

December 9, 2016

**To:** UO Tuition and Fees Advisory Board (TFAB)

**From:** Bruce Blonigen, Interim Dean, Lundquist College of Business (LCB)

**Re:** Proposal for a Positive Tuition Differential for Undergraduate Students in LCB Majors at the University of Oregon

Attached is a proposal for a positive tuition differential for LCB majors to begin AY2017-18. Preparation of this proposal has included discussions at many levels within the LCB and the University administration, including the Provost's Office, the Registrar, Financial Aid, and the Academic Leadership Team. Within the LCB, we have had discussions with and sought input from student leadership groups, our Academic Council, and all faculty and staff. As you will see, we have also gathered substantial data on differential tuition for business majors at UO comparators.

Please let me know if I (and the LCB staff) can be of any further assistance as you consider the proposal.

## **Proposal for a Positive Tuition Differential for Undergraduate Students in a LCB Major**

### **I. INTRODUCTION AND CONTEXT**

In 2015-16, the Lundquist College of Business (LCB) went through a major review with its main accrediting body, the Association to Advance Collegiate Schools of Business (AACSB) International. The AACSB review pointed to a number of areas that require close attention.

A main conclusion of the AACSB review was that the percent of curriculum taught by research-active faculty in the LCB was low for a Research I University and therefore a significant concern. Their review clearly concludes that the LCB needs to increase and maintain a significant number of additional research-active faculty members to meet accreditation standards in the future.<sup>1</sup> A related concern is the relatively low number of advisors (both academic and career-related) that the LCB has for the large student population it serves. For example, the LCB's student to career service's staff ratio is 799:1, whereas comparator business schools average around a 300:1 ratio.

These are significant concerns that threaten the quality of education that we believe our students deserve and which is crucial to their future success. At the same time, we are in a challenging fiscal environment that has seen large and sustained declines in state funding for our University.

The AACSB review noted most of our comparators charge differential tuition for business majors at their institutions in order to provide the level of services expected of a top business program.<sup>2</sup> Our research on this bears this out. As shown in the attached Appendix A, 26 of our 37 comparators charge differential tuition to students who are business majors. Of those 26 schools charging differential tuition, the average additional cost per year for a business major relative to those in the arts and sciences is nearly \$2,300. Our in-state comparators, Oregon State and Portland State, both have differential tuition for business majors that is equivalent to around \$900 extra tuition and fees per year.

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<sup>1</sup> A quote from the AACSB report states "...40% is much too low for a research-oriented doctoral granting college such as LCB. The reason for the low percentages of SA [research-active] faculty is straightforward: 48 tenure/tenure-track faculty and more than 5,000 students. The LCB has done a great job of deploying the faculty they have—they simply do not have enough faculty for a college of their size and range of programs. ...Prior to the next review, LCB must present a plan to address their faculty qualification issue."

<sup>2</sup> Another major that commonly charges differential fees is Engineering. Honors Colleges at other universities also charge differential tuition, as does the UO Clark's Honors College.

## II. PROPOSAL

We propose establishing differential tuition on UO business majors that would generate roughly the same annual revenue as the average differential tuition charged by our comparators for business majors (\$2,300). Currently, the LCB admits about 650 students into the undergraduate major, typically at the beginning of their junior year. We propose ***a differential tuition charge of \$750 each term*** a student is a business major. If we assume that students would pay this additional tuition for six terms and that there would continue to be 650 new students annually entering the LCB business major, ***this would generate \$2,925,000 in differential fee revenues annually.***

Figures at the end of this document visually show UO tuition and fees for resident and nonresident business majors relative to our comparators if the proposed differential tuition is in place. This comparison suggests we would still be in a reasonably competitive position with our comparators.

As is standard at UO, 10% of the revenues generated by the differential tuition will be set aside for financial aid.

We will follow existing UO policies regarding differential tuition (e.g., those pertaining to the Clark's Honors College) with respect to circumstances that affect the full-time, on-campus status of students such as part-time status, study abroad terms, and leaves by students for medical or other reasons.

The additional funds will be used to add faculty to keep our class sizes relatively small and to meet accreditation standards, particularly on the percent of courses taught by research-active faculty. They will also be used to increase student service staffing in areas of importance to students, including academic advising, tutoring, and career advising services. We will also consider other uses student feedback suggests are important, such as experiential learning opportunities and co-curricular activities (e.g., supporting student clubs).

