

**MEMORANDUM**

**To:** Board of Regents  
**From:** Board Office  
**Subject:** Report on Tuition Policy Review  
**Date:** May 10, 2004

**Recommended Action:**

Discuss the identified issues and provide direction to the Board Office and institutions relative to the recommendations presented.

**Executive Summary:**

In September 2003, the Board was presented with a number of issues regarding the Board's tuition policies. At that time, the Board indicated a need for a study of tuition related matters.

In February 2004, the Board addressed the issues of statutory timing of tuition setting, mandatory student fees, miscellaneous fees and charges (non-tuition related), Camp Adventure (UNI), and student financial aid set aside.

This month, the following issues are presented for Board discussion:

- Basis for charging tuition
- Budgeting processes
- Fees for athletics
- Lakeside Laboratory
- Student Financial Aid Update

**Basis for Charging Tuition**

The Board Office and Regent universities considered several scenarios for modifying the basis for charging tuition including:

- Differential tuition by University
- Differential tuition by Upper and Lower Division
- Differential tuition by Program / College
- Tuition per Credit Hour for All Hours Or Over 18 Hours Per Semester
- Differential Tuition for Graduate / Professional Programs
- Tuition at SUI that Board Currently Does Not Set

(See Attachment A, pages 4-17.)

Recommendation The Board Office is not recommending changes to differentiate undergraduate tuition by upper vs. lower division status, program / college enrollment, or a straight per credit hour rate basis.

The Board Office is recommending the following changes:

- The Board authorize the Board Office to consider proposing differential tuition rates for resident undergraduate students by institution when presenting proposed rates for the 2005-2006 academic year.
- The Board authorize the Board Office to consider an appropriate per credit hour rate for over 18 hours per semester when presenting proposed rates for the 2005-2006 academic year.
- The Board require the University of Iowa to bring proposed tuition increases with supporting rationale for the Executive MBA programs for approval during the scheduled tuition discussion.

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**Budgeting Processes**

The Board Office and Regent universities considered advantages and disadvantages of having a Board policy that identifies criteria for placing tuition and fees, miscellaneous tuition-related fees, and surcharges in the restricted fund vs. the general fund. (See Attachment B, page 18.)

Recommendation The Board Office recommends that a collaborative study with the Regent institutions and the Board Office be conducted to evaluate the accounting of tuition and various fee revenues in the general operating and restricted funds. The study should specifically address tuition-related miscellaneous fees, credit vs. non-credit courses, and degree vs. non-degree programs. The study should determine if it would be appropriate to have a consistent methodology among the universities and be completed by March 1, 2005.

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**Fees for Athletics**

The Board Office and Regent universities considered several policy issues related to fees for athletics (Attachment C, pages 19-20), which include:

- Setting an appropriate maximum amount of student fees to be devoted to intercollegiate athletics at each institution
- Setting a proportional maximum amount of general university funds to be devoted to intercollegiate athletics at each institution

Recommendation The Board Office recommends that a study be conducted with the Regent institutions and Board Office to evaluate the funding structure of each athletic department. This study would include comparisons to appropriate peers, the amount of revenue intercollegiate athletics provides to the universities including tuition revenue from athletic scholarships, and any other pertinent information to determine an appropriate allocation of general university support and appropriate levels of funding from mandatory student fees. The study should be completed prior to setting of tuition for 2005-2006.

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**Lakeside Laboratory**

The Board Office and Regent universities considered the advantages and disadvantages of establishing Lakeside Laboratory as a self-supporting educational entity. (See Attachment D, pages 21-22.)

Recommendation The Board Office recommends that the Regent universities continue to operate programs at Lakeside Laboratory.

Future Action The Coordinating Committee will evaluate the possibility of allowing Lakeside Laboratory to retain all tuition revenues it generates, making the Lab less dependent upon the Regent universities for general fund allocations.

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**Student Financial Aid**

In February, the Board received a report on student financial aid policies and requested the Board Office work with the universities to determine the feasibility of collecting information on financial aid related to unmet need so the Board can make more informed decisions. (See Attachment E, page 23.)

**Recommendation**

The Board Office recommends conducting a survey using the instrument developed in consultation with the Regent universities with a focus on the following variables:

- Free Application for Federal Student Aid (FAFSA) Filers – Undergraduates, Dependent Students, Iowa Residents
- Family Income (Adjusted Gross Income)
- Cost of Attendance
- Expected Family Contribution
- Total Need
- Total Financial Aid Accepted
- Unmet Financial Need

The data would be collected for the 2003-04 financial aid awardees in September 2004 and the results would be reported in November 2004.

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Deb A. Hendrickson

Approved:   
Gregory S. Nichols

## BASIS FOR CHARGING TUITION

### **Background:**

#### Current Tuition Policy

Iowa Code §262.9(23) requires the Board to have a policy for the establishment of tuition rates that provides some predictability for assessing and anticipating changes.

The Board's tuition policy (Regent Policy Manual §8.02A) complies with the law, is intended to recognize the aspirations of the Board and its institutions, and provides:

Resident undergraduate tuition at the Regent universities shall be set annually to keep pace with the Higher Education Price Index (HEPI) and to provide support to finance university programs at levels sufficient to implement the Board's aspirations for excellence as outlined in the Board's strategic plan.

The current tuition policy was adopted by the Board in December 1997 to recognize the aspirations of the Board for strategic improvement of the quality of the universities.

#### University Resources

Financing of higher education is complex, considering the unpredictability of state funding for the Regent universities. Securing sufficient resources is critical to the successful implementation of the Board's strategic plan. It is necessary for the Board to assure that the funding base is diverse and consistent with the Board's aspirations of becoming the best public education enterprise in the United States.

The universities' general education component is primarily funded by a combination of state funds and tuition revenues. The Board and the Regent universities rely heavily on state appropriations. Funding from the state for base operating appropriations, incremental salary needs, and incremental strategic investments are fundamental to sustaining educational services at the universities.

