

The Prevalence and Impact of Differential Tuition in Public Research Institutions



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by

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Differential Tuition-Overview

- Environmental Context
- Review of Literature
- Purpose of the Study
- Methodology
- Conclusions
- Recommendations for Future Research
- Questions

Differential Tuition-Environmental Context

Environmental factors 1970-2007

- Declining state support
- Increasing Institutional costs
- Concern for access
- For-profit cost accounting methodologies
 - Responsibility center budgeting/management
 - Departments or colleges as profit centers
 - Florida Bank
 - Pressure to link revenues to costs
 - Uniform tuition policy - fairness?
 - Students in low cost majors subsidizing high cost majors

Differential Tuition-Environmental Context

Search for new revenue streams

- Vary tuition rates by undergraduate major or field of study
 - Increase rates to those programs or majors that:
 - have higher costs,
 - allow for higher earnings potential for graduates,
 - are in high demand
- More revenue, but.....
 - impact on access?
 - impact on the concept of public education as a public good?

Differential Tuition-Environmental Context

Public Education as a Public Good

- Morrill Act of 1862
 - “guarantees that all citizens who can profit from higher education will have access to it”
(Rand Corporation & Council for Aid to Education, 1977)
- Post WWII - One tuition rate for all
 - “A student’s academic abilities and interest were expected to guide their choice of subject”
(Ward and Douglas, 2005)
- State government once funded the majority of the cost of higher education

Differential Tuition-Environmental Context

How do we balance the need for new revenue with access ?

- Higher education has the potential to “price out” a progressively larger segment of the population.
 - Breaking the Social Contract (1997)
 - Spellings Commission Report (2006)
- Will differential tuition by undergraduate major serve as a barrier to entry for some students?
 - Low socioeconomic status (SES)
 - First generation
 - Middle class
 - Change definition of access

Three broad categories of literature

- **Structural**
 - Various forms of differential tuition
- **Economic Influence**
 - Economic theory as a descriptor/driver
 - Social impacts
- **Description of the Landscape**
 - Description of where differential tuition is in use

Differential Tuition – Review of Literature

- Lack of literature describing:
 - Current use of differential tuition by undergraduate program or major
 - the undergraduate majors or programs using differential
 - the amount of differential
 - exception - WICHE study
 - Impact of undergraduate differential tuition by program or major on student selection of major

Differential Tuition - Purpose of the Study

The purpose of the study was to examine tuition at 165 public research universities, specific to differential tuition by resident undergraduate program or major to determine:

- the emergence and prevalence of this type of differential tuition,
- the programs or majors for which differential tuition existed and the amount of the differential,

Differential Tuition - Purpose of the Study

(Purpose continued)

- the reasons for implementation of differential tuition, and
- the impacts of the adoption and implementation of differential tuition as identified by chief business officers.

Differential Tuition - Methodology

Differential Tuition was defined as

- purposeful variation in the published undergraduate tuition rates by course, major or program of study.
- Did not distinguish between differentials that were charged to upperclassmen (i.e., juniors and seniors) versus differentials that were charged to all levels of class standing within a given major or program.
- Any differential based upon course (that is not a course fee), major or program was classified as an occurrence of differential tuition.

Differential Tuition - Methodology

Descriptive study

- Pragmatic mixed-method approach
 - Collection Techniques
 - Survey Instrument
 - December 21, 2007 to February 11, 2008
 - 162 Carnegie Classified Public Research Institutions with undergraduate programs
 - 95 completed surveys (59%)
 - Research of Institution's website
 - Telephone Interviews

Differential Tuition - Methodology

- Delimitations and Limitations
 - Limited to the 165 public research institutions
 - Targeted respondents are the Chief Business Officers (CBO) of each institution
 - Student perspective not examined
 - Differential tuition based upon published sticker price not net cost after financial aid

