

**SOUTH DAKOTA BOARD OF REGENTS**

**Full Board**

**AGENDA ITEM: J**

**DATE: April 2-3, 2009**

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**SUBJECT: FY10 Self-Support Tuition Proposal**

In December of 2008, the Board received a self-support tuition proposal developed by a Tuition Review Committee and the Business Affairs Council, and endorsed by the Council of President and Superintendents. The proposal moved all Internet offerings to self-support and added a facility fee to all self-support offerings to support the campus infrastructure. The Board endorsed the proposal but reserved approval of the rates until the April 2009 meeting where tuition and fees would be set for FY10.

The structure of the proposal is presented again in this item using FY10 rates. The actual rates will be approved along with the balance of the tuition and fees in agenda item K-2.

**Background**

In the fall of 2007, a Tuition Review Committee was commissioned to look at several issues related to the current tuition structure. The committee looked at a number of issues and then focused their review on self-support and internet offerings. The Board first received the Committee's report in January of 2008. The Board took no action on the report and requested that the review continue and be brought to the Board's planning session in August of 2008.

The Board discussed various tuition structure proposals at its planning retreat in August 2008. The Board focused on two issues: Differential Pricing and Internet Rates.

**Differential Pricing**

The Board determined at the August 2008 Retreat that they would continue to support differential pricing recognizing the high cost of certain disciplines. The Board will require detailed cost justifications from the institutions before considering new special discipline fees or salary enhancement fees.

**(continued)**

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**RECOMMENDED ACTION OF THE EXECUTIVE DIRECTOR**

Approve the tuition structure changes including: 1) moving all Internet to self-support; 2) assessing HEFF on all distance hours; 3) standardizing the self-support rates; and 4) reducing the graduate non-resident rate. The actual rates will be approved in item K-2.

### Internet Rates

One of the areas that received a lot of attention is the current pricing structure for internet courses. Students will pay state-support for an internet course taken from a campus where they are registered for a face-to-face delivered course on campus. This is the only instance in our tuition structure where the rate charged is dependent upon enrollment in another course. We want to grow our internet offerings, yet the institutions do not receive new state dollars to support the courses when offered at state-support rates. Internet offerings fit the self-support model and taking the courses off of state-support would fix a number of problems created with the current structure:

- Two sections must be set up for each course in order to slot students into the correct section for billing purposes.
- Non-residents will pay more for an internet course offered by the campus where they are enrolled for an on-campus course, than they will for an internet course from another campus.
- The status of a student will change requiring manual work to check each enrollment to see if students are enrolled in the correct section.
- Students can enroll on-line but then the registration must be checked manually to see if students are in the correct sections.
- South Dakota students enrolled in the same course are paying very different rates.
- Students tend to enroll in the section that provides the cheaper rate.
- The state currently provides no state support for internet or distance courses. As the offerings in internet continue to grow and we offer them on state-support, we are depleting on-campus resources by subsidizing the internet courses.

The campuses unanimously support changing the pricing structure for internet courses to self-support for all students to resolve the issues identified above and to provide the necessary resources to support internet courses and grow the offerings.

At the 2008 planning retreat, the Board directed the Business Affairs Council and the Tuition Review Committee to review the self-support rate structure and develop a proposal to move our current internet delivered courses to an appropriate self-support rate.

### Proposal

The Tuition Review Committee and the Business Affairs Council reviewed the entire rate structure in order to develop a self-support structure that addressed as many of the inconsistencies in our current structure as possible. The proposal was submitted to the Council of Presidents for review at the November meeting. The Council returned the proposal back to the committee and Business Affairs Council for consideration of a self-support structure that differentiated pricing between residents and non-residents. A final proposal with standardized rates for undergraduates and graduates was finally agreed upon by the institutions and endorsed by the Board in December.

The table on the last page summarizes the self-support tuition proposal. It eliminates offering internet courses at state-support rates and moves them all to self-support. We will no

longer have on-campus students taking internet courses at state-support rates, while off-campus students take internet courses at self-support. While this will result in an increase to many on-campus students that have been taking internet courses at state-support rates, the self-support structure is more appropriate as the state provides no support for these courses. This change will eliminate the biggest concerns with the current rate structure from a fairness perspective as well as manageability. The proposal applies the highest current self-support rate at any location and applies that rate to all self-support offerings based on student level standardizing the rates.

