

Differential Tuition at Public Universities: Models and Implementation Strategies

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I. RESEARCH PARAMETERS AND METHODOLOGY

Project Challenge

A large public university in the West approached the Council with the following questions:

How do large, public, research-intensive universities in urban areas implement differential tuition at the undergraduate level?

Specifically, for institutions that differentiate tuition:

- *What is the level of differential tuition across or within undergraduate academic units?*
- *What effect has the policy of differential tuition had on underrepresented minority student enrollment, especially in STEM fields? Have institutions found ways to avoid negatively impacting underrepresented student populations when implementing differential tuition policies?*
- *What are the practices and policies that institutions have adopted to allocate additional tuition revenues generated through differential tuition? In particular, what percentage of additional tuition revenue do institutions direct to the individual academic unit versus to central university funds?*

Sources

- National Center for Education Statistics <http://nces.ed.gov>
- The Chronicle of Higher Education <http://chronicle.com>
- Nelson, G.R. 2008. *Differential Tuition by Undergraduate Major: Its Use, Amount, and Impact at Public Research Universities*. PhD diss., University of Nebraska – Lincoln. <http://digitalcommons.unl.edu/cgi/viewcontent.cgi?article=1004&context=cehseddiss>
- Various university websites:
 - <http://kansas.edu>
 - <http://uh.edu>
 - <http://unm.edu>
 - <http://wisc.edu>
 - <http://tamu.edu>
 - <http://rutgers.edu>
 - <http://iastate.edu>
 - <http://unco.edu>

Research Parameters

- This research brief profiles large, public, research-intensive institutions located in an urban environment.
- This research brief also profiles several institutions that recently adopted differential tuition and are not located in an urban environment.
- The majority of contacts interviewed for this brief were directors of budgeting and administration and vice presidents or provosts of planning and budgeting.
- For the purposes of this research brief, the term “differential tuition” denotes additional tuition or fees that are assessed to a student, in addition to the university-wide base tuition, based on that student’s major or course schedule for a given semester.

I. RESEARCH PARAMETERS AND METHODOLOGY

A Guide to Universities Profiled in this Brief			
Institution	Location	Enrollment (Total/Undergraduate)	Research Classification
University of Kansas	Small City	28,569/20,828	Research Universities
University of Houston	Large City	34,663/27,572	Research Universities
University of New Mexico*	Large City	25,672/19,913	Research Universities
University of Wisconsin-Madison	Midsized City	41,563/30,166	Research Universities
Texas A&M University	Rural	46,542/37,357	Research Universities
Rutgers University	Large City	34,804/26,829	Research Universities
Iowa State University	Small City	40,218/28,570	Research Universities
University of Northern Colorado	Small City	12,702/10,416	Doctoral/Research Universities

Source: National Center for Education Statistics

*The University of New Mexico only applies differential tuition in graduate professional programs such as law, pharmacy, and business.

II. EXECUTIVE SUMMARY

Key Observations

Differential tuition rates at contact institutions range between 2% and 40% above base tuition levels. Programs with the highest average differential tuition rates across contact institutions are business (20-25%) and engineering (25-30%).

Across contact institutions, differential tuition is most common in the schools of business and engineering.

No contact institutions report that differentiating tuition caused a drop in underrepresented minority student enrollment.

Contacts advise that allocating a portion of differential tuition revenue toward scholarships aimed specifically at underrepresented minorities is effective for avoiding a drop in underrepresented minority student enrollment. Several contact institutions set aside 15-20% of all differential tuition revenue to increase financial aid and proactively prevent a drop in underrepresented minority student enrollment.

Most contact institutions return the majority of differential tuition revenue to the individual college(s). At six institutions contacted, all differential tuition revenue is returned to the college. At two contact institutions, the central administration keeps more than 5% of differential tuition revenue.

Most contact institutions require colleges to outline a formal plan for the allocation of differential tuition revenue. Outlines typically include plans to improve college facilities, upgrade laboratory equipment, and increase financial aid offerings.

Several institutions recommend incrementally implementing differential tuition over a period of three to four years. Contacts said that implementing differential tuition over a period of several years is effective at mitigating adverse reactions from the student body.

Several contacts advise institutions to conduct stakeholder engagement campaigns prior to implementing differential tuition. Events should aim to educate students, faculty, staff, and parents about the potential benefits of tuition differentiation and how additional revenues will be spent.