Differential Tuition - Methodology

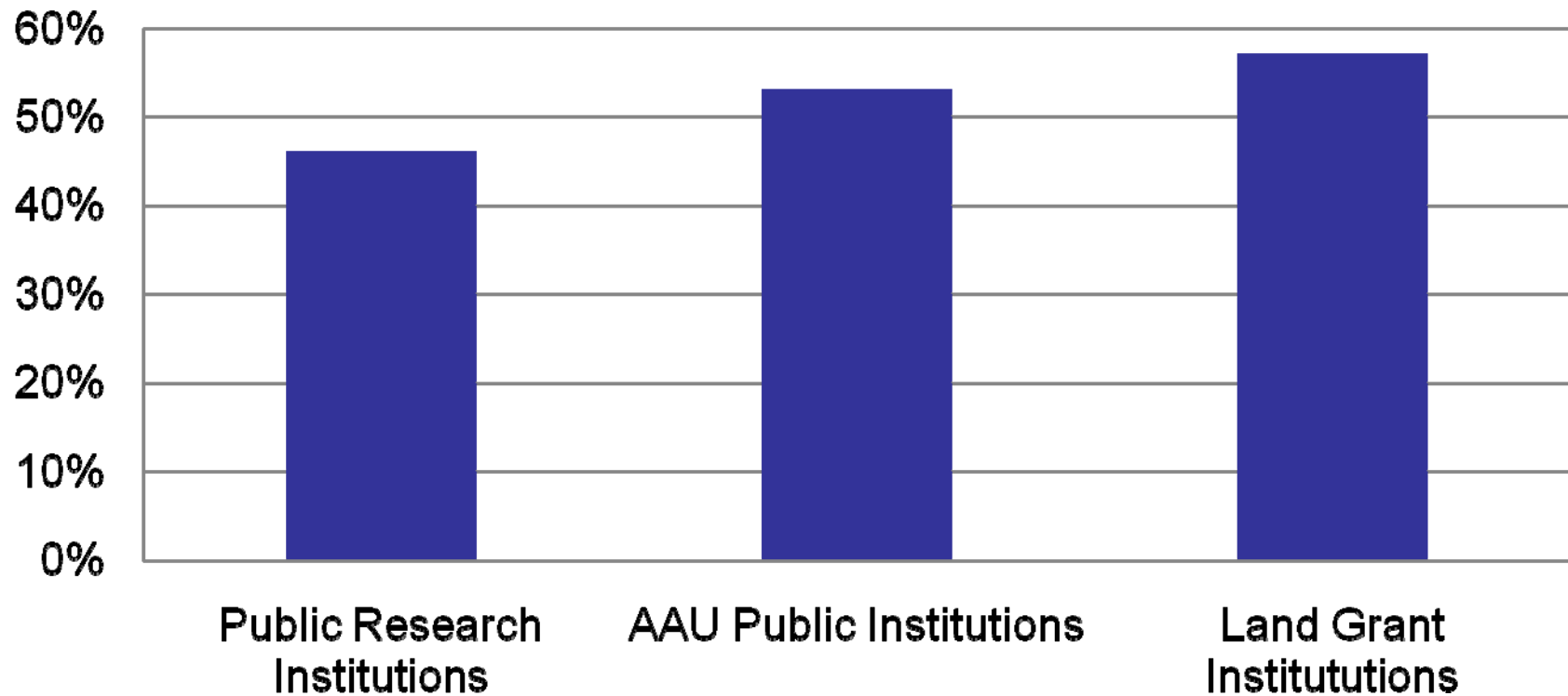
- No distinction made between differentials by class standing
- Descriptive data were available for all institutions, but qualitative responses were limited by the number of respondents
- Lack of direct knowledge of impacts by some respondents
- Respondent may not have been the CBO