## III. NOTES

### ***A) Implementation***

We understand that any tuition increase poses concerns for students, no matter the timing. The timing of the additional tuition needs to balance the concern of giving students timely notice with being able to add faculty and student services as soon as possible. We propose that differential tuition would be charged beginning Fall term 2017 on students who are admitted into a LCB major (Accounting or Business Administration) after Spring term 2017. This would "grandfather in" students who are currently LCB majors, as well as those who become LCB majors by the end of the 2016-2017 academic year. We are open to considering other alternatives.

***B) No difference for resident versus nonresident***

Following most of our comparators, we propose an identical rate for resident and nonresident students. The differential tuition of \$2,250 would represent very different percentage increases for the two groups of students. Specifically, a differential tuition of \$2,250 would represent a 6.7% increase over current tuition and fees for nonresident students of \$33,442, and a 20.9% increase over current resident tuition and fees of \$10,762.

***C) Overall UO average tuition increase from this LCB tuition differential***

We project 1,300 LCB majors out of 20,600 undergraduates and maintaining the current share of resident students in the business major at 47%. Combining these numbers with those in Note A means the tuition differential for LCB majors would translate into an average 0.83% overall tuition and fees increase across all UO undergraduate students.

***D) Decision for a per-term differential tuition rather than per-course or per-credit hour fees.***

There are a number of reasons we are proposing differential tuition assessed on a per-term basis. First, our conversations with the Registrar indicate it will be relatively easy to implement, as it is consistent with how Honors College students are charged differential tuition. Second, our current policies do not allow for course or credit-hour fees for purposes such as ours; they are primarily restricted to materials or services that will be used directly for the course. Finally, per-term differential tuition will automatically be factored into a student's calculated "cost of attendance" by the Financial Aid office, and therefore the differential tuition portion will qualify for financial aid, whereas per-course or per-credit hour fees will not qualify.

Student feedback suggests a strong preference for per-course fees rather than per-term differential tuition, everything else equal. Students thought the per-term differential tuition provides incentives to complete required business major courses as quickly as possible, which they did not view as a positive incentive. However, because of the reasons above, we are proposing a per-term differential tuition.

It is not difficult to specify major-specific course fees that would generate similar revenue generation, so we would be open to this route if the TFAB felt that is a preferred option.

***E) Student feedback***

We presented and discussed the proposal with our Dean's Undergraduate Student Advisory Committee, comprised of leaders of our major student organizations and clubs, as well as our student peer advisors (over 20 students). All of these students are current majors and so would not face differential tuition under the proposal. They seemed to accept the rationale for differential tuition and did not comment on the dollar amounts. Besides the per-term versus per-course fee issue, students stressed the importance of the additional funds going toward services business majors value highly. Since we are not proposing additional fees on pre-business majors, they

expressed concern that majors would be providing additional resources toward services that benefit pre-majors (e.g., tutoring) or non-majors (e.g., student clubs with open membership). These comments will be very helpful for understanding how we would best implement and deploy the additional resources.

***F) Implications for other entities on campus or otherwise***

We do not intend to change the number of LCB majors when differential tuition is implemented, and so enrollments in other parts of campus should not be affected. It may change the composition of our students and we will want to keep close watch on this. Entities that are providing full tuition and fee benefits to students will be affected, which will include Pathways Oregon and student-athletes on scholarships.

