

## Office of the Provost and Vice President for Academic Affairs (VPAA) Guidelines for Differential Tuition

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These guidelines are provided to assist in the management of annual budget and expenditures in Academic Affairs. Colleges/units are expected to cover all financial commitments, notwithstanding any arrangements articulated herein, from its existing differential tuition allocation. Deans and unit administrators have authority for expenditures within their unit differential tuition budgets and are responsible to keep expenditures within the limitations of the budgets available. In addition, UNT has elected to return most of the differential tuition to academic affairs. In return, Academic Affairs will ensure that the funds are spent in a way that is consistent with plans presented to the Board of Regents.

### 1.0 Purpose and Strategy of Differential Tuition

#### 1.1 Purpose

In September 2017, a committee was formed to discuss the need to implement a differential tuition model. This model, implemented in fall 2018, includes a revenue sharing distribution, at various levels by college and degree type. This additional charge relates to the rate of tuition to the cost of instructional delivery based on the college providing the course. While differential tuition was a new initiative at UNT, it is becoming increasingly common among our peers and Texas institutions. This tuition model allows UNT to continue strategic growth, improve instructional quality, enhance the quality and efficiency of instructional facilities, and increase graduation rates while mitigating cost increases to programs that enjoy lower instructional costs.

Allowing colleges that have high demand and high costs to set a differential tuition rate will generate resources needed to address various college and instructional strategic priorities. These include, but are not limited to, lowering student-to-faculty ratios to be more competitive with our peers, additional student-support staff to improve the student experience, increasing faculty pay in disciplines that are hard to fill, and building renovations and equipment.

Returning a large share of differential tuition to the college that generates it is important to the long-term success of such an arrangement. Not only will that allow the institution to re-invest in the colleges that experience a higher cost structure, but it will also incentivize those colleges to continue growing enrollment and

retaining students. Marginal semester credit hour (SCH) generation in these areas helps the rest of the institution by increasing financial resources derived from state appropriations and designated tuition. Resources generated from differential tuition should also support the central budget for institutional investments in enhancing our educational excellence and advance our standing as a Tier 1 research institution. While all institutional budget models differ in important ways, we recognize and our peers agree, that a significant portion of differential tuition should return to the colleges.

## 1.2 Strategy

The differential tuition rate and the courses to which the differential will apply may be different among the colleges, but there are common elements to a unified strategy that will act as the underlying tenets of a differential tuition paradigm at UNT.

- 1.2.1 Differential tuition should preserve the instructional and program fees already in place unless a decision is made by university administration to explore a different way of assessing differential tuition.
- 1.2.2 Differential tuition is subject to the statutory 15% financial aid set-aside requirement to support need-based student scholarships.
- 1.2.3 Colleges should have a voice in financial aid decisions made from funds generated by differential tuition. The VP for Enrollment should confer with each Dean from a tuition differential college to make financial aid decisions related to funds generated by differential tuition.
- 1.2.4 The same differential tuition rates should be applied to both in-state and out-of-state tuition.
- 1.2.5 In general, differential tuition should be applied based upon course listing as opposed to student majors. Exceptions can be made where it is difficult to differentiate courses that may be taken by students in multiple programs. These exceptions should be justified by how differential tuition would benefit students in the major(s) being assessed.
- 1.2.6 Differential tuition should be distributed as follows:
  - 1.2.6.1 15% to financial aid for need-based students in the colleges where the differential tuition was generated;
  - 1.2.6.2 After the set aside is deducted from the gross differential revenue, the remaining balance is then used to calculate the 20% to Academic Affairs for faculty hiring and other investments in strategic initiatives;
  - 1.2.6.3 All residual funds remain with the college.

- 1.2.7 Like other local revenue sources, waivers and exemptions are an expense that is deducted from differential tuition revenue. It will appear as an expense in the college budget to be consistent with other accounting purposes.
- 1.2.8 Like other local revenue sources, other elective scholarship costs are an expense that is deducted from differential tuition revenue if the college chooses to cover them. It will appear as an expense in the college budget to be consistent with other accounting purposes.
- 1.2.9 Differential tuition would be considered budgeted funds and may therefore fund permanent faculty lines. However, faculty and staff benefits, merit increases, or any other employee pay actions must be covered by the differential like other non-centrally budgeted local accounts.
- 1.2.10 Investments in faculty, staff, equipment, renovations, buildings and other needs made from differential tuition may span multiple fiscal years. Therefore, any surplus funds will roll forward to be used on equipment replacement, building renovation, or facility construction per a plan approved annually by the Vice President for Finance and Administration.

## 2.0 Periodic Fiscal Analysis

### 2.1 Internal Analysis

Each college with an approved differential rate shall submit a detailed budget that articulates how anticipated net differential tuition revenue will be spent over a three-year period. This budget should be submitted at the college's annual budget hearing. The schedule for the hearing may change on a year to year basis, but often occur around March.

Each college with an approved differential rate will submit a budget update in October after fall census figures have been finalized.

### 2.2 Market Analysis

A market analysis should be conducted no longer than every three years for a college with an approved differential rate. To ensure that programs are conducting complete and accurate market and peer analysis, the college should provide detailed information on whether the college/school or department/program cost of instruction is markedly higher than the university average program costs or market conditions warrant additional tuition. Peer review should include, at minimum, UT-Arlington, UT-Dallas, Houston, and Texas Tech. Course fees would not need to be

included because some institutions are not transparent making a comparison difficult.

In addition, certain colleges, such as the College of Music compete nationally, so it would be appropriate and necessary to provide comparisons out-of-state, however, those comparison would be exceptions based on the college or program peer benchmarks. In the comparisons, it is appropriate for colleges/programs to determine who they deem to be the most appropriate competing program, if the recommended minimum institutions previously listed do not seem accurate.

It is best to compare similar semesters, however, often the available data is prior to the following fall before other institutions advertise their increases. In this case, please use the most recent semester documented and future increase assumptions will be considered, if warranted. Finally, when researching peer and market analysis, please provide sourcing information to aid in the verification of the data.

### **3.0 Allowability of Expenses**

#### **3.1 Allowable Expenses**

The use of differential tuition may vary by college and program, however, there are general guidelines that should be followed with other allowable expenses on an exception basis. This is not an exhaustive list, but in general documents allowable expenses as follows:

- 3.1.1 Faculty salaries should be the primary investment from differential tuition. Lowering class size is one of the main reasons differential tuition was implemented.
- 3.1.2 Staff salaries in areas that benefit students should as providing greater career and development support to be competitive among peers.
- 3.1.3 Tuition awards or stipends for students.
- 3.1.4 Investments in college initiatives that directly benefit students, which may include:
  - 3.1.4.1 Classroom renovation.
  - 3.1.4.2 New faculty lines.
  - 3.1.4.3 Student support.
  - 3.1.4.4 Travel.
  - 3.1.4.5 Marketing/recruiting/investments that alleviate any potential negative impact on enrollment.