The Board's tuition setting policy has had its basic premise in stable funding from state appropriations for general educational operations of the universities. Resources are needed to maintain and improve current operations, and student academic and support services. These include sufficient number of faculty, classroom improvements, instructional equipment, library resources, experiential learning opportunities, student access, class size, and technology. Difficulties have arisen in recent years when the basic premise of stable state funding has not been realized.

#### Student Classification

Regent Policy Manual §8.02B outlines the distinctions in charging tuition between resident students and nonresident students.

The rules for classification of a student as a resident or nonresident for tuition and fee purposes are found in the Iowa Administrative Code §681 - 1.4. Those rules include general residency guidelines, with specific discussion of military personnel, American Indians, refugees, and immigrants.

The Board requires that nonresident students pay, at a minimum, the full cost of their education at Regent universities. This policy charges nonresident students a higher tuition rate than resident students. State appropriations, which are provided from tax receipts, subsidize only resident student instruction.

Charging Tuition Regent Policy Manual §8.02C outlines the following direction in charging of tuition.

Undergraduate -- Resident Rates:

- A fixed amount for 12 credits per term and over.
- A fixed amount for 0 – 2 credits per term and an additional amount for each credit from 3 – 11 credits per term.

Undergraduate Tuition -- Nonresident Rates:

- A fixed amount for 12 credits per term and over.
- Rates are to be identical to resident rates for 0 through 4 credits per term and then follow the above pattern for undergraduate resident rates for 5 credits per term and over.

Graduate tuition rates are generally only charged for those students who meet the academic requirements and are admitted to the Graduate Colleges. Graduate students are not allowed to take more than 15 credit hours per term for graduate degrees.

Overload Regent Policy Manual §8.02D restricts the universities from charging additional tuition for any overload credits taken by a full-time student at a Regent university. (i.e. greater than 12 credits)

Surcharges The Regent Policy Manual does not address the establishment of tuition surcharges. In practice, tuition surcharges have been set by the Board of Regents for various professional and graduate programs. These surcharges represent an amount over the base tuition which is earmarked for specific colleges and purposes.

Base tuition and base tuition increases are not earmarked and remain part of the overall general university fund budgeting process. Students enrolled in the designated programs pay the surcharge and receive the benefits of the additional resources in those programs.

Peer Institutions The Board has established peer institutions for each of the Regent universities. The following table shows each of the universities peer groups and the current practices of differential tuition.

<b>Peer Comparisons</b>					
<b>Current Practice of Differential Tuition</b>					
<b>Resident Undergraduate</b>					
	<b>Upper and Lower Division</b>	<b>College / Program</b>	<b>Per Credit Hour</b>	<b>Additional Over 18</b>	<b>None</b>
<b>SUI</b>					
Michigan	x	x		x	x
Minnesota					x
Illinois		x			
Ohio State					x
Indiana	x	x	x		
UCLA		x			
Wisconsin				x	
Texas			x		
North Carolina					x
Arizona					x
<b>ISU</b>					
Minnesota					x
Illinois		x			x
Michigan State	x	x	x		
Ohio State					x
California, Davis					x
Purdue		x			
Wisconsin				x	
Texas A & M			x		
N Carolina State					x
Arizona					x
<b>UNI</b>					
Minnesota, Duluth			x		
Ohio, Athens					x
Indiana State				x	
Illinois State			x		
Central Michigan			x		
North Texas			x		
Wisconsin, Eau Claire				x	
Northern Arizona					x
N Carolina, Greensboro					x
California State, Fresno					x

Sources: Various University websites, SHEEO publications, and Regent institution data

**Analysis:**

Issue

**Differential Resident Undergraduate Tuition by University**

Background

Historically, the resident undergraduate tuition rates were different at the three Regent universities until the 1981-82 academic year. Since then, resident undergraduate tuition at SUI and ISU have been the same.

For the 1990-91 academic year, the Board made resident undergraduate tuition the same at all three universities and also implemented the first mandatory fees; the fees were the same amounts at all three universities.

Since the 1994-95 academic year, mandatory fees have varied among the three universities, but tuition has remained the same.

**RESIDENT UNDERGRADUATE TUITION  
AND MANDATORY FEES**

	<u>SUI</u>	<u>ISU</u>	<u>UNI</u>
1988-89	\$1,706	\$1,706	\$1,690
1989-90	\$1,826	\$1,826	\$1,810
1990-91	\$1,900	\$1,900	\$1,900
1991-92	\$2,072	\$2,072	\$2,072
1992-93	\$2,228	\$2,228	\$2,228
1993-94	\$2,352	\$2,352	\$2,352
1994-95	\$2,455	\$2,471	\$2,455
1995-96	\$2,558	\$2,574	\$2,558
1996-97	\$2,646	\$2,666	\$2,650
1997-98	\$2,760	\$2,766	\$2,752
1998-99	\$2,868	\$2,874	\$2,860
1999-00	\$2,998	\$3,004	\$2,988
2000-01	\$3,204	\$3,132	\$3,130
2001-02	\$3,522	\$3,442	\$3,440
2002-03	\$4,191	\$4,110	\$4,118
2003-04	\$4,993	\$5,028	\$4,916
2004-05	\$5,396	\$5,426	\$5,387

Details of resident undergraduate amounts for the 2004-2005 academic year are as follows:

	<u>Base Tuition</u>	<u>Mandatory Fees</u>	<u>Total Tuition and Fees</u>
SUI	\$4,702	\$694	\$5,396
ISU	4,702	724	5,426
UNI	4,702	685	5,387

National data sources utilize both tuition and mandatory charges when comparing student education costs.

Peer Institutions For the 2003-04 academic year, resident and nonresident undergraduate tuition and fees at the University of Iowa and Iowa State University were below the average tuition and fees of their established peer university comparison groups. The University of Northern Iowa undergraduate resident tuition and fees are above the average of its peer group while the undergraduate nonresident tuition and fees are below the average.