In December, there was one component of the rate restructure that was not brought forward because the revenue analysis had not been completed. The recommendation was actually a reduction of a state-support rate and not a self-support rate. The reduction of the graduate non-resident rate was recommended to better align the self and state support rates. This rate was not reduced when the undergraduate non-resident rates were reduced several years ago. Under the current structure a non-resident student can take a self-support distance course much cheaper than they can take a state-support on-campus course; \$309.25 per credit hour compared to \$526.40 per hour (Tuition \$409.90 plus USF \$89.10 plus GAF \$27.40). Currently only Minnesota students get a reduction off the full-pay non-resident rate – they pay \$361.00 per hour (including tuition, USF and GAF). The recommendation now includes a reduction of the full-pay non-resident rate to \$410.75, a reduction of \$115.65 per hour. This rate will only be offered where there is a potential to grow programs and generate more revenue. Ph.D. programs and Allied Health programs like OT, PT, and PA, where the enrollments are capped, will not have a rate reduction.

Finally, the proposal also applies a facility fee equivalent to the on-campus HEFF rate to all self-support courses considering that all courses originate from the campus and are supported by the facility infrastructure. This was an important component of the proposal as we are currently collecting HEFF for the on-campus students taking internet courses and could not afford to give up any HEFF revenue. This change could result in up to \$1.0M additional dollars to the HEFF fund. These dollars should be targeted to improve the maintenance and repair allocations of the institutions.

#### Revenue Impact

This proposal will cause revenues to shift from state-support to self-support tuition pools and for fees to shift to self-support tuition pools but the campuses are willing to realign the revenues to address any local concerns. As for the state-support tuition pool, as hours move to self-support for internet offerings, there will be a reduction in tuition allocations as revenues decline. There will be an overall revenue increase generated by moving state-support courses to higher cost self-support courses.

A revenue analysis has been completed and the reduction in the graduate non-resident rate will cost about \$446,000, covering the loss to the tuition pool will be about \$198,000 due to the switch between state and self-support, leaving approximately \$190,000 to \$290,000 in additional self-support tuition revenue across the entire system. The exact amount will be determined next year when we can see the actual shifts in enrollments due to the rate structure change. Any loss to the tuition pool will be covered by the revenues from self-support.

Enrollment Number Shift

There will likely be a shift of enrollments with this change as well. As students assess their opportunities to take on-campus courses and internet courses and review the cost differential some students may choose to take an on-campus section where they would have previously taken an internet course. Other students will continue to take the internet offering due to scheduling and convenience. The number of credit hours impacted with this change is approximately 16,000. This represents about a 14% increase to the current self-support offering credit hours for all delivery methods. The self-support hours could increase from 109,000 to 125,000. If all hours converted from state-support to self-support we would see a shift of about 542 student FTEs from state to self-support. The actual shift is likely to be less as on-campus students decide between on-campus course offerings or internet offering at a cost of about \$46.00 more per credit hour at the undergraduate level or \$82.00 at the graduate level.

It is believed the campuses will be able to expand self-support Internet offerings as they will be able to recoup the costs of the courses with the self-support rate. A summary of the changes to the rates under the proposal can be found in the below table.

Self-Support Rate Changes

	<u>On Campus (face to face)</u>	<u>On Campus Internet</u>	<u>Off Campus Internet</u>	<u>Sioux Falls, Rapid City, Pierre</u>	<u>Other Distance Sites</u>
<b><u>Undergraduate Resident</u></b>					
Current Structure	\$208.20	\$208.20	\$233.60	\$251.95	\$233.60
Proposed	\$208.20	\$253.95	\$253.95	\$253.95	\$253.95
Change	\$0.00	\$45.75	\$20.35	\$2.00	\$20.35
% Change	0%	22%	9%	1%	9%
<b><u>Undergraduate Non-Resident</u></b>					
Current Structure	\$253.95	\$253.95	\$233.60	\$251.95	\$233.60
Proposed Structure	\$253.95	\$253.95	\$253.95	\$253.95	\$253.95
Change	\$0.00	\$0.00	\$20.35	\$2.00	\$20.35
% Change	0%	0%	9%	1%	9%
<b><u>Graduate Resident</u></b>					
Current Structure	\$255.50	\$255.50	\$309.25	\$337.05	\$309.25
Proposed Structure	\$255.50	\$337.05	\$337.05	\$337.05	\$337.05
Change	\$0.00	\$81.55	\$27.80	\$0.00	\$27.80
% Change	0%	32%	9%	0%	9%
<b><u>Graduate Non-Resident</u></b>					
Current Structure	\$526.40	\$526.40	\$309.25	\$337.05	\$309.25
Proposed Structure	\$410.75	\$337.05	\$337.05	\$337.05	\$337.05
Change	-\$115.65	-\$189.35	\$27.80	\$0.00	\$27.80
% Change	-22%	-36%	9%	0%	9%