Differential Tuition - Conclusions

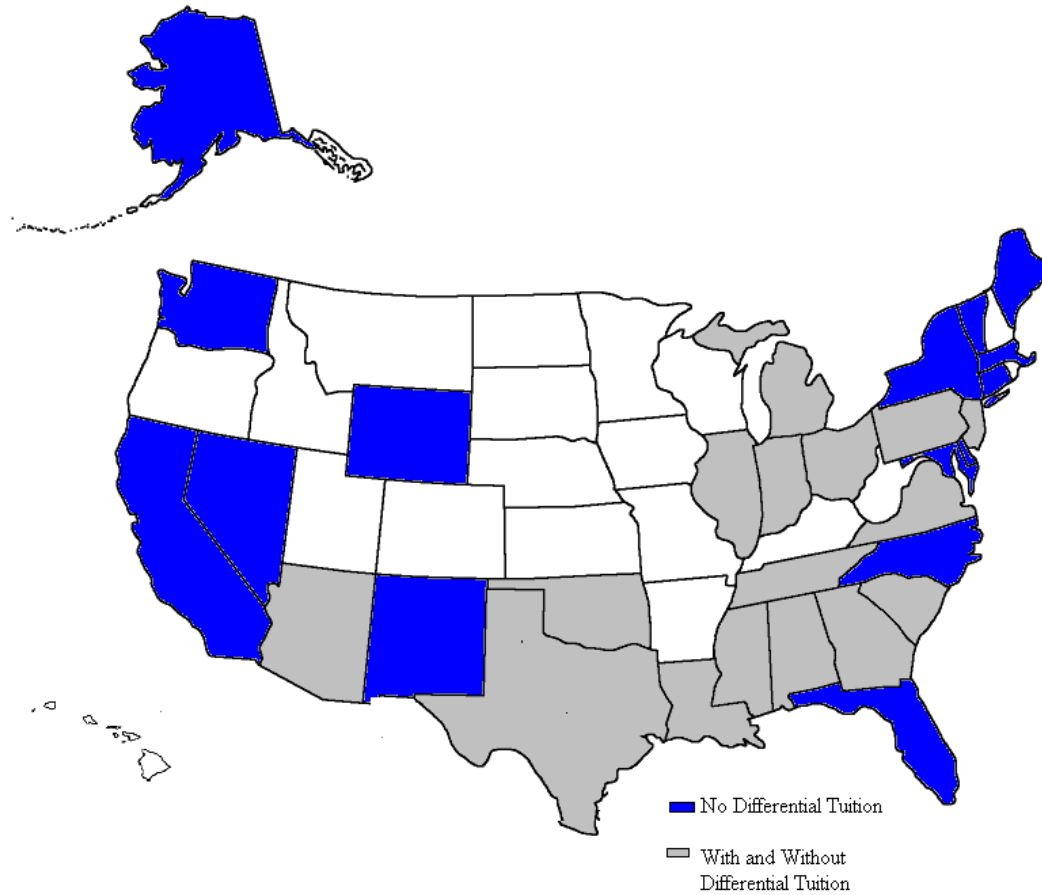
1. Use of differential tuition by undergraduate program had significantly increased between 2003 and 2008 to become more prevalent within the population of public research institutions.
 - Less than 5 institutions prior to 1988
 - Increased from 49 to 74 institutions between 2003 and 2007
 - 45% of all public research institutions have at least one undergraduate program with differential tuition
 - 60% of institutions with differentials have differentials in more than two programs

Differential Tuition - Conclusions

% of Institutions with Differential Tuition by Undergraduate Program



Differential Tuition - Conclusions



Differential Tuition - Conclusions

2. Differential tuition by undergraduate program was a topic of interest by governing boards from 2003-2008.
 - Nearly one third discussed or implemented differential tuition
 - 25 implemented differential tuition
 - 26 discussed but declined to implement

Differential Tuition - Conclusions

3. The primary reasons for institutions not adopting differential tuition by undergraduate program were concern for student access and legislative prohibitions.
 - Over 50% of the respondents cited potential or perceived impacts on students
 - 25% cited statutory or legislative issues

