

## **Differential Tuitions for Law, Pharmacy, and the MBA:**

### **Background and Suggestions for the Future**

#### **The Office of Academic Affairs**

**March 2011**

#### **Summary**

*The University of Wyoming has had differential tuition rates for its professional degree programs in Law and Pharmacy for many years, and has recently added a differential tuition rate in support of an upgraded MBA program in the College of Business. A differential tuition charged by a professional degree program is higher than the base tuition rate applied to all other UW graduate programs. The base component of the full tuition goes into the university's income fund, which is broadly distributed among academic units; the differential component goes directly to the program charging the differential rate.*

*In response to an action item in UW's second academic plan, an ad hoc committee of faculty and administrators developed a set of policy recommendations for administering differential tuition mechanisms, which was accepted by the UW Board of Trustees, in 2005. Over time differential tuition revenues appear to have helped the affected UW professional degree programs attain their curricular and educational goals to the direct benefit of the students in those programs. However, some questions have arisen about the budgets funded with the tuition differential revenues. In particular, it's difficult to reconcile the budgets authorized each year with the underlying tuition revenues. One problem is that tuition revenue estimates may not closely match actual tuition revenue receipts. Another is that over time other sources of revenues—such as state-appropriated raise monies—have augmented the budgets of the tuition-differential funded budgets. This paper addresses such issues and proposes some principles and processes designed to enhance the accuracy and transparency of the budgeting and accounting processes. The recommendations include:*

- *An annual process and timeline be established for estimating tuition revenues and for reviewing and reconciling estimated and actual revenues.*
- *Budgets authorized for the programs should clearly delineate the various funding sources and amounts, including differential tuition revenues and any other sources such as general fund revenues.*
- *There should be a regular schedule established for reviewing the funding status of tuition-differential supported programs, in the context of business plans for those programs, and a common set of criteria adopted for future requests for increases to differential rates.*

*The paper first provides an historical overview of tuition differentials at UW and describes the current status of the differential-supported programs.*

## Historical Overview

Differential tuitions have at least a two-decade history at UW. As early as 1990 the trustees were discussing differential tuition rates and policies for Law and Pharmacy. In December of 1990, Trustee Updike proposed “the administration make a study of differential tuition for law as has been made for Pharmacy.” The October 1995 minutes note that “Two years ago the Trustees authorized a \$750 annual tuition differential for law students” and that “the fall 1995 class represents the last phase of implementation.” By December 1995 the minutes of the trustee meetings reflected the fact that “in the School of Pharmacy and the College of Law, students are assessed a flat-rate tuition differential in addition to the base rate for tuition and mandatory fees.”

Budget authorizations by the trustees have also long considered Section 1 budget adjustments “in order to balance the budget authority for course fees and tuition differentials with the amount of revenues that will be generated” (Minutes of the Trustees, May 6, 1994, page 16). For example, the record shows that in May 1995 the trustees approved a Section 1 budget adjustment of \$112,500 for the FY95-96 biennium to incorporate a Law School tuition differential that had been previously approved. In October 1995 the trustees approved an increase to the block grant of \$56,250 to “be funded entirely by differential tuition revenues generated within the College of Law.”

The trustees have also considered the relationship between increases to the differential rates and increases to the base tuition rate. In December 1995 the trustees recommended that “these differentials be adjusted by the same percentage as general tuition,” and “in addition to a 7.5 percent (general) adjustment, the dean of the College of Law recommended a further annual increase of \$250” (Minutes of the Trustees, December 16, 1995, Page 14). In March 2005 the trustees approved a resident undergraduate tuition increase of \$5.00 per credit hour and “all remaining tuition categories by a similar percentage increase” (March 2005 minutes).

In March 1996 the trustees considered the funding model for the proposed Pharm. D. program and decided that it would be “funded from the existing base budget allocated to the school and a supplemental amount drawn from differential tuition to be paid by students enrolled in the professional program” (March 23, 1996 minutes). The trustees further decided that the existing pharmacy differentials would be eliminated and replaced with a new differential to “be added to both resident and non-resident students in the Pharm.D. program.”