II. EXECUTIVE SUMMARY

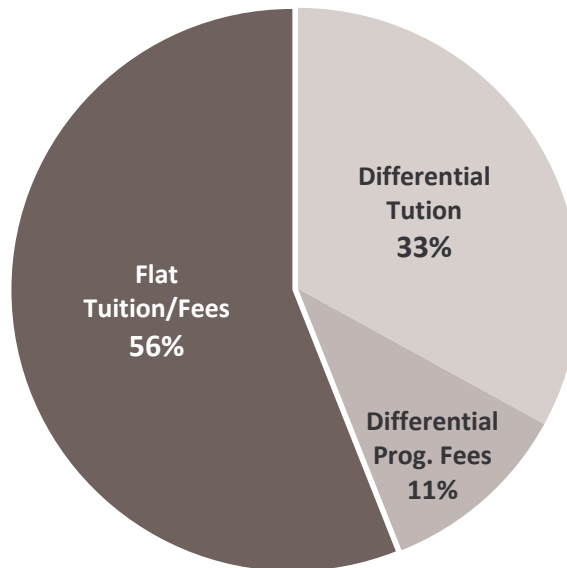
Background

During the course of a secondary literature search, the Council surfaced a doctoral dissertation, *Differential Tuition by Undergraduate Major: Its Use, Amount, and Impact at Public Research Universities* (Nelson, 2008), that includes an extensive analysis on the subject of differential tuition. Nelson surveyed 162 public research universities regarding their tuition structure for the 2007-2008 school year. The author conducted gathered information from university officials via phone interviews and mailed surveys, supplementing these findings with information from searches of university websites. Summarized below are the key findings from this study:

44% of public research universities employ some sort of differential tuition, either through varied tuition rates or through program fees levied in certain majors.

- One-third of the universities surveyed by Nelson charge differential tuition for at least one undergraduate program.
- An additional 11% of schools charge “program fees” for students in certain majors. These fees amount to at least a 2% increase over the publicized base tuition rate, creating a *de facto* differential tuition system.

Tuition and Fee Models at Public Research Universities, 2007-2008



Produced from data in Nelson (2008)

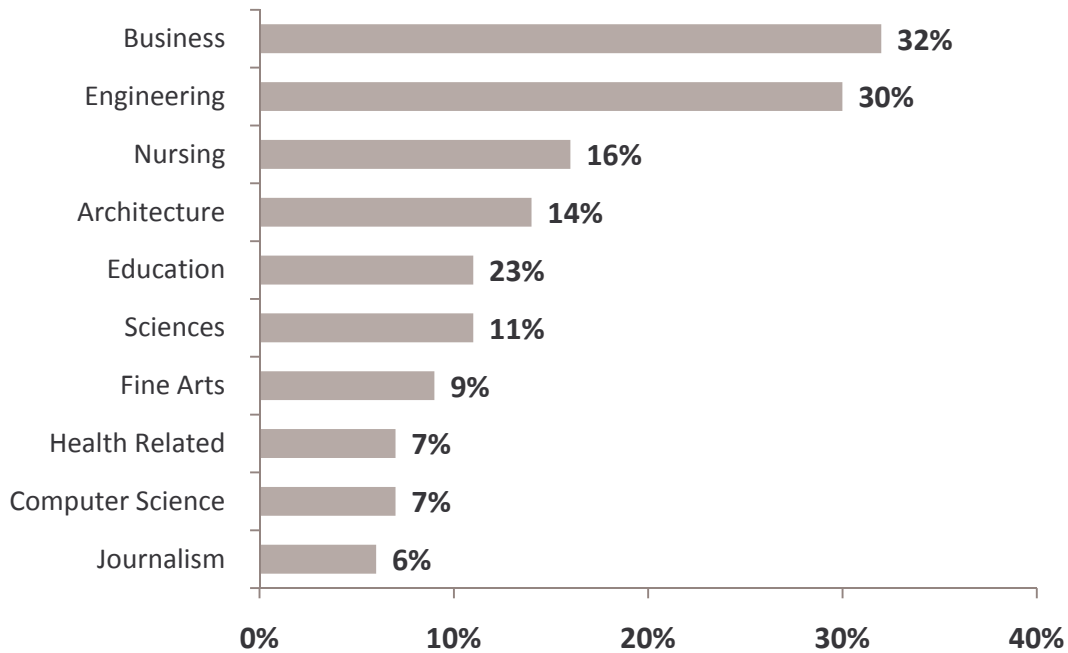
II. EXECUTIVE SUMMARY

Differential tuition is most common in undergraduate business and engineering programs.

Nearly one-third of all institutions have undergraduate business programs that charge differential tuition. A similar number have engineering programs that charge differential tuition.

Note: Nelson compared the number of differentially priced programs to the entire survey population, which includes some institutions in which each specific program is not offered. The actual percentage of each program type that is differentially priced would be higher than the figure stated below, if schools without that program were excluded from the analysis.