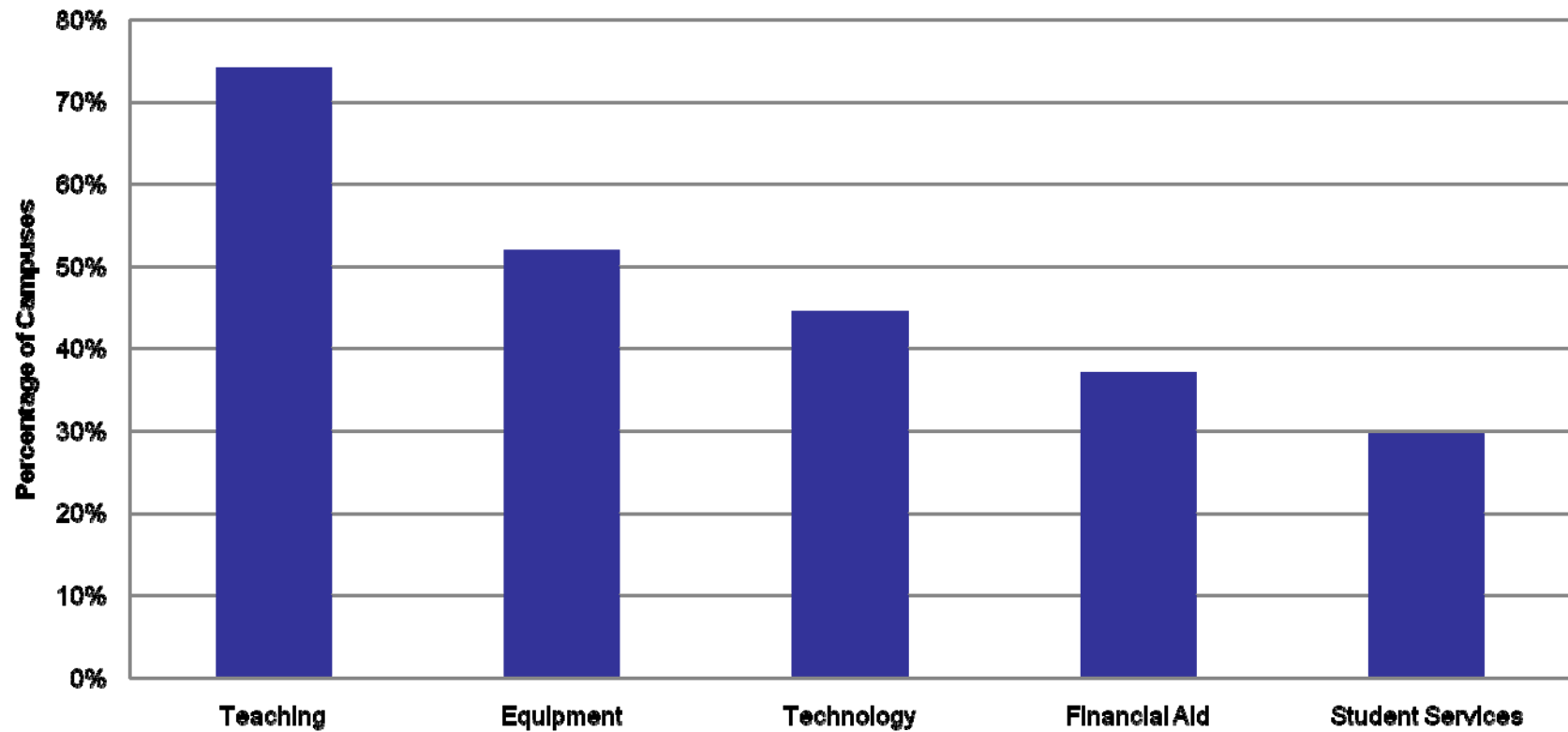
Differential Tuition - Conclusions

4. Higher costs in selected programs combined with a decline in state appropriation led to the adoption and/or increase in differential tuition by undergraduate program. Specific justifications for increases included:

- Match revenue with costs
- Maintain or enhance quality
- Generate revenue for specific programs
- Market forces

Differential Tuition - Conclusions

Planned Use of Incremental Dollars



Differential Tuition - Conclusions

5. A common understanding of the impact of differential tuition by undergraduate program on low socioeconomic status (SES) students did not exist.
 - Those with differential tuition cited no impact
 - Those without, were concerned about possible impact
 - **Neither group identified research supporting their position**