## APPENDIX A: Differential Fees for Business Majors Across our Comparators

|   | Differential Fees        | Flat Fee? | Average Per Year | % for Resident | % for Nonresident | Annual Tuition and Fees for Resident Business Major | Annual Tuition and Fees for Nonresident Business Major |
|---|--------------------------|-----------|------------------|----------------|-------------------|---|--|
| <b>Oregon</b>   | No                       |           |                  |                |                   | 10,762  | 33,442   |
| <b><u>Other Oregon Schools</u></b>                            |                          |           |                  |                |                   |   |  |
| <b>Oregon State</b>   | Yes                      | Close     | 900              | 8.7            | 3.1               | 11,265  | 29,746   |
| <b>Portland State</b>   | Yes                      | Close     | 850              | 9.9            | 3.4               | 9,165   | 25,707   |
| <b><u>Pac-12 Publics</u></b>                                  |                          |           |                  |                |                   |   |  |
| <b>Arizona</b>  | Yes                      | Yes       | 1,800            | 15.3           | 5.1               | 13,589  | 36,787   |
| <b>Arizona State</b>  | Yes                      | Yes       | 1,050            | 9.9            | 4.0               | 11,690  | 27,520   |
| <b>Colorado</b>   | Yes                      | No        | 3,900            | 41.8           | 8.8               | 15,356  | 38,176   |
| <b>UC-Berkeley</b>  | No                       |           |                  |                |                   | 16,487  | 43,169   |
| <b>UCLA</b>   | No undergraduate program |           |                  |                |                   |   |  |
| <b>Utah</b>   | Yes                      | Yes       | 3,425            | 39.8           | 12.5              | 12,030  | 30,785   |
| <b>Washington</b>   | No                       |           |                  |                |                   | 10,755  | 34,926   |
| <b>Washington State</b>                                       | No                       |           |                  |                |                   | 11,966  | 25,500   |
| <b><u>Other AAU Publics or AACSB Declared Comparators</u></b> |                          |           |                  |                |                   |   |  |
| <b>Indiana</b>  | Yes                      | Yes       | 1,200            | 11.6           | 3.5               | 11,588  | 35,446   |
| <b>Iowa State</b>   | Yes                      | Yes       | 1,748            | 22.6           | 8.1               | 9,512   | 22,870   |
| <b>Michigan State</b>   | Yes                      | Close     | 800              | 5.0            | 2.0               | 16,531  | 39,945   |
| <b>Ohio State</b>   | No                       |           |                  |                |                   | 10,037  | 28,229   |
| <b>Penn State</b>   | Yes                      | Close     | 2,000            | 9.9            | 5.9               | 21,174  | 35,992   |
| <b>Purdue</b>   | Yes                      | Close     | 1,436            | 14.4           | 5.0               | 11,438  | 30,240   |
| <b>Rutgers</b>  | Yes                      | No        | 300              | 3.4            | 0.4               | 14,906  | 30,190   |
| <b>SUNY-Buffalo</b>   | No                       |           |                  |                |                   | 9,574   | 26,813   |
| <b>SUNY-Stony Brook</b>                                       | No                       |           |                  |                |                   | 9,000   | 26,240   |
| <b>Texas A&amp;M</b>  | Yes                      | Yes       | 1,118            | 10.9           | 3.7               | 11,338  | 31,516   |
| <b>UC-Irvine</b>  | No                       |           |                  |                |                   | 15,215  | 41,897   |
| <b>Connecticut</b>  | No                       |           |                  |                |                   | 14,152  | 35,944   |
| <b>Florida</b>  | No                       |           |                  |                |                   | 6,380   | 22,278   |
| <b>Georgia</b>  | No                       |           |                  |                |                   | 11,634  | 29,844   |
| <b>Illinois</b>   | Yes                      | Yes       | 5,004            | 41.6           | 18.1              | 17,040  | 32,662   |
| <b>Kansas</b>   | Yes                      | Yes       | 1,768            | 15.5           | 6.3               | 13,163  | 29,947   |

