Council of Deans  
May 10, 2001

Topic:  
Tuition and State Support Going Forward

Context:
The single most important decision regarding “going forward” under budget restructuring is the sharing of tuition and state support with the generating units. In FY 2000 tuition totaled $300 million and the state share of instruction totaled $313 million on the Columbus Campus.

The recommendations (attached) have been reviewed by the Budget Advisory Committee and the Senate Fiscal Committee. The Provost will finalize the policy for sharing tuition and state support by the end of Spring Quarter. The timely announcement of the policy for sharing the tuition and state support revenues is critical as the colleges prepare for the next academic year since the revenue will be shared effective in FY 03 on the basis of credit hours taught by the college in prior years.

The Deans are urged to share comments or concerns with the Provost in the next two weeks.

Recommendations:

- The tuition and subsidy revenue growth beginning in FY 03 will be shared with the colleges based on the College’s increase or decrease in credit hours using a two-year credit hour average.
- After fully funding the “new” credit hours, the remaining revenue growth (inflationary growth) will be allocated to the colleges on the basis of total credit hours taught.
- The “above the cap” growth in undergraduate tuition revenue will not be shared with the colleges using this methodology. The “above the cap” revenues, after a set-aside for financial aid, will be distributed by the Provost in FY 02 and 03. It is expected that most of this revenue will be used for additional sections of high demand courses, undergraduate advising, improved technology, etc.
- Remaining to be addressed is the distribution of the Ph.D. subsidy in FY 04 and beyond.
May 10, 2001

Working Recommendations
Tuition and State Support Going Forward

The single most important decision regarding “going forward” under budget restructuring is the sharing of tuition and state support with the generating units. In FY 2000, tuition totaled $300 million and state share of instruction totaled $313 million on the Columbus Campus.

Principles

One of the core principles driving budget restructuring is that: “A significant portion of revenues should be explicitly linked to the generating units, specifically the colleges.” This principle in turn should drive the allocation of tuition and state support.

Other relevant principles include:
- The allocation of resources should be mission driven (tuition and state support revenue is credit hour driven and support instruction).
- Budget and credit hour information should be timely and user friendly.
- Predictability and stability are also important factors.
- A carefully thought out transition is essential.

Recommendations

1. What is the appropriate base from which to move forward?

The FY 00 base budgets, as set by the Provost, will be the starting point, plus or minus any college specific re-basing adjustments made in FY 01 and FY 02. The Provost established base budgets aligning FY 2000 resources and expenditures with the Academic Plan. It is recommended that sharing of marginal revenues commence in FY 2003.

Since marginal increases in subsidy and tuition revenues have been used to fund the traditional incremental budget increases in the Colleges’ and departments’ budgets in FY 01 and FY 02, the marginal revenues
allocated to the Colleges in FY 03 will be the tuition and subsidy change from FY 02 to FY 03. The FY 03 College allocations will be determined by the growth or decrease in the College’s FY 01 and FY 02 credit hour average over the FY 00 and FY 01 credit hour average.

2. How will revenue growth in subsidy and per credit hour tuition (as opposed to new revenues from an increase in credit hours) be distributed to the colleges?

In order to be consistent with the principles of budget restructuring, the growth in new credit hours or a decrease in credit hours should be determined and funded first. Then, the remaining revenue growth should be distributed on a basis of total credit hours taught.

3. What is the appropriate time period for the moving average of credit hours?

The base budget calculations were made on a five-year credit hour average for state support and a three-year credit hour average for tuition revenues. Consultations across campus have focused on using a two-year or a three-year credit hour average to allocate both state support and tuition revenues going forward. A two-year average is recommended for both tuition and state support because:

a) It is more consistent with the principle of explicitly linking revenue and revenue-generating activity.
b) It is simpler and easier to understand than the five-year credit hour average for state support and the two-year average for tuition.
c) Three years does not appear to yield a substantial improvement in predictability or stability.

4. How will the increase in undergraduate tuition above the state-imposed cap be handled?

Undergraduate tuition increases above the cap will not be distributed based on credit hours taught. The above-the-cap revenues, after those set aside for financial aid, will be distributed by the Provost in FY 02 and 03. The expenditures will be tracked by OAA similar to the way in which college specific computing fees are tracked currently. It is expected that most of this revenue will be distributed to the Colleges for additional
sections of high demand courses, undergraduate advising, improved technology, etc. The allocation of these revenues to the Colleges will be accounted for in the College budgets as base adjustments. The expenditures of the above-the-cap revenues will be reviewed at the end of the biennium to measure their impact on the undergraduate student experience and recommendations will be made for future direction of the above the cap expenditures.

5. How will budgets be set for the coming year?

In FY 02 Colleges will receive guidelines on their Present Budget Authority (PBA) to fund compensation and benefit cost increases, just as in prior years.

6. How will differential fees be addressed?

In FY 02 Colleges with differential fees will share the fee and subsidy revenues just as in prior years. In FY 03 the distribution of fees and subsidy will be aligned with the University wide allocation methodology used to distribute fees and subsidy. The colleges will continue to receive 100% of the additional income generated by differential fees on existing students plus or minus any revenues generated or forgone as a result of enrollment changes and will receive a portion of the standard graduate tuition increase according to the principles of Budget Restructuring.