<b>Regent Undergraduate Tuition and Fees 2003-04 Academic Year</b>		
	<b>Resident</b>	<b>Nonresident</b>
<b>University of Iowa</b>	<b>\$4,993</b>	<b>\$15,285</b>
SUI Peer Group Average *	5,867	17,477
\$ from Peer Group Average	874	2,192
% of Peer Group Average	85.1%	87.5%
<b>Iowa State University</b>	<b>\$5,028</b>	<b>\$14,370</b>
ISU Peer Group Average *	5,745	16,762
\$ from Peer Group Average	717	2,392
% of Peer Group Average	87.5%	85.7%
<b>University of Northern Iowa</b>	<b>\$4,916</b>	<b>\$11,874</b>
UNI Peer Group Average *	4,785	13,004
\$ from Peer Group Average	(131)	1,130
% of Peer Group Average	102.7%	91.3%

\* Averages exclude Regent institutions.

Carnegie Classification According to the Carnegie Foundation for Advancement and Teaching classification, the University of Iowa and Iowa State University are classified as Doctoral / Research Universities – Extensive. The University of Northern Iowa is classified as Master’s Colleges and Universities I.

The 2000 Carnegie Classification includes all colleges and universities in the United States that are degree-granting and accredited by an agency recognized by the U.S. Secretary of Education. The 2000 edition classifies institutions based on their degree-granting activities from 1995-96 through 1997-98. Definitions of these classifications are as follows:

**Doctoral/Research Universities—Extensive:** These institutions typically offer a wide range of baccalaureate programs, and they are committed to graduate education through the doctorate. During the period studied, the universities in this classification awarded 50 or more doctoral degrees per year across at least 15 disciplines.

**Master's Colleges and Universities I:** These institutions typically offer a wide range of baccalaureate programs, and they are committed to graduate education through the master's degree. During the period studied, the universities in this classification awarded 40 or more master's degrees per year across three or more disciplines.



Average Salaries Average faculty salaries vary among the institutions. This is partly due to the different cost structures associated with the different Carnegie Classifications. The following table shows the average salary by academic rank for the 2003-04 academic year for each of the Regent universities and their peers according to the Chronicle of Higher Education April 23, 2004, article “Faculty Salaries at More Than 1,400 Institutions”.

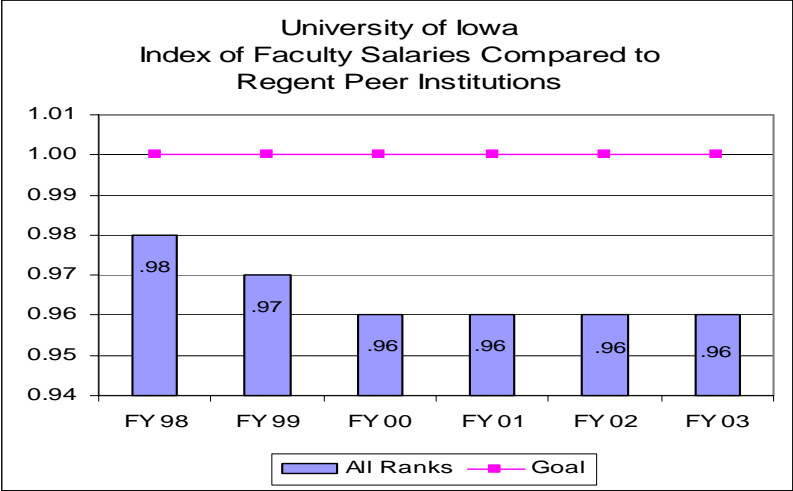
<b>Peer Comparisons Average Salaries</b>				
	<b>Professor</b>	<b>Associate Professor</b>	<b>Assistant Professor</b>	<b>Instructor</b>
<b>SUI</b>	<b>\$ 100,800</b>	<b>\$ 67,500</b>	<b>\$ 59,800</b>	*
Peer Group Average**	105,000	71,460	62,270	52,943
Michigan	117,800	80,900	66,700	58,400
Minnesota	102,000	69,900	60,600	45,400
Illinois	107,000	72,000	64,500	46,200
Ohio State	103,500	69,100	62,300	60,800
Indiana	99,100	68,500	59,600	*
UCLA	122,400	77,000	63,700	*
Wisconsin	96,200	73,300	63,600	50,100
Texas	103,200	64,900	62,300	44,400
North Carolina	106,300	74,100	61,800	65,300
Arizona	92,500	64,900	57,600	*
<b>ISU</b>	<b>\$ 92,200</b>	<b>\$ 69,200</b>	<b>\$ 57,800</b>	<b>\$ 37,400</b>
Peer Group Average**	98,780	69,540	60,650	47,057
Minnesota	102,000	69,900	60,600	45,400
Illinois	107,000	72,000	64,500	46,200
Michigan State	98,300	72,400	58,900	32,800
Ohio State	103,500	69,100	62,300	60,800
California, Davis	105,000	69,800	60,000	*
Purdue	97,200	68,800	60,500	39,400
Wisconsin	96,200	73,300	63,600	50,100
Texas A & M	95,200	67,900	58,900	*
N Carolina State	90,900	67,300	59,600	54,700
Arizona	92,500	64,900	57,600	*
<b>UNI</b>	<b>\$ 78,400</b>	<b>\$ 60,800</b>	<b>\$ 51,500</b>	<b>\$ 44,100</b>
Peer Group Average**	75,644	59,178	49,511	37,880
Minnesota, Duluth	79,900	65,500	50,400	39,800
Ohio, Athens	*	*	*	*
Indiana State	70,700	56,500	49,000	31,000
Illinois State	73,700	57,900	50,600	*
Central Michigan	78,800	61,200	51,800	36,700
North Texas	76,800	58,200	49,900	*
Wisconsin, Eau Claire	66,300	54,400	47,300	*
Northern Arizona	69,500	53,200	44,300	33,300
N Carolina, Greensboro	81,400	59,800	51,600	48,600
California State, Fresno	83,700	65,900	50,700	*

\* Data not reported.