The Pharm. D. differential was considered again in May and September 2003 when a site visit by the American Council on Pharmaceutical Education made several recommendations requiring increases in resources dedicated to the Pharm. D. In particular, to comply with ACPE recommendations, the ratio of students to faculty during the pharmacy practice experience would need to be reduced. The trustees considered two strategies: the first would reduce the numbers of students admitted to the program, and the second would increase the tuition differential to allow the School to increase its workforce. At the November 2003 meeting the trustees approved a proposal (with one nay vote) to increase the differential 16% for residents and 26% for non-residents. Consequently, at the May 2004 meeting the

trustees approved an increase to the FY2005 Section I operating budget that included an additional \$245,000 for the Pharmacy school. This new differential resulted in the establishment of a unique account in the University's operating budget, which is called PHARMD Differential Tuition program.

In March 2005, in accordance with action item #29 in Academic Plan II--which called for the Law dean to develop a proposal for increased tuition differential to support educational functions in the college—the trustees considered a request for two consecutive years of 15% increase to the law tuition to be added on top of any university-wide tuition increase. The purposes of the proposed increase included: three additional faculty positions to strengthen the legal writing, clinic, and externship programs; to provide for smaller classes and curricular expansion; and to enhance technology support, the law library collection, student scholarships, and faculty research for a total cost of \$545K per year. The two-year approach was expected to generate \$246K in the first year and an additional \$299K in the second year. The Board approved the request and some trustees wondered if even higher tuition rates should be considered given the low cost of attendance in relation to all other public law schools.

At the September 2006 Board meeting then Vice President Harris requested a permanent budget authority increase for the Pharmacy differential program. At the same meeting the Law dean spoke about the impacts of the tuition differential and identified the three new faculty members hired with differential revenues. At the January 2007 meeting the Board approved modest increases to the Law School differential, the Pharmacy differential, and the university-wide non-resident tuition. The proposal to increase resident undergraduate tuition was deferred.

### **Prior Policy Statements**

In March 2005 the trustees received and reviewed a report related to action item #136 in Academic Plan II “to explore principles for the design and implementation of differential pricing mechanisms.” The report is attached as an addendum to this memo. Among the report's key recommendation were:

- A tuition differential should be tied to specific academic goals within a program
- Differentials should build quality in existing academic programs rather than fund new degree programs.
- There should be no tuition differentials at the undergraduate level.
- Tuition differentials are particularly suited to programs that experience high student demand so that tuition discounting is unnecessary.
- Students who bear the increased burden of a differential should be the primary beneficiaries of revenues generated.
- Programs with tuition differentials should begin reducing current program- and course-specific fees, with the ultimate goal of eliminating them entirely.

The Board approved the report's recommendations as part of the consent agenda.

The UW administration revisited tuition differential policy early in 2009 when it formulated a plan to address Governor Freudenthal's mandate that all state agencies identify specific strategies for reducing general fund budgets by 5 percent and 10 percent. The budget reduction plan adopted by the trustees at its May 2009 business meeting proposed that a significantly larger share of the Law and Pharmacy budgets be derived from tuition differential revenues and a smaller share from general fund appropriations, essentially shifting more of the cost of attending these professional programs to their students. Such an approach would have freed section I monies to contribute toward the general fund reduction targets. However, when the trustees considered tuition increases in November 2009, they approved, at the administration's request, smaller increases to the tuition differentials than proposed in the budget reduction plan, with the resulting additional revenues to benefit the programs instead of supplanting general fund support.