Differential Tuition - Conclusions

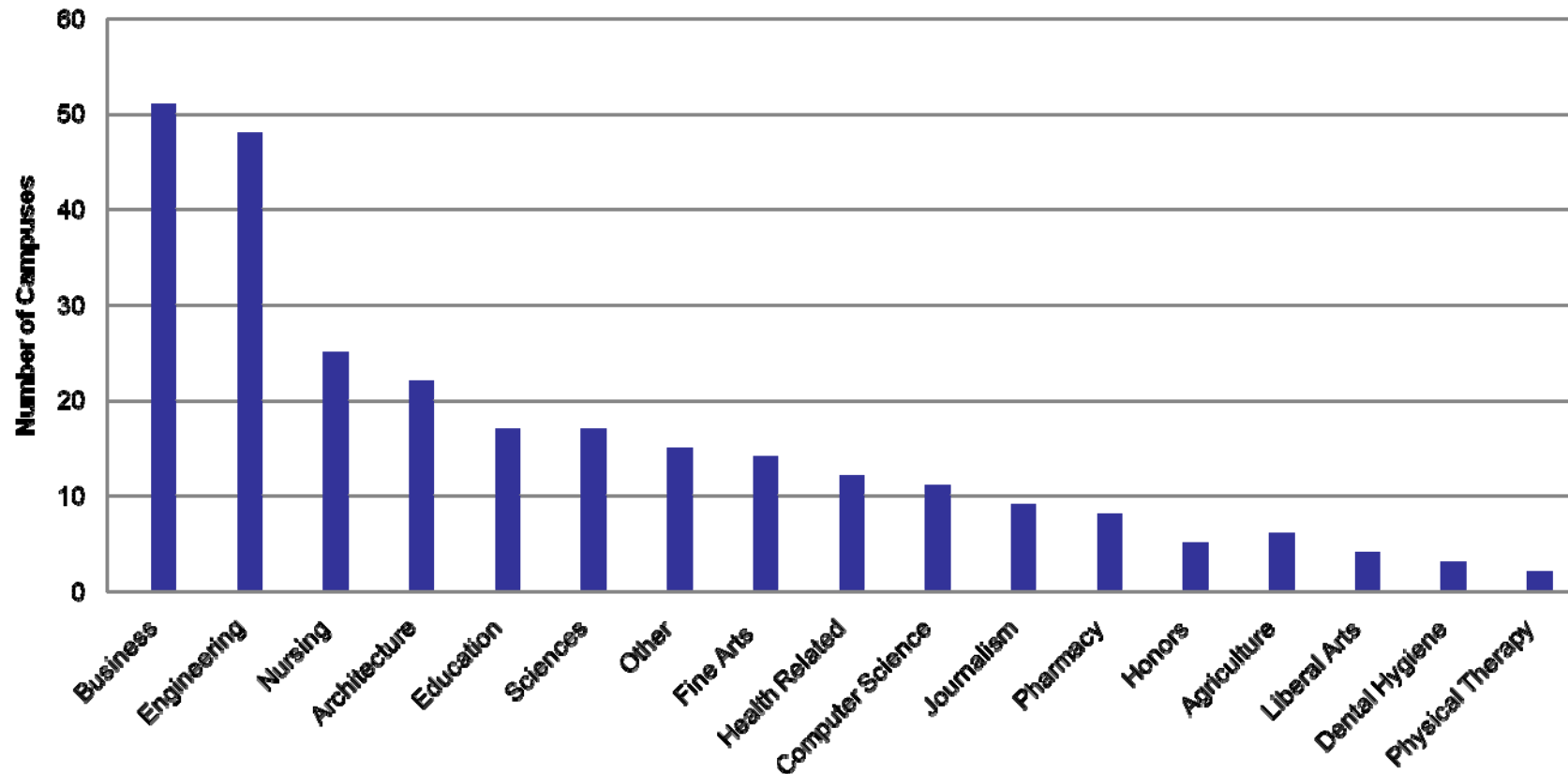
6. Business and engineering were the most prevalent programs with differential tuition by undergraduate program.

Majors and programs were grouped into 17 categories.

Business, Engineering, Architecture, Education, Sciences, Fine Arts, Health Related, Computer Science, Journalism, Honors, Agriculture, Liberal Arts, and Other. Medical related programs included Nursing, Pharmacology, Dental Hygiene and Physical Therapy.