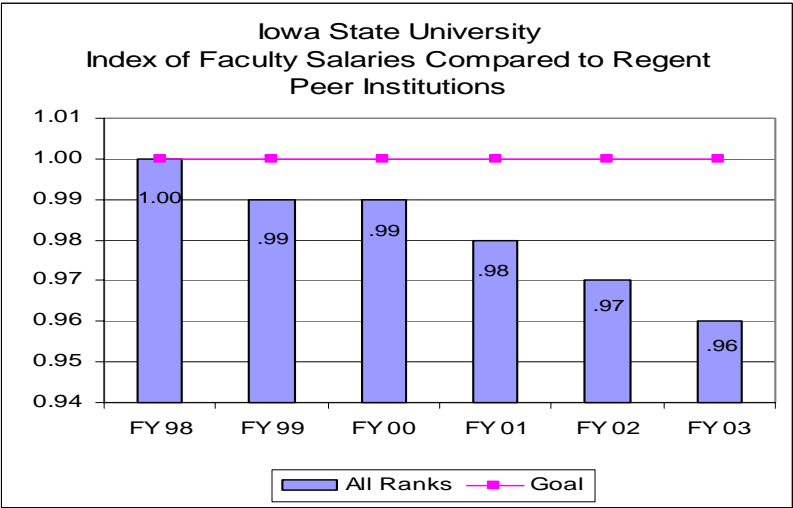
\*\* Average does not include the Regent universities.

In recent years, faculty salaries at the University of Iowa and Iowa State University have lost significant ground compared to those at peer universities, while the University of Northern Iowa has exceeded its goal as evidenced in the following tables. Data were provided by the institutions in previous memorandums to the Board.

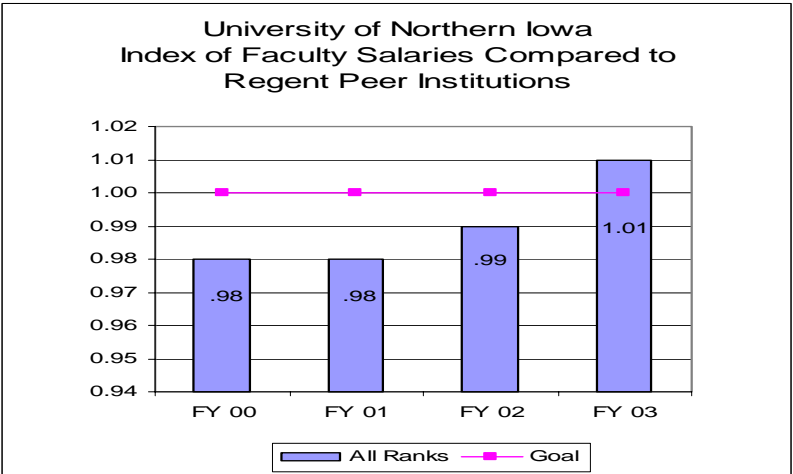
University of Iowa



Iowa State University



University of Northern Iowa



Evaluation	<p>The University of Iowa and Iowa State University have the following similarities:</p> <ul style="list-style-type: none"><li>• Both are in the doctoral/research universities category</li><li>• Both have undergraduate resident tuition and fees below the averages of their established peer university comparison groups</li><li>• Both have average salaries below the averages of their peer institutions</li></ul> <p>The University of Northern Iowa:</p> <ul style="list-style-type: none"><li>• Is a masters college and university</li><li>• Has undergraduate resident tuition and fees above the average of its established peer university comparison group</li><li>• Has average salaries above the average of its peer institutions</li><li>• Has composite unit cost of instruction of \$8,310 for FY 2003 which is lower than the composite unit cost at SUI and ISU (see AGENDA ITEM 12, Unit Cost of Instruction Report)</li></ul>
Rating Agency Comments	<p>Rating analysts have indicated that they believe tuition rates are negatively impacting enrollment at the University of Northern Iowa. When Standard and Poor's recently downgraded the dormitory bonds at UNI, it stated the following:</p> <p>(the University has) "significantly less enrollment resiliency to large tuition increases than Iowa's two larger state universities".</p> <p>"The negative outlook reflects the expectation of continued stressed financial and programmatic operations due to weakened levels of state financial support, limited capacity to absorb tuition increases, and state-mandated salary costs. Demographic and competitive pressures compound enrollment declines and tuition sensitivity".</p>
Conclusion	<p>A uniform base tuition for the three Regent universities may no longer be responsive to the situations of the individual universities. A common tuition rate has the potential to help one institution to reach or exceed the mid-point of its peer institutions while the others remain near the bottom.</p>
Recommendation	<p>The Board Office recommends the Board authorize the Board Office to consider proposing differential tuition rates for resident undergraduate students by institution when presenting proposed rates for the 2005-2006 academic year.</p>

Issue	<b><u>Differential Undergraduate Tuition by Upper and Lower Division</u></b>
Background	<p>The cost to educate upper division students (juniors and seniors) is typically more expensive than those associated with lower division students (freshman and sophomores), as evidenced in the Unit Cost Study (AGENDA ITEM12). Upper division students are generally enrolled in advanced courses that are taught almost exclusively by tenure track faculty and involve laboratories and studios or use of expensive scholarly resources in the libraries and technology labs.</p> <p>Some universities have a higher rate of tuition for upper division students than lower division students. Within the Regent peer universities, the University of Michigan, Indiana University, and Michigan State University have policies in place that have differential tuition rates depending on the undergraduate level status. These universities use a set number of credit hours to determine upper versus lower division status.</p> <p>In response to public concerns about tuition pricing, some have advocated charging a fixed price through an individual student career. Such proposals would actually result in lower charges to students during the time the cost of their education is higher.</p>
Evaluation	<p>Advantages for differential tuition by student classification:</p> <ul style="list-style-type: none"><li>• Price could be aligned more closely with the cost of programs.</li><li>• Revenues could be increased by retaining students through the upper division years.</li><li>• Lower tuition rates for entering students provide a price advantage for those students which could impact their decision on where to attend post-secondary education, thereby enhancing entering student enrollment.</li></ul> <p>Disadvantages for differential tuition by student classification:</p> <ul style="list-style-type: none"><li>• While classroom instruction costs are less for lower-division students, there are increased costs resulting from a higher need for academic advising, counseling, and retention programs.</li><li>• Students may reduce course loads to avoid the higher tuition cost and increase time to graduation which would lower the four- and six-year graduation rates. (The University of Minnesota moved away from differential tuition by student classification approach for this reason.)</li><li>• Implementation would be complicated with credits earned in high school, transferred, tested-out, or earned in pursuit of an earlier abandoned major that do not apply to current majors.</li><li>• Students taking more credits than actually needed to graduate, such as honors and music students, would have to pay higher tuition rates for those excess hours, which may reduce their desire to take the additional educational coursework.</li></ul>
Recommendation	The Board Office is not recommending a tuition charge differential by upper and lower division classification of students.