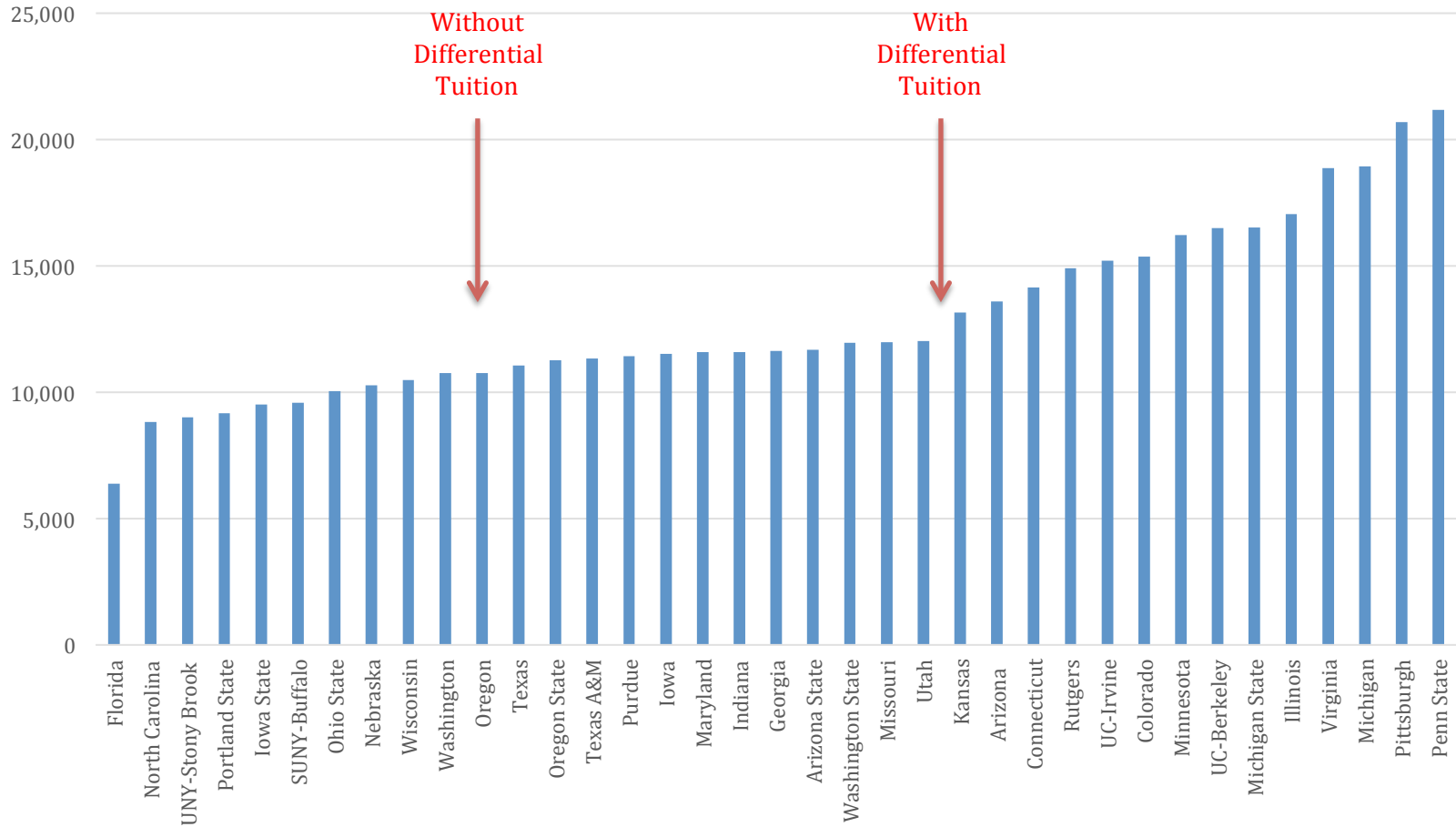
|                       |     |       |       |      |      |        |        |
|-----------------------|-----|-------|-------|------|------|--------|--------|
| <b>Maryland</b>       | Yes | Yes   | 1,400 | 13.8 | 4.4  | 11,581 | 33,445 |
| <b>Michigan</b>       | Yes | Yes   | 3,076 | 19.1 | 6.4  | 18,930 | 51,346 |
| <b>Minnesota</b>      | Yes | Yes   | 2,000 | 14.1 | 8.4  | 16,224 | 25,888 |
| <b>Missouri</b>       | Yes | Yes   | 1,269 | 11.8 | 4.9  | 11,985 | 27,267 |
| <b>Nebraska</b>       | Yes | No    | 3,300 | 18.8 | 21.9 | 10,264 | 28,220 |
| <b>North Carolina</b> | No  |       |       |      |      | 8,834  | 33,916 |
| <b>Pittsburgh</b>     | Yes | No    | 2,900 | 11.1 | 12.3 | 20,688 | 33,408 |
| <b>Texas</b>          | Yes | No    | 3,200 | 14.9 | 14.6 | 11,060 | 39,270 |
| <b>Virginia</b>       | Yes | No    | 4,050 |      |      | 18,880 | 50,144 |
| <b>Wisconsin</b>      | No  |       |       |      |      | 10,488 | 32,738 |
| <b>Iowa</b>           | Yes | Close | 3,000 | 34.2 | 11.0 | 11,509 | 31,977 |

**Average across those with differential fees**

|       |      |     |        |        |
|-------|------|-----|--------|--------|
| 2,283 | 18.2 | 8.1 | 13,073 | 32,962 |
|-------|------|-----|--------|--------|

NOTE: Tuition, fees and differential fees rates are estimated based on a student taking a full load.

### Resident Tuition for Business Majors 2016-17





### Non-resident Tuition for Business Majors 2016-17

