

Submitted: December 11, 2007 (revised December 19, 2007)

Approved: January 31, 2008

Recommendation #35: Methodology for the distribution of differential tuition.
Issue number: T-13, T-18, T-19, T-39

Background

According to the tuition revenue distribution method as prescribed by the Resource Management Model, twenty-five percent of net tuition revenue (net of the discount adjustment for non-collection and student financial aid) generated from undergraduate students is distributed to the college based on the student's undergraduate major. Seventy-five percent of net undergraduate student tuition is pooled (SCH tuition pool) and distributed to colleges based on the student credit hours taught by each college. The SCH tuition pool distribution is based on the college's proportion of total student credit hours and reflect an average revenue per student credit hour rate, regardless of the residency.

According to the tuition revenue distribution method as prescribed by the Resource Management Model, the net tuition revenue (net of the discount adjustment for non-collection) generated from a graduate student is distributed entirely to the "home" college of the student. When a graduate student enrolls in a course that is offered outside their home college, revenue will be transferred from the student's home college to the college offering the course.

Some programs at Iowa State University have been given approval to assess students a differential tuition rate that is above the university's standard tuition rate. The differential increments were put in place to provide the resources to improve the quality of instruction to students who are enrolled in the programs. Two current examples where a differential tuition rate is assessed at Iowa State University are:

- students enrolled in an upper-division (junior and senior classification) undergraduate engineering program
- students enrolled in a course offered through the Saturday MBA program

Recommendation

The RMM Tuition Revenue implementation work group recommends that all of the net revenue (net of undergraduate student financial aid and discount adjustment for non-collection) generated from a differential tuition rate be distributed directly to the college that is charging the differential tuition rate. Therefore, the net revenue generated from a differential rate will not be included in the typical tuition revenue distribution model as described above.

Example of distributing tuition revenue for students enrolled in an upper-division undergraduate engineering program

Starting in the Fall 2006 term, upper-division (i.e. junior and senior classification) undergraduate students enrolled in an undergraduate engineering program offered by the College of Engineering are assessed a differential tuition rate above the standard undergraduate tuition rate. The standard undergraduate tuition rate and the differential increment rate for upper-division undergraduate engineering students are assessed as a single tuition rate.

Because the revenue generated from the standard rate is distributed differently (based on the undergraduate distribution method described above) then the revenue generated from the differential increment rate (distributed directly to the college charging the differential rate), the revenue associated with the standard rate must be “split” from the revenue associated with the differential increment rate. The differential increment, in this case, is based on a percentage of the standard undergraduate tuition rate. The percentage differs based on the residency status of the student.

For the Fall 2007 term, the differential undergraduate tuition rate for upper-division engineering students is \$3,189 for a full-time, resident, undergraduate student and \$8,564 for a full-time, non-resident, undergraduate student. The differential increment for resident students is 16.09% of the \$3,189 assessed tuition and the differential increment for non-resident students is 5.94% of the \$8,564 assessed tuition. Therefore, the revenue distribution associated with the engineering differential tuition will be as follows:

- Resident upper-division engineering students
 - 13.68% (85% of the 16.09%) of the tuition revenue will be distributed directly to the College of Engineering
 - 2.41% (15% of the 16.09%) of the tuition revenue will be distributed to Student Financial Aid
 - 83.91% will be distributed based on the standard undergraduate distribution method described above
- Non-resident upper-division engineering students
 - 5.05% (85% of the 5.94%) of the tuition revenue will be distributed directly to the College of Engineering
 - 0.89% (15% of the 5.94%) of the tuition revenue will be distributed to Student Financial Aid
 - 94.06% will be distributed based on the standard undergraduate distribution method described above

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Example of distributing tuition revenue for students enrolled in a course offered through the Masters of Business Administration Saturday program

For several years, students enrolled in a course offered through the College of Business, Masters of Business Administration's Saturday program are assessed a differential tuition rate above the standard graduate tuition rate. The standard graduate tuition rate and the differential increment rate for students enrolled in a Saturday MBA course are assessed as a single tuition rate. The differential increment is based on a dollar amount per credit hour.

Because the revenue generated from the standard rate is distributed differently (based on the graduate distribution method described above) then the revenue generated from the differential increment rate (distributed directly to the college charging the differential rate), the revenue associated with the standard rate must be "split" from the revenue associated with the differential increment rate.

For the Fall 2007 term, the standard graduate tuition rate is \$347 per credit hour for a resident graduate student and \$940 per credit hour for a non-resident graduate students. Students enrolled in a Saturday MBA course for the Fall 2007 term are assessed \$452 if they are a resident student and \$1,045 if they are a non-resident student (the differential tuition rate of \$105 is assessed regardless of residency students). Therefore, if a student enrolls in a 3 credit hour Saturday MBA course, \$315 (3 credit hours * \$105/credit hour) (the differential tuition) would be distributed directly to the College of Business.