Issue	<b><u>Differential Undergraduate Tuition by Program / College</u></b>
Background	<p>Currently, the Regent universities do not have differential undergraduate tuition by program; however, the University of Iowa and Iowa State University have mandatory computer fees that vary by program.</p> <p>Some universities charge differential tuition based on the type of course, program, or college. This is done for high demand programs that have higher costs due to the need for specialized equipment or labs, individualized instruction, or market-based differences in faculty salaries. The additional revenue is allocated to the particular program or college to help offset the increased costs.</p> <p>Within the Regent institutions peer universities, the University of Michigan, Michigan State University, Indiana University, Purdue University, University of Illinois, and the University of California, Los Angeles have policies in place that use this method.</p> <p>Public higher education is a fundamental public good. Charging an undergraduate student a higher tuition based on a higher cost or higher demand program follows a privatization model. Differential tuition for undergraduate students by program or college could preclude a student from seeking a certain degree based on ability to pay. The same undergraduate base tuition provides students with an opportunity to pursue an educational direction without the added burden of differential program costs.</p>
Evaluation	<p>Advantages for differential tuition by program or college:</p> <ul style="list-style-type: none"><li>• Price is aligned more closely with the cost of programs.</li><li>• Potential to provide increased revenues to programs / colleges with higher costs.</li><li>• Programs that have higher rates generally are programs that lead to greater potential for the graduates so the students cost is offset by the benefit.</li></ul> <p>Disadvantages for differential tuition by program or college:</p> <ul style="list-style-type: none"><li>• Violates a philosophical core value of Regent higher education – accessibility.</li><li>• Bias career choice and complicate changes of major</li><li>• Limit access to those with financial need</li><li>• Enrollment declines in the higher priced programs</li><li>• Influx of students in some colleges due to lower price, such as Liberal Arts, yet there are some very expensive majors in this college.</li><li>• Complicates billing of tuition and communicating charges to students.</li></ul>
Recommendation	<p>The Board Office believes that without a better tool to determine the true cost of each program and formula for appropriately allocating differential tuition revenues, it would be difficult to successfully implement differential tuition by college or program. The Board Office is not recommending a differential tuition charge by college or program at this time.</p>

Issue **Undergraduate Tuition per Credit Hour for All Hours Or Over 18 Hours Per Semester**

Background Currently, the Board's policy on tuition includes a fixed amount for 12 credits per term and over, a fixed amount for 0-2 credits per term and an additional amount for each credit from 3-11 credits per term.

Graduation requirements include a fixed number of credit hours. To graduate in four years, students must take an average of 15.5 credit hours per semester.

Some institutions charge a tuition rate for every credit hour taken. Within the Regent peer universities, Indiana University, the University of Texas, Texas A & M University, Michigan State University, University of Minnesota, Duluth, Illinois State University, Central Michigan University, and North Texas University charge tuition by the credit hour. (see page 6)

Some institutions charge additional tuition per credit hour over 18 credit hours. Within the Regent institutions peer universities, the University of Michigan, University of Wisconsin, Indiana State University, and the University of Wisconsin, Eau Claire all have policies in place that charge additional tuition on a per credit hour basis for those credit hours over 18.

Students who take a greater number of credit hours tend to be those that are high ability students, honors students, and / or non-resident students.

The Pennsylvania State System of Higher Education conducted an informal survey in fall 2003 because they were considering changing from a flat rate for 12-18 credits to charging completely on a per-credit basis.

- There were several universities that actually changed from a per-credit basis to a full-time tuition band of 12-18 credits citing reasons such as:
  1. Provide incentives for students to take more courses;
  2. Reduce administrative expenditures due to drops and changes, and
  3. Assist families in budgeting tuition costs more accurately.
- Some universities moved to a per-credit hour charge to generate more revenue and then returned to a flat full-time rate after a couple of years because the change did not generate the expected revenue. In some cases, dramatic enrollment declines were experienced.
- Other universities changed to a per-credit hour and did see significant increases in tuition revenues, especially for commuter campuses as opposed to residential campuses such as the Regent universities.

Evaluation  
Per Credit Hour

Advantages for charging tuition for every credit hour taken:

- Impartial pricing structure because students pay for all courses taken.
- Possible increase of revenues to the universities.

Disadvantages of charging tuition for every credit hour taken:

- Decreases in enrollment may occur.
- The four-year graduation rates could be negatively impacted since students may take fewer hours for financial reasons.

- May limit freedom for students to explore classes outside identified major.
- Determination / adjustments of financial need and awards would be complicated.
- Increased administrative time to bill and adjust bills for drops and changes.
- Cost predictability per semester would be hindered.

Evaluation  
Per Credit Hour  
Over 18 Hours

Advantages for charging tuition per credit hour for all hours that exceed 18 per semester:

- Simplify the drop / add process because students would not be as likely to sign up for as many classes as possible with the plan of dropping if they get into all of the classes.
- Relatively few students take more than 16 credit hours per semester.
- Availability of classes may be increased under the assumption that some students will not take an overload.
- Potential increase of revenues to the universities.