### **Current Differential Rates and Program Features Supported by Differential Revenues**

At the November 2009 meeting the Board of Trustees considered and approved for the first time in three years an increase to all university tuition rates. At that meeting, the deans of Law, Health Sciences, and also Business discussed differential tuition proposals and how these additional revenues would be used to enhance their programs. The Business dean presented a very significant redesign of the MBA degree program, and indicated how the new differential tuition would fund these new features. Later in the meeting the Board approved two consecutive years of 5 percent increases in tuition paid by all undergraduate, graduate, resident, and non-resident students, plus the additional tuition increases for Law, Pharmacy, and Business to support specific efforts within each of these professional programs.

The current differential tuition rates build on a number of prior increases to the differentials, as described above. Data compiled by the budget office from the Banner Student Information System and OIA historical records show that increases to the Pharmacy differential that was established in FY2005 were implemented in FY2008, FY2009, and FY2011. The same data show that increases to the Law differential were implemented in FY2007, FY2008, FY2009, and FY2011 (data tables prepared by PJ.)

Tuition rates for Law, Pharmacy, and MBA students for academic year 2011-2012 are shown in the following tables along with undergraduate and graduate student rates. The first table shows that on a per credit hour basis the derived tuition differentials for Law, Pharmacy, and the MBA are \$201, \$170, and \$317 per credit hour for resident students when compared with regular resident graduate student tuition; and \$238, \$171, and \$177 per credit hour for non-resident students when compared with regular non-resident graduate student tuition.

<b>Tuition per credit hour (2011-2012 school year)</b>	<b>Resident</b>	<b>Non-Resident</b>
Undergraduate students	\$104	\$395
Graduate students	\$202	\$576
Law students	\$403	\$814
Pharmacy students	\$372	\$747
MBA students	\$519	\$753

From UW Fee Book posted at: <http://www.uwyo.edu/administration/files/docs/fee-book/FeeBook20112012.pdf>

The second table translates the per credit hour rates into annual tuition costs for the students in the various programs.

<b>Tuition (2011-2012 school year)</b>	<b>Resident</b>	<b>Non-Resident</b>
Undergraduate students (12+ credits/semester)	\$3,120	\$11,850
Graduate students (9+ credits/semester)	\$3,636	\$10,368
Law students (12+ credits/semester)	\$12,090	\$24,420
Pharm.D. students (16+ credits/semester)	\$13,578	\$27,266
MBA students (9+ credits/semester)	\$9,342	\$13,554

From Admissions Office Cost of Attendance webpage at:  
<http://www.uwyo.edu/admissions/scholarships/cost-of-attendance.html>

The features of the JD, Pharm.D., and MBA programs that are currently supported with tuition differentials are shown in the following table. The table also includes the tuition differential revenues and operating budgets established for the differential-supported programs for FY2009 (the last year for which final data are available).

<b>Program</b>	<b>Features currently supported by differential tuition (including most recent rate increases)</b>	<b>Tuition differential revenue (FY2009)</b>	<b>Operating budget (FY2009)</b>
Law (J.D.)	4 faculty members 1 lecturer to direct Domestic Violence clinic 1 part-time librarian 1 library staff position 1 office assistant position 1 computer support specialist Library acquisitions Student scholarships Faculty research support Other (e.g. clinics, speakers, Law Review, publications, part-time teaching)	\$779,993	\$928,200

Pharmacy (Pharm.D.)	6 clinical faculty positions 1 academic professional position to staff practice laboratories 1 experiential coordinator position 2 support staff positions Monies to purchase time from health organizations for faculty-led rotations	\$565,128	\$636,505
Business (MBA)	MBA program director salary and benefits Career Center director Student travel and project support MBA student office support Reimbursements to departments for teaching contributions Visiting experts fund Faculty support	N.A.	N.A.

### Tuition Differential Management Issues and Recommendations

A number of issues have arisen pertaining to the tuition differential revenues and budgets, as well as the establishment of tuition differential rates. This section attempts to identify those issues and to provide some general recommendations for consideration. The implementation of these recommendations will require collaboration among the budget office, the academic units affected, and Academic Affairs. One general observation is that it appears to be extremely difficult—if not impossible—to map trustee approved tuition rates and increases to the operating budgets established for the affected programs.