7. What about funding for development of new instructional programs?

Interest free loans will be made available via a line of credit agreement to new programs approved by Council on Academic Affairs (CAA). Loans will also be conditioned on need and a reasonable pay back period.

8. How will course poaching be prevented?

Currently, CAA oversees a detailed course review process that helps ensure course duplication does not occur. The course review process will be strengthened further as CAA develops a process to approve College requests for the creation of new courses that would include a review of existing courses. It is anticipated that CAA’s process recommendations will be complete by the end of Spring Quarter.
9. **How will course and program quality be monitored?**

The issues that have surfaced with respect to course and program quality are class size, course grade point averages, and form of instruction. CAA is developing a course quality monitoring process, based on a new course database that will be updated annually and that will include such elements as class size, level of instructor, and course grade point averages. It is anticipated that CAA’s process for monitoring course quality will be complete by the end of Spring Quarter.

10. **How will subsidy for Ph.D. students be distributed?**

The recommendation for sharing increased or decreased revenues generated in the Ph.D. subsidy in FY 03 will be based on the Enrollment Management Committee’s short term recommendations, which are:

a) Use the historical (2-year average) percentage distribution of doctoral student credit hours in the various Colleges as the primary factor in distributing marginal revenue.

b) Students with more than 260 credit hours will not count, because the Board of Regents did not count them in determining the capped subsidy.

c) The number of doctoral student credit hours in each College will be weighted by historical doctoral subsidy level(s) earned by students in that College or be weighted by some other mechanism that recognizes differences in the costs of delivering doctoral education in different programs.

The committee’s long term recommendations (FY 04 and beyond) for growing or shrinking doctoral programs will be based on the principle of supporting Ph.D. programs based on the program’s quality or the program’s importance to the mission and academic goals of the university.

11. **How will student services costs be adjusted to reflect enrollment shifts?**
The direct allocation of the marginal increase in student services costs to the colleges will be based upon the same cost pools used in the base-budget scenario. The Undergraduate, Graduate and All Students cost pools are credit hour driven. Because of the recent merger of UVC and Arts & Sciences advising to create the Office of Undergraduate Student Academic Services and the planned shift of the responsibility for student advising to some of the Professional and Health Sciences Colleges the way in which undergraduate student services costs are allocated will need to be revisited.

12. **What will the tax rate be?**

The tax rate in the base budget model is 25% (20% to finance costs not directly allocated to the academic units and 5% retained by the Provost to support initiatives outlined in the Academic Plan). The tax rate will vary depending on which marginal central costs are funded through the tax and which are directly allocated to the colleges.

For example, if space costs and fee waivers continue to be financed through the central tax, the central tax rate in FY 02 will be substantially higher. The exact percentage will depend on the number of fee waivers funded and the final compensation package.

13. **What about Honors, Study Abroad and interdisciplinary course recommendations?**

Recommendations for providing incentives for Colleges to encourage students to study abroad are being reviewed by the Budget Advisory Committee. Recommendations for Honors and interdisciplinary courses are expected early Spring Quarter.

14. **How will out of state fees be shared going forward?**

As a general principle, a College should not benefit from, nor be harmed by, having more or less out-of-state students. Therefore, the income from the instructional fee and the non-resident surcharge is included in the net effective rate for each fee-paying category. The fee-paying categories are undergraduate and graduate with separate
fee-paying categories for MBA, Law, Medicine, Dentistry, Optometry, Veterinary Medicine, and Pharmacy.

15. **How will the University make sure timely and accurate information is made available to the Colleges and departments?**

The data used to calculate the revenue sharing and cost allocations will be shared with the Colleges through the Brio insight tool. All College fiscal offices now have access to the Brio tool and the historical data used in the base model.

Five Budget Restructuring pilots are currently underway. Each pilot College is examining ways to improve the quality and timeliness of data. Finance is working with the College of Veterinary Medicine to determine how to improve the quality and timeliness of the space data; with the College of Humanities to determine how to improve the quality and timeliness of the credit hour data and with the Colleges of Business and Pharmacy to model the impact of budget restructuring on Colleges who currently have differential fees and are implementing new academic programs. In addition, the College of Education, Fees and Deposits and the Registrar are working with Finance to improve the quality and timeliness of the fee waiver data. These pilots will make recommendations Spring Quarter.

16. **How will the Medical Subsidies be shared?**

The Medical Subsidies earned by the Colleges of Medicine, Dentistry, Optometry and Veterinary Medicine are based on headcount-driven formulas. The College of Medicine will be allocated the entire growth in the Medical 2 subsidy each year. Dentistry, Optometry and Veterinary Medicine are part of the Medical 1 subsidy category. An allocation methodology is being formulated for the Medical 1 subsidy based on the same principles recommended for sharing all other subsidy categories, but adjusted for the unique headcount-driven aspects of this subsidy model.