Disadvantages of charging tuition per credit hour for all hours that exceed 18 per semester:

- Some students may not take more than 18 hours if it adds additional financial burden.
- May discourage capable students from taking overload credits to graduate early.

Recommendation

The Board Office does not recommend the Board change to a policy of charging tuition per credit hour taken at this time.

The Board Office does recommend the Board authorize the Board Office to consider proposing an appropriate per credit hour rate for over 18 hours per semester when presenting proposed rates for the 2005-2006 academic year.

Policy Manual  
Changes

Regent Policy Manual §8.02D would need to be rewritten as follows:

1 Tuition for Students Taking an Overload

An additional tuition fee will ~~not~~ be charged for any overload credits greater than 18 credit hours per semester taken by a full-time student at a Regent university.

Issue	<b><u>Differential Tuition for Graduate / Professional Programs</u></b>
Background	<p>Tuition surcharges have been set by the Board for various professional and graduate programs. These surcharges represent earmarked amounts for specific colleges and purposes. Students enrolled in specific colleges pay the surcharge in addition to the University’s base tuition and receive the benefits of additional resources. Once a surcharge is implemented, it becomes part of the base tuition for the following years.</p> <p>Currently, the process involves the universities proposing a surcharge amount with supporting data to justify the proposals. Such data include information on peer institutions with similar programs and the planned uses of the additional tuition revenues to be generated by the increase in surcharge.</p> <p>Through this process, the Board essentially sets differential tuition for graduate and professional programs.</p>
Evaluation	<p>Many graduate and professional programs charge different tuition based on needs of the programs, changes in instructional focus, and market rates. Students who are willing to invest in this level of education see the benefits. The return on the student’s investment can be significant.</p>
Recommendation	<p>The Board Office is recommending that the Board eliminate the use of surcharges and instead establish a policy allowing differential tuition for both graduate and professional programs.</p> <ul style="list-style-type: none"><li>○ During the tuition process, institutions would be required to propose a specific increase for each graduate and professional program with a proposed differential tuition and provide appropriate supporting data.</li></ul> <p>The Regent Policy Manual does not currently address surcharges. The Board Office recommends the following language be added to the <u>Regent Policy Manual</u> §8.02 to address differential tuition for graduate and professional programs.</p> <p>8.02.C(5) On an annual basis, institutions are required to submit proposals to the Board Office for increases in specific graduate and professional programs for both resident and non-resident students that the institution believes is necessary to conduct the program.</p> <p>This process would be outside the process of setting all other graduate program tuition increases.</p> <p>Institutions will be required to provide the following supporting data:</p> <ul style="list-style-type: none"><li>○ Peer comparisons and supporting market data</li><li>○ Consideration given to affordability for resident students</li><li>○ Planned use of revenues</li></ul> <p>Institutions will be responsible for informing the Board on the planned allocation of tuition revenues generated by the differential tuition amount.</p>



Issue	<b><u>Tuition at SUI that Board Currently Does Not Set</u></b>
Background	<p>The Board has statutory responsibility for setting all tuition at the Regent universities. Currently, the University of Iowa has some Executive MBA (EMBA) programs with a different tuition structure that is not being brought to the Board annually for approval.</p>
Definition	<p>The Executive MBA program at The University of Iowa Henry B. Tippie School of Management is a selective and stimulating program of advanced studies in management and strategy. The 21-month program is designed for executives to complete while maintaining a full-time position. Throughout the academic year, classes meet one day per week—alternately on Fridays or Saturdays. In addition to classroom time, students spend approximately 20 hours a week in individual or group study.</p> <p>The EMBA staff handle all program details including registration, book purchases, graduation arrangements, room reservations, meals, snacks and all required travel arrangements. Free parking is also provided.</p> <p>The programs not currently being brought to the Board include the following:</p> <ul style="list-style-type: none"><li>• Executive MBA in Iowa City<ul style="list-style-type: none"><li>• The all-inclusive \$43,000 fee for the program covers tuition, books, supplies, computer software, group luncheons, all international trip expenses (except for airfare) as well as food and lodging during a full week on campus each August.</li></ul></li><li>• Executive MBA in Des Moines<ul style="list-style-type: none"><li>• The all-inclusive \$47,000 fee for the program covers tuition, books, supplies, computer software, parking, group luncheons, and room and board during the two on-campus residency weeks and the international seminar. Students are required to pay for transportation to class and airfare for the 7- to 10-day international seminar. This fee structure is guaranteed for the participant's two consecutive years in the program.</li></ul></li><li>• Executive Engineering MBA<ul style="list-style-type: none"><li>• The all-inclusive \$53,500 fee for the program covers tuition, books, supplies, computer software, parking, group luncheons, and room and board during the two on-campus residency weeks and the international trip. Students are required to pay for transportation to class and airfare for the ten-day international seminar. This fee structure is guaranteed for the participant's two consecutive years in the program.</li><li>• This is a joint program offered by SUI and ISU. Students earn a MBA from the SUI and Master of Engineering in Systems Engineering from ISU.</li></ul></li><li>• International Executive MBA – Hong Kong<ul style="list-style-type: none"><li>• The all-inclusive fee of \$28,000 covers tuition, supplies, assessment fee and online community support. SUI receives 60% and the China Education Group (CEG) gets 40%. CEG bears all of the up-front costs and risks.</li></ul></li></ul>
Recommendation	<p>The Board Office recommends that the University of Iowa bring proposed tuition increases with supporting rationale for these programs to the Board for approval during the scheduled tuition discussion.</p>

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## BUDGETING PROCESSES

### Background:

Currently, tuition and fees are not accounted for consistently among the Regent universities. There are two major fund types at each university – the general operating fund and the restricted fund.

- General operating funds include operating appropriations, some federal funds, interest income, tuition and fee revenues, reimbursed indirect costs, and sales and services.
- Restricted funds are specifically designated or restricted for a particular purpose or enterprise and include capital appropriations, tuition and fee revenues, tuition replacement appropriations, gifts, sponsored funding from federal and private sources, residence system revenues, athletics, as well as other auxiliary or independent functions such as parking and utility systems.