*Reconciling revenue and budget authority.* Unlike general tuition revenues—which go into the university’s income fund and are broadly distributed—tuition differential revenues must go directly to the programs that are partially funded by these revenues. Each time a rate increase is approved it must be followed by trustee approval of an increase to the operating budget for the affected unit. The budget increase that is requested is based on an *estimate* of the anticipated increase to the tuition differential revenue; however, the budget authorization request comes before the actual tuition revenue is known. Accurate tuition revenue estimates are important; without them significant but poorly tracked divergences can develop between budgeted amounts (and hence expenditures) and revenue receipts. Because of this, (1) budgets for the affected programs may potentially be set either too high or too low in relation to revenues, and (2) factual grounds for adjusting future budgets and tuition differentials may be lacking.

Accurate tuition revenue estimates require timely and accurate information about student enrollments, student credit hours taken, and resident versus non-resident status. As analysis by the budget office shows, there can be significant changes from year to year in the variables that affect revenue. For example, the Pharmacy students paying the 150% of residency rate dropped off sharply after spring 2006; and the number of Law students who are non-residents bounces around quite a lot (data prepared by PJ Shumway).

*Recommendation 1:* We develop an annual schedule for estimating the following year's revenues, for reviewing those revenue estimates against actual receipts, for considering adjustments to the predictive model, and, if needed, for revising budgets to reflect actual revenue data.

*Recommendation 2:* Increases to budget authorities should be conservative such that they can be increased if revenues are larger than expected. Budget authorities should not have to be reduced.

*Recommendation 3:* Units that have differential tuition should familiarize themselves with factors that affect the accuracy of revenue estimates and account for them in their internal budgeting. For example, if the Law School knows that students switch from non-resident to resident status during their 3 years of Law School, internal budgeting of funds should take that information into account as it develops internal budgets.

*Mapping revenue sources to operating budgets.* There is currently no direct correspondence between budget authorities established for the affected programs, as shown in the University's operating budget book, and the tuition differential revenues. In other words, one cannot see the contribution of the tuition differential revenues to the College of Law budget by looking at the University's operating budget book. Even in the case of Pharmacy-- which has a unique Pharm.D. tuition-differential account-- it is not possible to see in the budget book the share of the Pharm.D. program's operating budget that comes from tuition differential revenues as opposed to from other possible sources (see discussion below of raises).

*Recommendation 1:* Every year the budget authorities for units with tuition differentials should clearly indicate how much of the annual budget authority is derived directly from (an estimate of) tuition differential revenues. It is possible for the Section 1 budget authority to grow faster than the differential revenues (see discussion of raises). However, there should be transparency such that anyone reviewing the University's operating budget can discern the contribution of tuition differential revenues to the total Section 1 budget at any point in time.

*Raises for tuition-differential funded faculty and staff.* The addition of appropriated salary raise monies to the salaries of personnel originally hired on tuition differential monies means that budget authorities for those positions can rapidly diverge from underlying tuition differential revenues. This is because the budget authority is directly related to positions and the salaries on those lines. For example, the operating budget books show 9 different position numbers funded by the Pharmacy tuition differential account between FY2005 and FY2011. Most of the increase to the budget authority is due to adding new positions over this time frame. However, some of the increased budget authority is due to raises applied to existing positions from General Fund appropriations and regular (non-differential) tuition revenues. The University administered general raises in four of these years, including FY2007, FY2008, FY2009, and FY2010. For all four years the total value of the raises applied to the nine position numbers was \$71,291. This amount explains most of the difference that has emerged between tuition differential revenues and budgets. According to the budget office, that gap for FY2009 was \$71,377.

A similar finding can be produced for the College of Law. The salary raises associated with the tuition-differential funded positions for the FY2008 to FY2010 period amount to \$149,585. The gap between the tuition differential revenue and the operating budget for the tuition differential funded features of the Law School was \$148,208 in FY2009, according to the budget office.