Percent of Public Research Universities with a Program Using Differential Pricing in 2007-2008, by Program

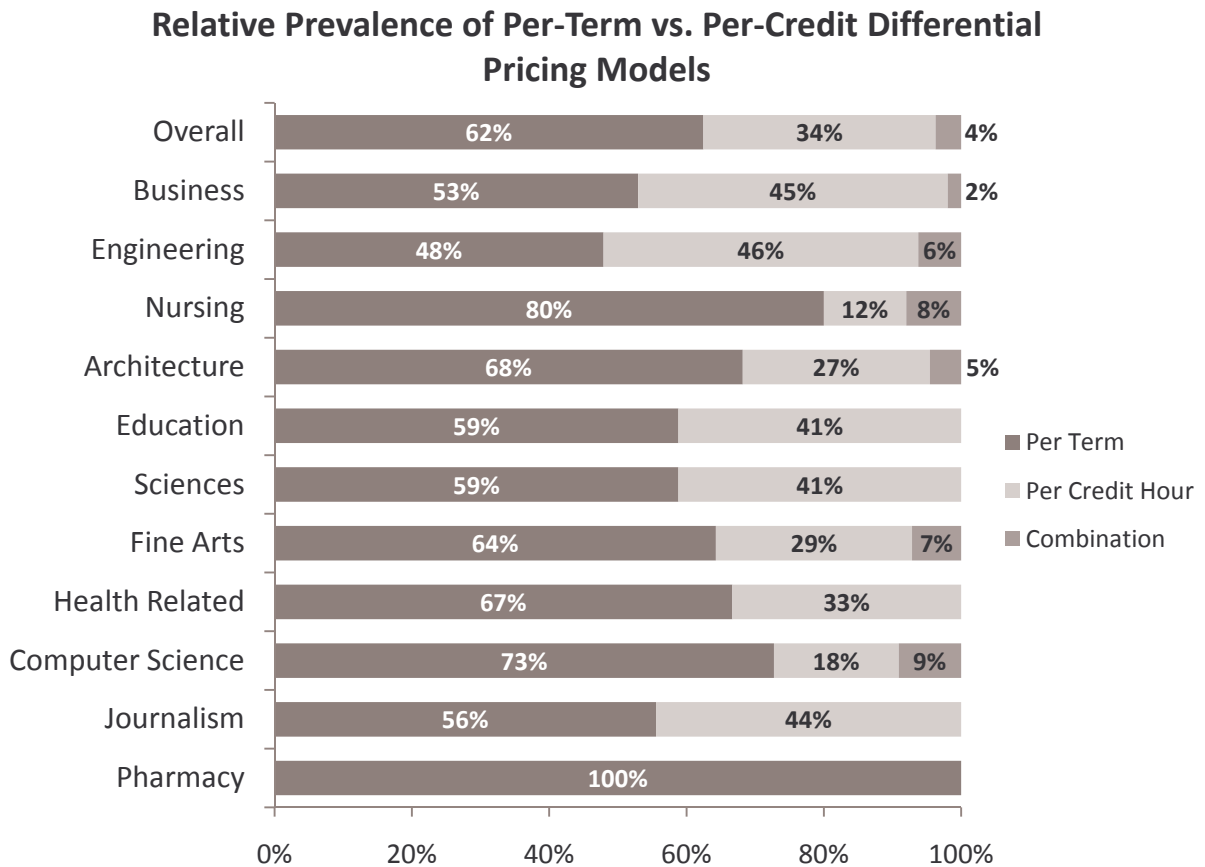


Produced from data in Nelson (2008)

II. EXECUTIVE SUMMARY

Programs that charge on a per-term model outnumber programs that charge on a per-credit model by two-to-one.