Tuition and fee revenues are recorded in both funds. The universities report that tuition and fee revenues may be placed in the restricted fund when the revenues are expected to be used in a certain way. This would include tuition or fees that are restricted for a specific purpose.

The universities report that placing these in the restricted funds provides better cost accounting to track related revenues and expenses. The current practice is in accord with Generally Accepted Account Principles (GAAP).

### Analysis:

#### Rationale

The Board Office believes this is an area that requires further understanding of all the variables at each institution. The categories that should be considered:

Tuition including base tuition, tuition-related miscellaneous fees, continuing education courses, off-campus / distance education courses, credit / non-credit courses, degree / non-degree courses.

Fees including mandatory fees, miscellaneous fees, fees that support bonded projects, and student specific fees

#### Recommendation

The Board Office recommends that a collaborative study with the Regent institutions and the Board Office be conducted to evaluate the accounting of tuition and various fee revenues in the general operating and restricted funds. The study should specifically address tuition-related miscellaneous fees, credit vs. non-credit courses, and degree vs. non-degree programs. The study should determine if it would be appropriate to have a consistent methodology among the universities and be completed by March 1, 2005.

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## FEES FOR ATHLETICS

### Background

Intercollegiate athletics at the Regent universities are not self-supporting activities. Each University provides some general university support to its athletic department. In addition, mandatory student fee revenues support either debt service and / or operations of the athletic departments at each of the Regent universities.

FY 2004 Budgets The FY 2004 university athletic revenue budgets total \$77.9 million as illustrated in the following table.

	<b>FY 2004 Budgeted Athletic Revenues</b>						
	<u>SUI</u>	% of <u>Budget</u>	<u>ISU</u>	% of <u>Budget</u>	<u>UNI</u>	% of <u>Budget</u>	<u>Total</u>
Sports Income	\$18,695,700	44.4%	\$9,954,367	35.6%	\$1,038,525	13.2%	\$29,688,592
Athletic Conference/ NCAA Support	10,419,000	24.8%	5,194,403	18.6%	250,000	3.2%	15,863,403
General University Support <sup>1</sup>	2,389,361	5.7%	3,165,951	11.3%	4,300,764	54.8%	9,856,076
Student Fees	1,401,944 <sup>2</sup>	3.3%	1,106,700	3.9%	1,224,300	15.6%	3,732,944
Other Income	<u>9,193,541</u>	21.8%	<u>8,564,500</u>	30.6%	<u>1,037,500</u>	13.2%	<u>18,795,541</u>
<b>Total</b>	<b>\$42,099,546</b>		<b>\$27,985,921</b>		<b>\$7,851,089</b>		<b>\$77,936,556</b>

<sup>1</sup> Includes diversity support at UNI.

<sup>2</sup> For debt service, not operations.

Program Differences The three athletic programs vary significantly which is evident in the revenues generated, conference revenues received, and the amount of general university support provided. Some of the key differences among the programs are highlighted in the following table.

	<b>SUI</b>	<b>ISU</b>	<b>UNI</b>
Number of Sports	24	18	18
Men / Women	12 / 12	7 / 11	8 / 10
Division	1-A	1-A	1-AA
Budgeted Scholarships	271	237	187

Scholarships When the athletic departments award athletic scholarship to student athletes, departments become responsible for paying the costs related to those scholarships, such as tuition, room and board. The tuition payments are an expense of the Department and a source of revenue for the general university.

FY 2004 scholarships are budgeted at \$13.7 million, as follows:

University of Iowa	\$6,355,404
Iowa State University	4,792,497
University of Northern Iowa	<u>2,508,541</u>
<b>TOTAL</b>	<b>\$13,656,442</b>

Outside Requirements Intercollegiate athletics must comply with external requirements such as those set by the National Collegiate Athletic Association (NCAA) and the federal government.

- Title IX of the Higher Education Amendments of 1972 forbids sex discrimination at any college or school that receives federal funds. Sports opportunities for women athletes have increased significantly since Title IX was approved and the universities have increased their allocation of general funds to support the increased opportunities.
- The federal Equity in Athletics Disclosure Act (EADA) of 1994 requires all coeducational institutions of higher education that participate in any Federal student financial aid program and have intercollegiate athletics programs to provide information for gender equity purposes. The EADA reports are to be available for inspection by October of each year for the previous reporting period.

**Analysis:**

Study The Board Office, in consultation with the universities, considered whether there should be limits placed on the amount of mandatory student fees and general university funds devoted to intercollegiate athletics at each institution.

Evaluation The three Regent universities have very different systems and needs for funding athletics as evidenced in the table on the previous page.

- General university support ranges from \$2.4 million (5.7% of budget) at SUI to \$4.3 million (54.8% of budget) at UNI.
- Sports income ranges from \$1.0 million (13.2% of budget) at UNI to \$18.7 million (44.4% of budget) at SUI.
- Conference revenue / NCAA income ranges from \$250,000 (3.2% of budget) at UNI to \$10.4 million (24.7% of budget) at SUI.
- Other income ranges from \$1.0 million (13.2%) of budget) at UNI to \$9.2 million (21.8% of budget) at SUI.

In addition, the Athletic Departments have significantly different scholarship costs as illustrated in the table above and consequently provide varying amounts of scholarship revenues to the universities.

Recommendation The Board Office recommends that a study be conducted with the Regent institutions and Board Office to evaluate the funding structure of each athletic department. This study would include comparisons to appropriate peers, the amount of revenue intercollegiate athletics provides to the universities including tuition revenue from athletic scholarships, and any other pertinent information to determine an appropriate allocation of general university support and appropriate levels of funding from mandatory student fees. The study should be completed prior to setting of tuition for 2005-2006.