*Recommendation 1:* The University should consider continuing to apply appropriated raise monies—when they are available—to positions originally funded with tuition differential revenues. If we do not include such positions in the raise pool then tuition differential rates will have to be increased each time the university administers a raise. In other words, students would have to fund their professors' raises.

*Recommendation 2* (repeated from above): Every year the budget authorities for units with tuition differentials should clearly indicate how much of the annual budget authority is derived directly from (an estimate of) tuition differential revenues. It is possible for the Section 1 budget authority to grow faster than the differential revenues (see discussion of raises). However, there should be transparency such that anyone reviewing the University's operating budget can discern the contribution of tuition differential revenues to the total Section 1 budget.

*Linking tuition differential increases to general tuition increases.* As mentioned in an earlier section of this paper, the Board of Trustees at one point indicated its approval for adjusting differentials by the same percentage as general tuition. However, it's not clear from the university's tuition history if this has always been done. If differential rates do not increase at the same percentage as general tuition rates, then the contribution of the tuition differential revenues as a share of the program's operating budget is likely to decline. This effect is probably contrary to the underlying premise behind the tuition differential, which is that in certain professional degree programs it's reasonable to ask the students in the program to bear a larger share of the program costs than in other parts of the university.

*Recommendation 1:* When the University has a general tuition increase, we should consider applying that increase to the total tuition rate paid by students in differential tuition-supported programs. For example, if the rate increase is 5%, then the base tuition rate should increase by 5% and the tuition differential rate should increase by 5%. Additional increases to the differential must be justified by the relevant dean based on specific programmatic needs and benefits to the students. A need to bring actual tuition differential revenues in line with projections (themselves presumably formulated in the context of programmatic needs and benefits to the students) may also justify additional increases to a differential.

*Course fees.* One of the principles put forth in the March 2005 report described above and adopted by the trustees is that programs with tuition differentials should reduce and eventually eliminate other program- and course-specific fees. Currently, the School of Pharmacy charges several program and course specific fees, including: a refundable seat deposit, several practicum fees, a transcript review fee for potential students, and a fee for electronic portfolio and programmatic assessment software subscriptions. The College of Law also maintains several college-specific fees, including: an application fee, a student computing fee, a Potter Law Club fee, and a seat deposit.



*Recommendation 1:* We should consider folding all or some of these fees into the tuition differential.

*Recommendation 2:* UW should apply this philosophy more broadly, folding mandatory and course-specific instructional fees into tuition (1) wherever feasible and (2) in a manner that is cost-neutral to students, at least on average.

*Future tuition differential increase requests.* The trustees have over the last 15 years demonstrated a willingness to support proposals for increases to the differential tuition rates for UW's professional programs. However, the record suggests that such proposals are different with respect to the detail they offer, and the strength of their rationale. In addition, requests adhere to no regular schedule and there's no consistency among the programs in the amounts or percentages requested. While there's probably no need for perfect consistency, there may be a need for laying a stronger foundation for future requests.

*Recommendation 1:* We should consider establishing a regular review schedule for examining the budgets and needs of tuition-differential supported programs. Programmatic needs should be cast in the context of multi-year business plans established by the affected programs. Such a review might take place every 2 or possibly 4 years.

*Recommendation 2:* We should consider developing and adopting a common format for differential tuition increase requests. Such a format should clearly delineate:

- The current tuition differential rates and the proposed rates, as well as the current and proposed total rates.
- The specific rationale for the new rates, including any cost increases, and any new or enhanced features to be supported with the higher rates.
- A discussion of how the students benefit from the higher rates.
- A discussion of the impacts of the new rates on the competitiveness of the program and any potential enrollment impacts.
- A clear and well-justified rationale for any difference proposed in rate increases for residents versus non-residents.
- A comparison of the expected revenues and the costs associated with the new or enhanced features.