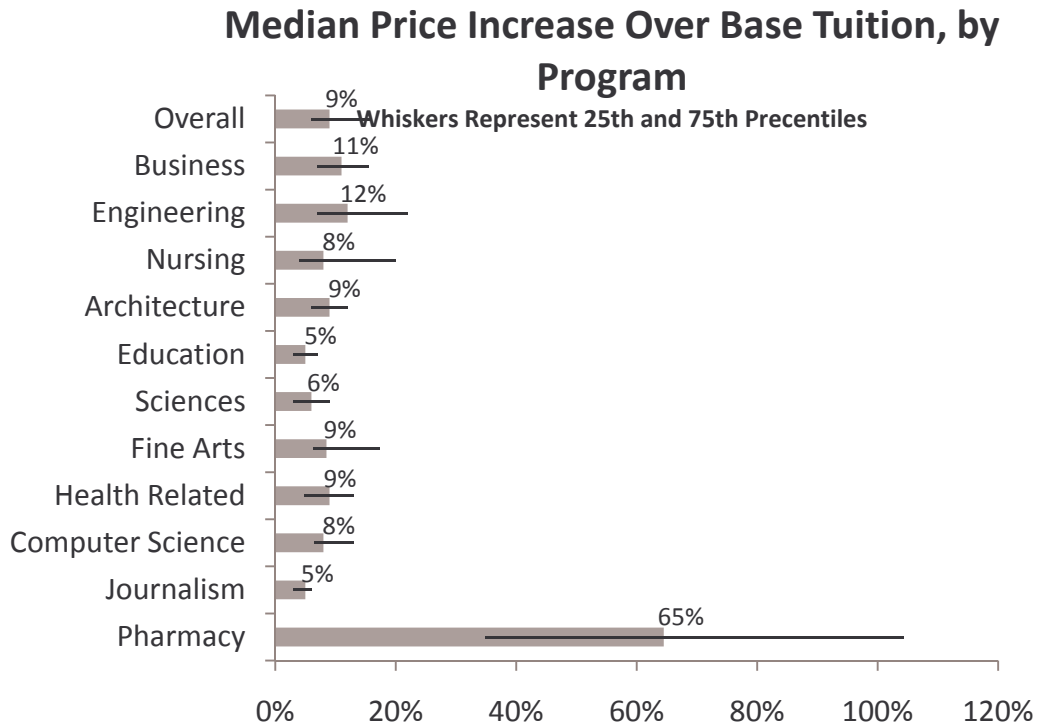
- Differential tuition may be levied on a per-term basis (standardized for all students enrolled in a designated program) or it may be levied per credit hour taken by a student.
- Per-term models are more common than per-credit hour models for all program types.
- A small number of programs use models that charge on a combined per-term and per-credit hour basis.



Produced from data in Nelson (2008)

II. EXECUTIVE SUMMARY

Programs charging differential tuition typically charge 10% more than base tuition, although considerable variation exists both within and across disciplines. Education and journalism students typically receive the smallest price increases, while pharmacy students pay a median rate 65% over base tuition.



Produced from data in Nelson (2008)

III. DETERMINING TUITION DIFFERENTIATION

Differential Tuition by Students' Program Enrollment

Institutions that differentiate tuition by program charge an additional flat rate per term to students who have declared majors in a given program. Students registered as majors in a college with differential tuition pay the additional tuition regardless of which courses they are enrolled in, within or outside of the college.

Contacts at institutions with differential tuition by program enrollment said that they took into account the following factors when implementing their differential tuition policy:

- What programs are in consistently high demand?
- What programs require the most resources and/or are most costly to the institution?
- What improvements and changes to the college(s) will differential tuition facilitate (that are otherwise unfeasible)?
- What are the costs of similar programs at peer institutions?
- What will the market tolerate?

“Setting the differential tuition rate was really a matter of comparing ourselves with our peer institutions, seeing how we matched up, and deciding what we thought students would consider reasonable. In the end, deciding how much to differentiate tuition depended on how the money was going to be spent and what we thought was fair, relative to the market and to our students.”

*- Associate Vice President for Budget and Planning
Iowa State University*

Charging Differential Tuition Only to Juniors and Seniors in the Concentration

Of the institutions interviewed, **Iowa State University** and **Texas A&M University** charge differential tuition rates only to juniors and seniors majoring in the program(s) charging differential tuition. Contacts at both institutions said that the policy of charging differential tuition only to juniors and seniors was decided upon because upper-level courses require more university resources to administer than introductory courses.

III. DETERMINING TUITION DIFFERENTIATION

Five of the seven contact institutions that differentiate undergraduate tuition do according the school or college where a student is enrolled. The following outlines tuition differentials at these contact institutions:

Institutions that Differentiate Tuition Based on Student Program Enrollment*				
Institution	Base Undergraduate Tuition Per Semester (Resident / Non-resident)	Schools with Differential Tuition	Undergraduate Tuition Differential Per Semester (Resident / Non-resident)	Percentage of Tuition Differential Over Base Tuition**
University of Wisconsin-Madison	\$3,784 / \$10,909	Business	\$500 / \$500	13% / 5%
		Engineering	\$300 / \$300	8% / 3%
Texas A&M University	\$3922 / \$8,137	Business	Juniors: \$305 / \$305 Seniors (Fall '09): \$152.50 / \$152.50	Juniors: 8% / 4% Seniors (Fall '09): 4% / 2%
Rutgers University	\$5,781 / \$10,888	Engineering	\$512 / \$1,069	9% / 10%
		Environmental and Biological Sciences		
		Pharmacy		
		Business	\$139 / \$194	2% / 2%
Iowa State University	\$3,180 / \$8,675	Business	\$500 / \$500	16% / 6%
		Engineering	\$876 / \$884	28% / 10%
University of Northern Colorado***	\$2,340 / \$6,090	Business	\$240 / \$240	10% / 4%
		Nursing		
		Theater		
		Music		

*All figures reflect the estimated tuition and fees for students registered for 15 credits or students with equivalent full-time status.

