required fees that students may potentially pay when new program and class fees or increases to existing fees are proposed. Finally, NAU reported that one way it considers the cumulative impact of fees on students’ total cost of attendance is by eliminating individual class fees and instead charging a program fee.

d. Outline a method for determining the costs of the equipment, supplies, items, or services needed for the class, including any administrative or other costs that are shared between multiple fees, and require this information to be submitted with class fee proposals. NAU should also require central university administration staff responsible for approving class fees to review the cost information submitted with class fee proposals.

Implemented at 36 months

- e. Direct academic departments' review of class fee spending to help ensure that fee revenues are used for approved purposes, including how class fee spending reviews will be incorporated into NAU's existing annual budgeting and sunset review processes, and should specify the information that should be reviewed and considered as part of the sunset review process to determine if the fee is still necessary and if the rate is still appropriate, and central university administration's oversight role and responsibilities for these reviews.

Implemented at 36 months

- 1.11 UA should continue to implement its process to better account for and review class fee revenues and expenses.

Implemented at 18 months

- 1.12 If ABOR determines administrative costs are an allowable use of class fee revenues, UA should revise its class fee policies and procedures to indicate that class fee revenues will be spent on administrative costs.

Implemented at 6 months

- 1.13 UA should continue to implement its fee-setting procedures for considering cumulative impact when establishing class fees, and it should develop and implement written policies, procedures, or other guidance for considering cumulative impact when establishing differential tuition/program fees and mandatory fees.

Partially implemented at 36 months—UA has developed, implemented, and continued to implement fee-setting procedures for considering cumulative impact when establishing class fees, differential tuition, and program fees. In addition, UA created a cost of attendance dashboard that allows university staff to more easily determine the cumulative impact of proposed new fees or increases to existing fee rates by reviewing the total costs charged by colleges and departments for degree programs, including differential tuition, program fees, and/or class fees. Although UA has not developed and implemented policies and procedures for considering cumulative impact when establishing mandatory fees, as of April 2021, UA has posted guidance on its fee-setting website directing faculty and administrators involved in the fee-setting process to consider the impact of mandatory fees on students' total cost of attendance. UA does not regularly establish new mandatory fees and did not do so during ABOR's 2018 through 2021 fee-setting processes.