

Submitted: September 5, 2007 (revised October 3, 2007)

Approved: October 6, 2007

**Recommendation #25: Establishing a timeline for the distribution of tuition revenue**

**Issue number: T-10, T-11, T-21**

***Background***

The Budget Model Review and Implementation Committee recommended that tuition revenue currently managed within the General Fund be distributed formulaically to the colleges. The distribution differs by the level of the student. The timing of the distribution of tuition revenue will be primarily dependent upon when this data is available.

The net tuition revenue (net of student financial aid) generated from undergraduate students will be distributed based on enrollment and student credit hours. Twenty-five percent of net undergraduate tuition is distributed to the college based on enrollment data. The remaining 75 percent of net undergraduate tuition is pooled and distributed based on student credit hour data. Tuition revenue, net of financial aid, generated from differential undergraduate tuition is distributed entirely to the college charging the differential tuition. Currently, only upper division engineering students are charged differential tuition at the undergraduate level.

The tuition revenue generated from graduate students will be distributed entirely to the college of the student's enrollment or "home college". When graduate students enroll in courses that are offered outside their home college, a set amount of revenue per credit hour is automatically transferred from the home college to the college offering the course.

The net tuition revenue (net of student financial aid) generated from veterinary medicine professional students will be distributed entirely to the College of Veterinary Medicine. When veterinary medicine professional students enroll in courses that are offered outside the College of Veterinary Medicine, a set amount of revenue per credit hour is automatically transferred from the College of Veterinary Medicine to the college offering the course.

Tuition revenue from continuing education credit courses is managed outside the General Fund and will continue to be distributed to the college that offers the course.

The work group has recommended that the following adjustments will be applied to assessed tuition revenue to account for non-collection of tuition revenue (see Recommendation #7 – Non-collection tuition adjustments).

- Undergraduate students – 1%
- Graduate students – 0.5%
- Professional students – 0.0%

It was also recommended that any collection of prior-year tuition revenue will be pooled and managed centrally.

IOWA STATE UNIVERSITY  
 Resource Management Model Implementation  
 Operations Team  
 Tuition Revenue Work Group

***Recommendation***

The RMM Tuition Revenue implementation work group recommends the following timeline for the actual distribution of tuition during the fiscal year. In this table, “assessments” refers to net assessments after scholarships and estimated bad debt.

<b>Term</b>	<b>Date of Distribution</b>	<b>Revenue Basis</b>
Summer	August 17 <sup>th</sup>	100% of assessments
Fall	October 17 <sup>th</sup>	80% of assessments
Fall	January 17 <sup>th</sup>	assessments less October distribution
Spring	March 17 <sup>th</sup>	80% of assessments
Spring	June 17 <sup>th</sup>	assessments less March distribution
Final Clean-up	July 10 <sup>th</sup>	actual annual cash collection less all previous distributions

*Other comments*

All of the annual cash collections associated with tuition revenue will be distributed to the colleges. However, if at the end of the fiscal year, cash collections for the institution fall below the institution’s net tuition assessment<sup>1</sup>, the central pool of prior-year tuition will be used to fund the cash shortfall. Therefore, colleges will essentially be “guaranteed” a minimum amount of tuition revenue for the year.

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<sup>1</sup> Net tuition assessment = gross assessed tuition – student financial aid - adjustment for non-collection (see Recommendation #7)

**Illustration of final year-end distribution when cash collections of tuition revenue are above net assessed tuition.**

Gross annual assessed tuition (based on actual enrollment)	\$125,000,000
Less student financial aid (20%)	<u>25,000,000</u>
Net annual assessed tuition before non-collection adjustment	\$100,000,000
Less adjustment for non-collection (1%)	<u>1,000,000</u>
<b>Net annual assessed tuition</b>	<b>\$ 99,000,000</b>
Actual annual cash collection for the year	<u>\$ 99,500,000</u>

In this illustration, colleges will be distributed \$99,500,000 in tuition revenue.

**Illustration of final year-end distribution when the cash collections fall short of net assessed tuition.**

Gross annual assessed tuition (based on actual enrollment)	\$125,000,000
Less student financial aid (20%)	<u>25,000,000</u>
Net annual assessed tuition before non-collection adjustment	\$100,000,000
Less adjustment for non-collection (1%)	<u>1,000,000</u>
<b>Net annual assessed tuition</b>	<b>\$ 99,000,000</b>
Actual annual cash collection for the year	<u>\$ 98,000,000</u>
Shortfall	(\$ 1,000,000)
Funding from the central pool of prior-year tuition	\$ 1,000,000

In this illustration, the central pool of prior-year tuition revenue will be used to fund the \$1,000,000 shortfall in the current year's cash collections. Colleges will therefore be distributed \$99,000,000 in tuition revenue.