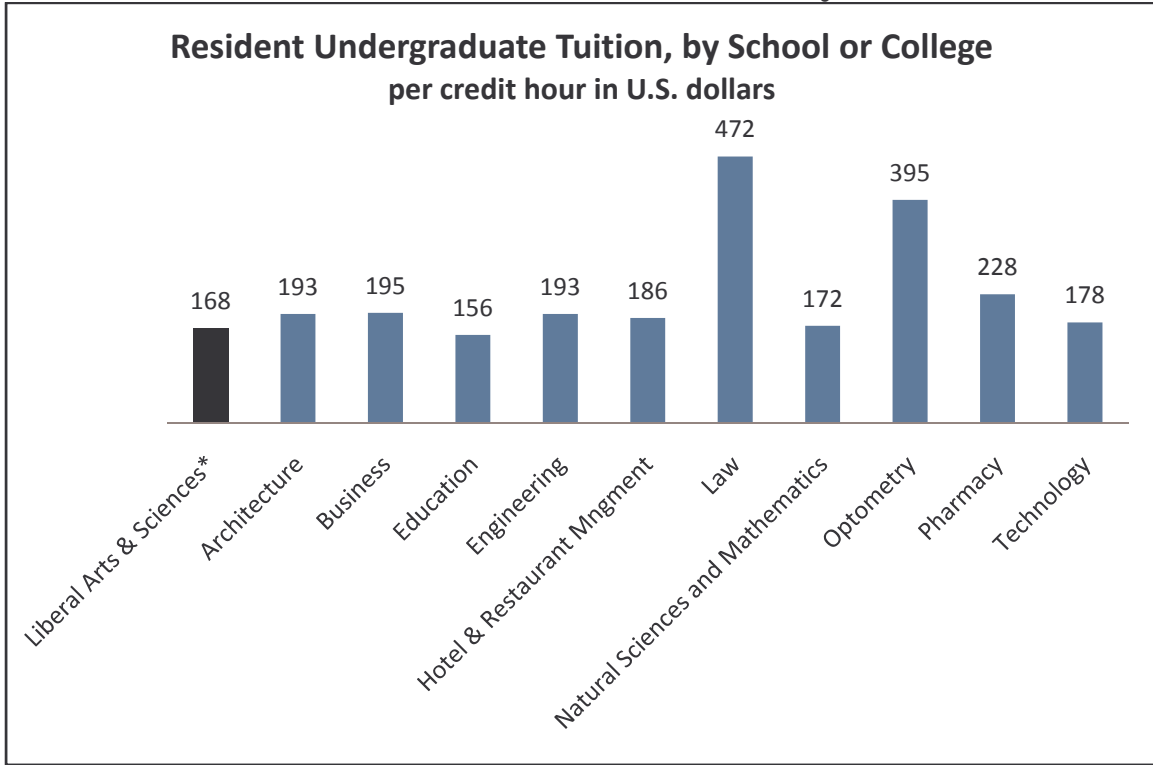
**All figures rounded to nearest percentage point.

***University of Northern Colorado charges differential tuition on a per-credit basis for students whose area of concentration is within any of the four colleges listed above. Students pay an additional \$20 per credit hour for all courses. The number above is the estimated tuition differential for a full-time student registered for 12 credits.