Differential Tuition - Conclusions

Number of Institutions with Differentials by Discipline

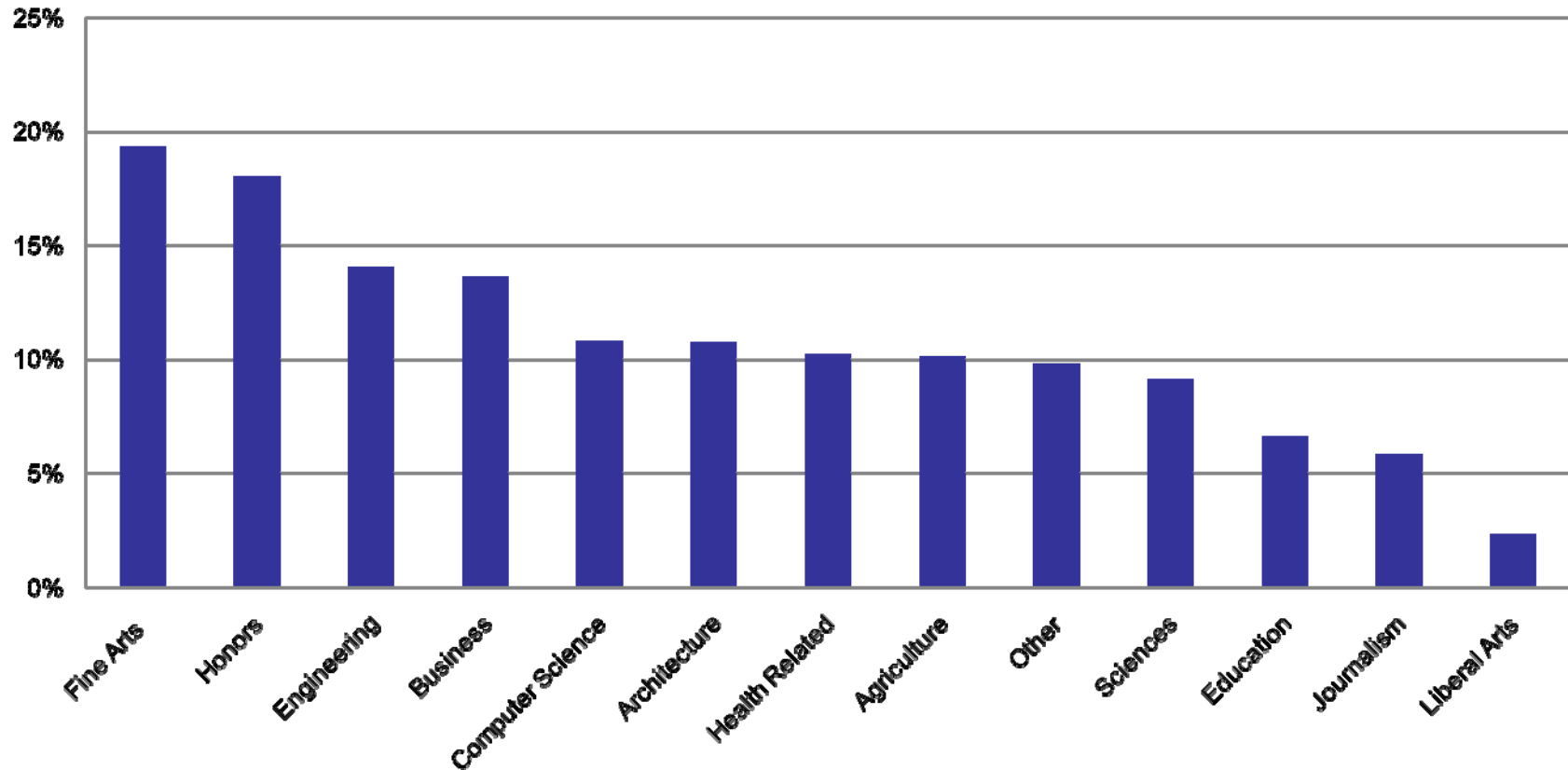


Differential Tuition - Conclusions

7. Differential tuition by undergraduate program averaged 10.8% of resident undergraduate tuition for non-medical related programs for academic year 2007-2008.
 - 2% for liberal arts programs to 19% for fine arts programs
 - Business and engineering averaged 14%

Differential Tuition - Conclusions

Differential Tuition as a Percent of Published Tuition



Differential Tuition - Conclusions

8. The tuition differential in dollars and as a percentage of resident undergraduate tuition was not a consistent amount or rate across institutions or programs.
 - Ranged from 1% to 82%
 - \$2/term to \$1,896/term
 - \$2/credit hour to \$194/credit hour

