

The Value of Nonresident Tuition Waivers to Institutions of Higher Education

The Texas Education Code authorizes a number of tuition waiver programs that allow special groups of nonresidents, including international students, to enroll and pay a reduced nonresident rate. Unlike tuition exemptions, waivers require that a student still pay tuition, usually at the same rate as Texas residents. The Texas Higher Education Coordinating Board has classified waivers of nonresident tuition for international students as “Waivers that Support the Texas Higher Education Infrastructure.” The waivers are used to recruit outstanding faculty, graduate research and teaching assistants, and other top students. In a review of waiver programs in 2006, the THECB concluded that “...the elimination of one or more of them could adversely affect the state’s ability to close the gaps in participation, success, research and excellence.”

The three largest programs that provide waivers of nonresident tuition are those for:

- students receiving a competitive scholarship (may be academic or nonacademic);¹
- teaching or research assistants employed on at least a half-time basis in a field related to their field of study; and
- faculty members and their dependents.

How many UT international students receive a nonresident tuition waiver?

In Fall 2009, 7,794 international students at UT System institutions received a waiver of nonresident tuition. International students at academic institutions accounted for 7,214 of these waivers, while 580 students at health institutions also received a waiver of nonresident tuition. The institution with the largest number of international students receiving a waiver was UT Austin, with 2,314.

How much revenue is foregone because of nonresident tuition waivers?

The state does not fund waiver programs, so institutions do not collect out of state tuition due to these programs. As of Fiscal Year 2008, the total revenue not collected statewide because of these waivers was \$198.3 million. **However, if these programs were no longer offered, it does not mean that institutional**

¹ Students must receive at least a \$1,000 competitive scholarship and Texas residents must also be eligible for the scholarship. Waivers are limited to 5% of enrollment. The grant of the waiver is now optional under legislation adopted by the 81st Texas Legislature.

revenues would increase by this amount. It is likely that without a tuition waiver these students would not remain in or come to Texas and pay the higher nonresident rate and instead choose to go to other states or countries that offer nonresident tuition waivers or other incentives. Indeed, the total economic loss to Texas if these waivers were no longer granted would be far greater than the waiver amount because Texas would lose talent – talent in the high-end, college-educated Texas workforce and talent in the engine of entrepreneurship.

What would be the fiscal implications of eliminating these waivers?

Elimination of waiver programs would have negative fiscal implications for those institutions that rely on the recruitment of nonresident students to build academic and research excellence both in terms of direct appropriations and in terms of the ability to have the necessary manpower to develop extramural research support to full potential. The state allocates a majority of the General Revenue to institutions through formulas based on: (1) the number of students or the number of semester credit hours each student generates, (2) the amount of tuition each institution contributes to the formulas, and (3) the amount of research conducted at an institution. The reduction of nonresident students could result in fewer students that would result in fewer semester credit hours generated for formula funding. This is a particular concern for institutions that have larger numbers of nonresident students in their student populations as compared to those institutions with smaller numbers of nonresident students. In addition, attracting extramural research support is critical to Texas and its competitive position. Without tuition waivers, Texas would lose critical graduate student talent, especially in areas of scientific, engineering, and medical research where international students contribute in such an important way throughout the nation and world. The ability of Texas to excel in research would be reduced, perhaps very significantly. Finally, there is also a multiplier effect on the state's economy when international students come to Texas and spend money that far exceeds the value of the waiver. That multiplier is conservatively estimated to be a factor of three, meaning that for every dollar spent by these students while they are in Texas, three dollars of economic output is added to the state's economy.²

² Texas Comptroller of Public Accounts, *The Impact of the State Higher Education System on the Texas Economy*, December 2000, at <http://www.window.state.tx.us/specialrpt/highered/outofstate.html>.

It might appear that a source of non-state funds to pay the forgone tuition is readily available in the form of grants that finance the research that these graduate students help conduct. The necessity to use grant dollars for this purpose would be a negative factor to the agencies and other entities that fund the grants, adversely affecting Texas institutions' competitive position for award of such grants. Further, to the extent that grant funds would have to be used to pay nonresident tuition, the dollars available for more direct expenditure on research would be reduced.