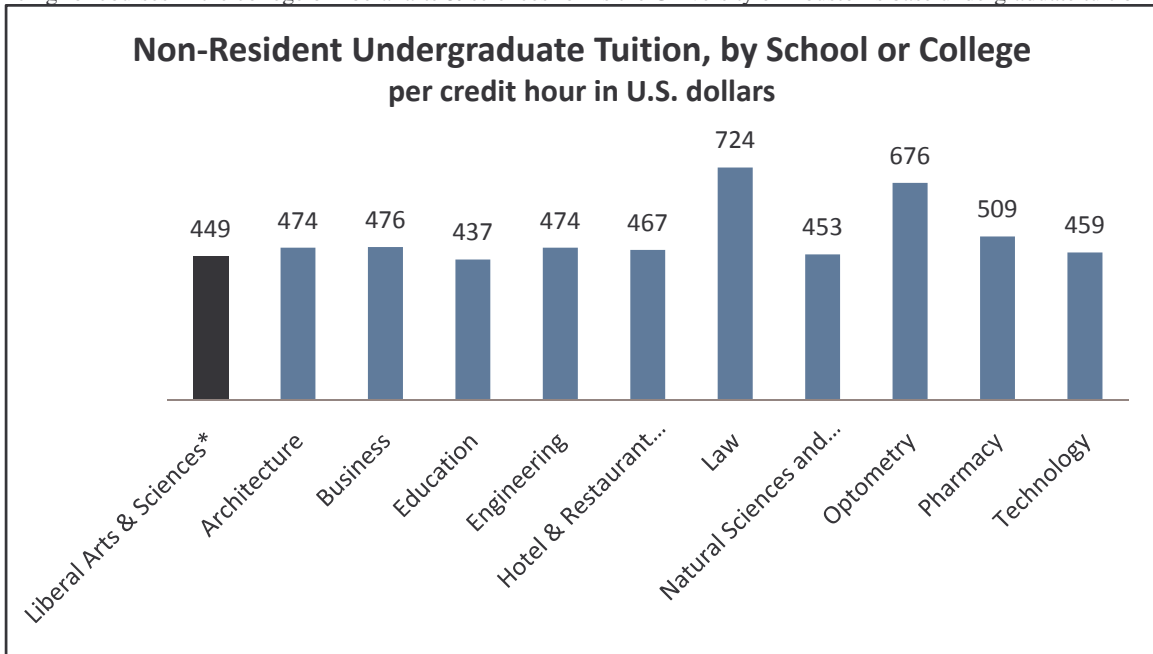
III. DETERMINING TUITION DIFFERENTIATION

Both the **University of Houston** and the **University of Kansas** levy differential tuition on a per-credit-hour basis. Tuition is differentiated according to the school or college through which a course is offered. Regardless of a student’s major, he/she is charged tuition based on which courses he/she takes in any given semester and the school or college where those course credit hours are generated.

Tuition Differentiation at the University of Houston



*Pricing for courses in the college of liberal arts & sciences forms the University of Houston’s base undergraduate tuition rate



*Pricing for courses in the college of liberal arts & sciences forms the University of Houston’s base undergraduate tuition rate

III. DETERMINING TUITION DIFFERENTIATION

The **University of Kansas** recently revised its differential tuition policy and implemented a system of “course fees.” Like the **University of Houston**, Kansas charges these fees based on which courses students take in any given semester and the school or college where those credits are generated. Unlike Houston, Kansas does not vary the extra amount charged to students based on their residency status.

University of Kansas Base Undergraduate Tuition Rate:

\$206.50 per credit hour (resident)
\$542.40 per credit hour (non-resident)

Course Fees per Credit Hour at the University of Kansas

School or College	Course Fees Per Credit Hour	Percentage of Course Fees Over Base Tuition Rate (Resident / Non-Resident)
Architecture	\$34.00	16% / 6%
Business	\$91.15	44% / 17%
Education	\$18.20	9% / 3%
Engineering	\$36.50	18% / 7%
Fine Arts	\$18.20	4% / 3%
Journalism	\$14.65	7% / 3%
Social Welfare	\$25.00	12% / 5%

III. DETERMINING TUITION DIFFERENTIATION

Differentiating Tuition within the College of Arts and Sciences

No contact institutions differentiate tuition for courses or programs within the college of arts and sciences. Most contacts said that the decision to refrain from charging differential tuition to courses or programs within the college of arts and sciences was the result of institutional resistance to charging differential tuition for general education courses.

The **University of Kansas** is the only contact institution that attempted to implement differential tuition for courses in the arts and science disciplines. Three years ago administrators proposed applying course fees to all programs within the college of arts and sciences; the majority of the differential tuition revenue was to be allocated toward the construction of a new physical sciences building. Contacts at Kansas said there were not enough incentives in the proposal for students and faculty in the humanities and social sciences, and the proposal was subsequently voted down by the student body.

Contacts at both the University of Houston and the University of Kansas report that, in lieu of differential tuition, the college of arts and sciences established a comprehensive system of additional course fees to help cover the additional costs of courses in the sciences.

“In retrospect, we regret not charging differential tuition within the College of Arts and Letters because of the overhead required to educate a chemistry major versus an English major. But there are political problems with doing so; for now we’re sticking to course fees to cover those additional costs.”