Differential Tuition - Conclusions

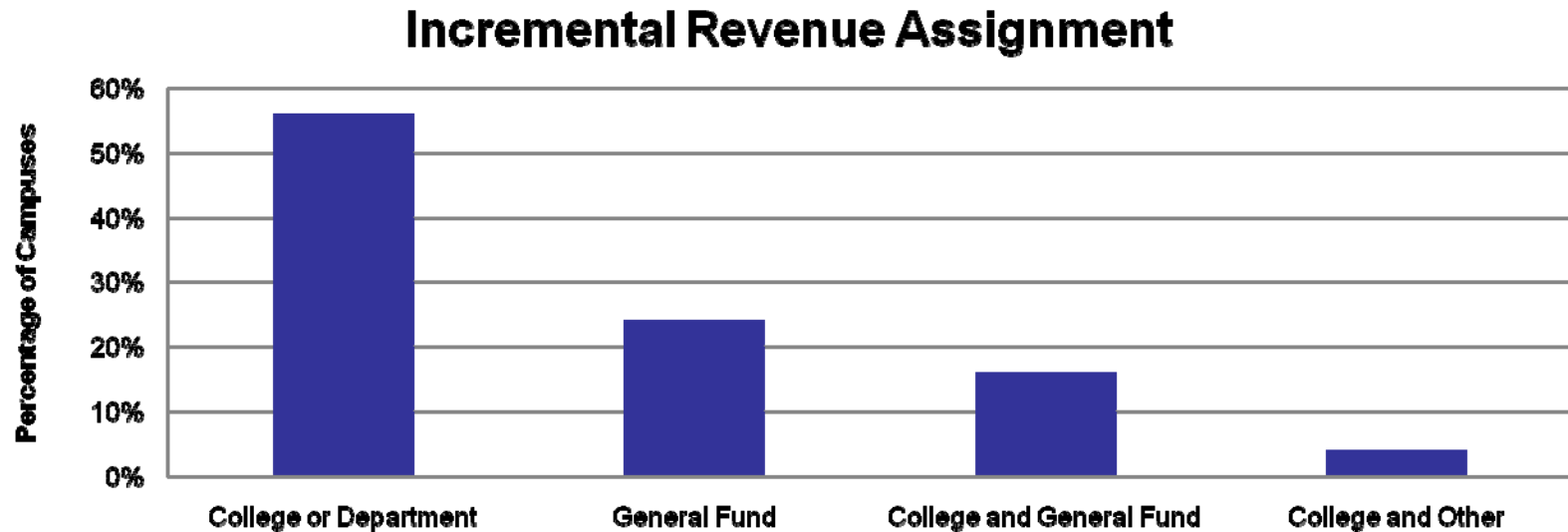
<u>Program</u>	<u>% Range Over Base Tuition</u>	<u>Program</u>	<u>% Range Over Base Tuition</u>
Liberal Arts	1% - 4%	Journalism	2% - 16%
Education	2% - 20%	Sciences	1% - 45%
Other	3% - 25%	Agriculture	3% - 16%
Health Related	2% - 21%	Architecture	3% - 33%
Fine Arts	3% - 82%	Business	2% - 59%
Engineering	2% - 45%	Honors	7% - 45%
Computer Science	3% - 24%		

Differential Tuition - Conclusions

9. The incremental revenue generated from differential tuition by undergraduate program averaged 2% of an institution's total tuition revenue in 2006-07.
 - Data from 30% of institutions
 - Incremental revenue ranged from less than 1% to 9% or \$30,000 to \$25,000,000
 - Two-thirds of the institutions generated less than 2% of their tuition revenue from differential tuition.

Differential Tuition - Conclusions

10. The majority of institutions with differential tuition by undergraduate program returned the incremental revenue generated by the differential to the college or department housing the program.



Differential Tuition - Conclusions

11. The adoption and implementation of differential tuition by undergraduate program did not impact the amount of state appropriation.

- Respondents reported no impact to appropriation from implementation
- Legislative and government officials were reported as not playing a significant role in the decision to implement differential tuition

Differential Tuition - Conclusions

12. There was no common definition of differential tuition by undergraduate program or major.

- 15% of the respondents reported no differential tuition, however, their institution had fees by program
 - Academic service fees
 - Program fees
 - Programmatic resource fees
- 8 institutions reported opposite answers to the differential tuition question in this study and November 2007 WICHE study

Recommendations for Future Research

- Does the implementation of differential tuition by undergraduate program impact student choice of major or career path? Is the impact greater for low SES students than other students?
- This study was limited to public research institutions. What is the prevalence of differential tuition in other public higher education sectors, such as non-research public institutions, urban based institutions, or community colleges?
- What are the financial aid policies at institutions with differential tuition by undergraduate program and does the policy mitigate or exacerbate the impact of the differential on student choice of major?
- What are the reasons or factors which contribute to the wide range of differentials between programs and between institutions?

Questions?

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The underlying study can be accessed at <http://digitalcommons.unl.edu/cehsedaddiss/5/>