Do other states offer similar waivers of nonresident tuition?

Waiver programs covering research and teaching assistants and faculty and their dependents are fairly common across the nation. A few of the states offering similar waiver programs to attract outstanding students and faculty include California, Florida, Illinois, Utah and Oklahoma.

Why are these waiver programs needed?

- The world of competitive cutting edge research is truly an international arena. Faculty in Texas must be able to recruit successfully graduate student talent from top institutions worldwide.
- Faculty also learns from their students; top-ranked academic programs attract students from all over the world who bring with them and share cutting edge concepts and new knowledge about technology.
- Without waivers, the brightest international students would not pay the significantly higher nonresident tuition needed to enroll at Texas universities, resulting in programs that are not enriched by intellectual and technical diversity. In fact, the top institutions around the country offer packages that are even more attractive than what Texas institutions can offer through these tuition waivers.
- Scholars from other countries who remain in Texas after they graduate benefit the state's economic development efforts and are important contributors to businesses that seek new capital from investors.

- For those international students who return to their home country, the connections made while in Texas contribute to continuing productive relationships between Texas universities and research programs in other countries.
- The National Science Foundation notes that the growth rate of the science and engineering labor force would be significantly reduced if the U.S. becomes less successful in the increasing international competition for immigrant scientists and engineers. More than 60 percent of 1998 U.S. doctoral degree recipients in science and engineering with temporary visas remained in the U.S. in 2003. The five year stay rate reached 70 percent in computer and electrical engineering, compare to 36 percent in economics.³
- Foreign-born researchers have made major contributions to our economy; foreign nationals residing in the United States were named as inventors or co-inventors in 24.2 percent of international patent application files from the United States. International students represented 41.2 percent of all doctorates awarded in STEM fields in 2005.⁴
- Global competition for the most highly qualified students is increasing. The United Kingdom has announced a new immigration policy to attract international students and highly skilled workers and the European Union, China, India and other countries are also enhancing their higher education systems to attract the best students to their universities.⁵ Texas cannot afford to fall behind in this competition for the brightest students if it is to maintain its leadership in research and innovation.
- The present relative shortage of Texas graduates in the all important fields of science, technology, math and engineering means that state institutions must look beyond our borders to find the best graduate students. In order to build world-class graduate programs, public universities need the ability to recruit the best and brightest students from other nations and states, in addition to excellent students from Texas.

³ Stuart Anderson and Michaela Platzer, *American Made: The Impact of Immigrant Entrepreneurs and Professionals on U.S. Competitiveness*, December 7, 2006, pp. 27-28.

⁴ Council on Graduate Schools, *Graduate Education: The Backbone of American Competitiveness and Innovation*, A report from the Council of Graduate Schools Advisory Committee on Graduate Education and American Competitiveness, Washington, D.C., April 2007, p. 20-21.

⁵ *Ibid.*

- Waiver programs help the state close the gaps by recruiting qualified teachers and instructors from around the country and the world.
- Faculty members, particularly those at the forefront of their field, want to work with teams of the very best graduate students regardless of their state or country of origin. If international students were not recruited to Texas, many of these highly marketable faculty members are likely to look for positions in other states where there are no restrictions on the recruitment of high-ability students. Texas' competitiveness would suffer as a result.
- These top faculty members have been the target of many of the Research Superiority Grants through the Texas Emerging Technology Fund. The loss of the tuition waiver as an incentive for them to recruit the best graduate students might be another factor that impedes Texas institutions' ability to attract these faculty and make the ETF the great success it has become.
- Good Neighbor Scholarships (offered to students from Western Hemisphere nations) help to maintain good business relations because doing business in Latin America is heavily based on established friendships and family connections.
- Texas students gain new helpful experience as they live with and are in classes with international students, gaining global competency critical to their post-graduation success and the eventual success of their employers.
- International students also bring intimate knowledge of new cultures and customs to their host UT institution. Since most students cannot take an extended study abroad experience due to time, family, or financial concerns, international graduate students bring the world to Texas. This opportunity greatly enriches the experience of students at both the undergraduate and graduate level, and it enables students to compete in the "Flat Earth", as described by Thomas Friedman, of the 21st century.