- *Executive Director of Academic Budgets and Administration
University of Houston*

IV. DIFFERENTIAL TUITION POLICIES ACROSS INSTITUTIONS

Returning the Majority of Differential Tuition Revenue to the College

All institutions return the majority of the additional revenue generated by differential tuition to the individual college, rather than directing significant amounts back to central university funds. Of the eight institutions contacted, seven return all or nearly all differential tuition revenue to the individual college, with the following few exceptions:

- **Iowa State University** requires 5% of all tuition revenue to be directed to central administration because of a university-wide revenue-sharing agreement. This agreement applies to the differential tuition revenue collected by colleges. Additionally, colleges with differential tuition are required to set aside 15% of all differential tuition revenue for financial aid. The remaining 80% of differential tuition revenue is at the spending discretion of the dean of the college.
- Colleges with differential tuition at **Texas A&M University** and the **University of Houston** are required to set aside 20% of all differential tuition revenue for financial aid. This is a state requirement and applies to all public institutions in Texas. The remainder of the differential tuition revenue is at the spending discretion of the dean of the college.
- The central administration at the **University of Northern Colorado** retains approximately 66% of all differential tuition revenue generated by the four colleges with differential tuition. The remaining 33% is returned to the colleges and is at the spending discretion of the college deans.

Lesson Learned: The Importance of Returning a Portion of Differential Tuition Revenue to the College

The **University of Northern Colorado** adopted differential tuition several years ago in order to amend a shortage in the general operating budget. Contacts said differential tuition was originally implemented as a means of quickly eliminating a central budget crisis by easing the costs of the expensive programs on campus. For the first two years the differential tuition policy was in effect, all differential tuition revenue for the schools of business, theater, nursing, and music was returned to central administration.

Last year the administration faced significant pushback from faculty members and deans who thought that the colleges should receive the additional tuition revenue to improve programming. Faculty and administrators within the colleges complained that it was unfair to charge students additional tuition without providing them any specific benefits.

This year, Northern Colorado's central administration adopted the policy of returning one-third of all differential tuition revenue to the colleges. Central administration retains two-thirds of the differential tuition revenue, which is directed to the institution's general operating fund. Contacts said that the administration is currently further revising its policies with regard to the portion of differential tuition revenue that the central administration receives. Contacts said that, although they believe that central administration should keep some of the revenue for the central operating budget, there is not yet any consensus on what that exact figure should be.

"For any institution implementing differential tuition in a budget crisis: there needs to be a revenue-sharing model in place where colleges see a substantial portion of the differential tuition revenue. We created some deep distrust in the colleges because we didn't take revenue-sharing into account."

- Vice President of Business and Administration
University of Northern Colorado

V. MITIGATING ADVERSE EFFECTS ON ENROLLMENT

Directing a Portion of Differential Tuition Revenue toward Financial Aid

Most institutions recommend that institutions direct a portion of differential tuition revenues toward additional financial aid for financially needy groups, thereby proactively guarding against any negative effects that increased tuition and fee rates might have on the enrollments of already underrepresented populations. Several institutions return 15-20% of all differential tuition revenue to increase financial aid offerings. At institutions where there is no central administrative requirement for allocating differential tuition for financial aid, contacts said college deans generally elect to allocate 10-15% of differential tuition toward financial aid funds.

Policies for Allocating Differential Tuition for Financial Aid Across Institutions		
Institution	Differential Tuition Revenue Allocated by Individual Colleges toward Financial Aid	Required by Central Administration?
University of Kansas	0 – 30%	No
University of Houston*	20%	Yes
University of New Mexico	Not available	No
University of Wisconsin-Madison	0 – 20%	No
Texas A&M University*	20%	Yes
Rutgers University	Not available	No
Iowa State University	15%	Yes
University of Northern Colorado	Not available	No

*The University of Houston and Texas A&M University are required by the state of Texas to allocate 20% of all tuition revenues toward student financial aid.

Raising External Funding to Increase Financial Aid Offerings

Not all institutions require colleges to allocate a set amount of differential tuition revenue toward financial aid offerings. Contacts at some institutions without a formal requirement note that their central administration strongly encourages colleges to increase financial aid offerings by raising external funds. For example, the dean of the college of business at **University of Wisconsin – Madison** raises external funds to supplement financial aid offerings, raising enough to match 25% of all additional revenue generated by differential tuition.

VI. IMPLEMENTATION STRATEGIES

Phasing in Differential Tuition over Several Years

University of Wisconsin – Madison and **Iowa State University** implemented differential tuition over a period of three and four years respectively. Contacts at both Wisconsin and Iowa State said that the university decided on a gradual implementation strategy to avoid adverse reactions from the student body. Each year, the total amount of tuition for undergraduate students majoring in programs within the schools of business and engineering was increased a set amount, towards a total yearly tuition increase.