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## LAKESIDE LABORATORY

### Background:

Board of Regents Responsibility	<p>In 1947, the Board of Regents was made responsible, under the terms of a trust, for the operation and management of Lakeside Laboratory, which has served as a biological field station since 1909.</p>
Organizational Structure	<p>In 1993, the Board approved a new organizational structure consisting of a “Coordinating Committee” and a three-year strategic plan for the Laboratory. This action was taken as a result of the identification of a series of problems at the Laboratory including declining enrollments, deteriorating facilities, poor community relations, and difficulties in interinstitutional coordination.</p> <p>With Board approval, the new Coordinating Committee hired a new Director for Iowa Lakeside Laboratory and began implementation of the three-year strategic plan. Within three years, all of the major planning goals had been achieved and major problems had been resolved.</p> <p>At its February 2000 meeting, the Board approved changes in the structure of the Lakeside Laboratory Coordinating Committee. The provosts of each university are now the representatives of the universities on the Coordinating Committee. Other members of the Coordinating Committee include a representative of the community and the Deputy Executive Director of the Board of Regents who serves as chair.</p>
Infrastructure Improvements	<p>Within the last 10 years, there have been a number of improvements at the Lakeside Laboratory.</p> <ul style="list-style-type: none"><li>• The Friends of Iowa Lakeside Lab, Inc. raised over \$1.3 million to build the new Waitt Water Quality Laboratory and continue to actively raise additional funds for an endowment for the Water Quality Lab and other improvements at Lakeside Lab.</li><li>• Other recent infrastructure improvements include:<ul style="list-style-type: none"><li>• Donation of two houses and acquisition, relocation and setup of motel/hotel buildings from the Brooks Resort and the Grand Hotel to provide improved housing for faculty, staff and students;</li><li>• Appropriation of \$140,000 by the 1997 General Assembly for renovations at the Laboratory; these funds were used for improvements to the Mess Hall.</li><li>• Repair of the sewer system, purchase of new computers and installation of a new phone system.</li><li>• Appropriation of \$390,000 by the 2002 General Assembly to provide improvements to Mahan Hall and Macbride Lab.</li></ul></li></ul>
Consortium Agreement	<p>In October 2001, the Board approved a Lakeside Laboratory Consortium Membership Agreement for non-Regent institutions; the Agreement is intended to extend the use of the Lakeside Laboratory to faculty and students of other colleges and universities, either within or outside the State of Iowa. Drake University has joined the consortium.</p>

Tuition Revenues Lakeside Laboratory currently does not receive any tuition revenues other than through the consortium agreement. The universities collect and retain the tuition dollars associated with the students that take courses at the Laboratory. Funding for the Laboratory is similar to other academic units in that the Laboratory is provided with an allocation of general fund resources. The University of Iowa's appropriation includes funding for the Iowa Lakeside Laboratory.

The FY 2004 general fund operating budget is \$371,424 for the Iowa Lakeside Laboratory, as approved by the Lakeside Laboratory Coordinating Committee. The following table represents the distribution by institution.

	<u>Amount</u>
University of Iowa	\$183,623
Iowa State University	112,938
University of Northern Iowa	<u>74,863</u>
<b>Total</b>	<b><u>\$371,424</u></b>

**Analysis:**

For FY 2005, the Lakeside Laboratory Coordinating Committee is recommending a decrease in allocations for Lakeside Laboratory of 2.3% which is similar to the reductions of other campus academic units.

The current Director of Lakeside Lab is stepping down effective May 15, 2004, which coincides with the beginning of the summer instructional program. On an interim basis, the Lakeside Laboratory Coordinating Committee has entered into an agreement with the Iowa State University State Extension Service for the management of the Lab for the next six months. This agreement includes the services of an Interim Director and the completion of the following:

- Business Plan
- Organizational Plan
- Fundraising Plan
- Administrative Plan

Recommendation The Board Office recommends that the Regent universities continue to operate programs at Lakeside Laboratory.

Future Action: The Coordinating Committee will evaluate the possibility of allowing Lakeside Laboratory to retain all tuition revenues it generates, making the Lab less dependent upon the Regent universities for general fund allocations.

## STUDENT FINANCIAL AID STUDY

- Background For a number of years, the Board of Regents has directed the Regent universities to establish a pool of funds derived from tuition revenues to fund grants/scholarships for students (undergraduates and graduates). In November 2002, the Board established a minimum rate of 15% of gross tuition revenue for tuition set-aside.
- For the Board to establish policies relating to tuition set-aside rates and to an appropriate mix of need-based and merit-based aid, current financial aid awarding data and levels of unmet student financial aid need must be understood.
- Evaluation After extensive research, the Board Office has concluded that there are no current or planned financial aid data that combine the elements requested by the Board of Regents for post-secondary institutions in Iowa, e.g., family income, expected family contribution, cost of attendance, award by type, and unmet need.
- The most recent National Postsecondary Student Aid Study (NPSAS) was conducted in 1999-2000.
  - The 2003-2004 NPSAS is currently underway. However, the Regent universities were not selected to participate in the study.
  - The ACT annual report for Iowa includes family income data for its test takers, but there is no cross-walk to enrollees at the Regent universities.
- The Board Office has developed a survey instrument that includes the variables identified above. In consultation with the universities, the Board Office has determined that these data can be collected from the Regent universities in a reasonable time without incurring significant costs. While this survey will provide useful information about recently enrolled students at the Regent universities, it will not provide information about other Iowa post-secondary institutions or about students who might have applied but did not enroll at one of the Regent universities.
- Recommendation The Board Office recommends conducting a survey using the instrument developed in consultation with the Regent universities with a focus on the following variables:
- Free Application for Federal Student Aid (FAFSA) Filers – Undergraduates, Dependent Students, Iowa Residents
  - Family Income (Adjusted Gross Income)
  - Cost of Attendance
  - Expected Family Contribution
  - Total Need
  - Total Financial Aid Accepted
  - Unmet Financial Need
- The data would be collected for the 2003-04 financial aid awardees in September 2004 and the results would be reported in November 2004.