Differential tuition was implemented at Wisconsin and Iowa State according to the following plans:

Institution	Total Yearly Tuition Increase and Incremental Implementation Timeframe
University of Wisconsin – Madison	Business: \$600 (\$200 per year over three years) Engineering: \$600 (\$200 per year over three years)
Iowa State University	Business: \$1500 (\$500 per year over three years) Engineering: \$2000 (\$500 per year over four years)

Contacts at **Wisconsin** and **Iowa State** said that incrementally increasing differential tuition levels over a period of several years toward a final tuition differential was effective at mitigating negative reactions from students and faculty.

Because **Texas A&M University** implemented differential tuition only for juniors and seniors, the dean of the college of business elected not to charge seniors the full price the first year after differential tuition went into effect. Contacts said that their reasoning was that seniors would not experience the full benefits of the college improvements from differential tuition after the first year. Beginning next year, seniors will be charged the full differential rate.

“Our differential tuition increases were substantial enough that we wanted to avoid any shock to students and avoid implementing the entire policy overnight. We found it helpful to phase in differential tuition because it gave students time to adapt and plan ahead.”

- Office of Budget and Administration, Planning and Analysis
University of Wisconsin - Madison

Requiring a Detailed Outline for the Allocation of Differential Tuition Revenue

Most institutions recommend requiring college deans to present an outline for how the college intends to allocate differential tuition revenue. Of the institutions contacted, the **University of New Mexico**, **Texas A&M University**, **Iowa State University**, and the **University of Wisconsin - Madison** required college deans proposing differential tuition systems to submit outlines to central administration diagramming how differential tuition revenue would be allocated. Contacts at these institutions added that detailed outlines are necessary for gaining the support of student constituencies on campus.

Proposals for allocating differential tuition revenue generally outline the following:

- Specific improvements in college facilities (laboratory improvements, technology upgrades, etc.)
- Reduction of faculty to student ratio and/or increases in faculty salaries
- Allocation of differential tuition toward financial aid (Texas A&M and Iowa State only)

VI. IMPLEMENTATION STRATEGIES

Spotlight: Engaging Student Groups before Implementing Differential Tuition

Most contact institutions require college deans to actively garner student support before differential tuition proposals are presented to the board of regents. **Iowa State University**, the **University of New Mexico**, the **University of Wisconsin – Madison**, and **Texas A&M University** required the dean of the college to gain the support of students before taking their differential tuition proposals to a vote.

To garner support for the proposal, college deans across contact institutions organized meetings with student government representatives, the heads of student organizations, in addition to holding college-wide question and answer forums open to all students.

Texas A&M University created a Tuition Policy Advisory Council (TPAC) that involved a small number of student representatives in preliminary discussions about the differential tuition policy. TPAC meetings gave student representatives a forum to express the concerns of the student body about differential tuition. Contacts at Texas said that administrators took these concerns into account when developing the differential tuition proposal and, as a result, received no student resistance to the proposal.

Contacts agree that students should not be given a controlling stake in determining the rate of differential tuition. Contacts at most institutions said that students will generally accept differential tuition proposals as long as they are made aware of how the money will be spent, as well as how they will directly benefit from the (e.g. improved facilities or student services).

Lesson Learned: University of Wisconsin – Madison

Two years ago, the administration at the **University of Wisconsin – Madison** began talks to differentiate tuition in the College of Engineering. In preparation for an administrative discussion of the differential tuition proposal, the college dean was instructed to spread awareness of the proposal throughout the college and gain the support of students.

Several days before the meeting to discuss the differential tuition proposal, administrators at Wisconsin were made aware of a group of engineering students that were planning to protest outside the building where the meeting was scheduled to take place. Administrators were forced to delay the meeting and discussion of the proposal until the dean acquired support from students.

The dean of the College of Engineering spent several months meeting with various student organizations within the college, presenting detailed outlines of the differential tuition proposal. The dean conducted:

- Visits and discussions with student governing bodies and student groups across the college
- Question and answer sessions open to students from across the college

Eventually, the proposal differential tuition gained college-wide student support. Differential tuition went into effect in the University of Wisconsin's College of Engineering last year.

“Students are generally very accepting as long as you can show them, in detail, how they will benefit from differential tuition. But you have to make sure that they feel as though they’re being kept in the loop and can see the value of differential tuition; we didn’t and had some bad press on our hands.”

- *Director of the Office of Budget and Administration, Planning and Analysis
University of Wisconsin - Madison*

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