

Date: December 27, 2017

Subject: Differential Tuition - Update

Overview

For purposes of this brief, differential tuition is defined as variation in tuition rates, based on student or instructional characteristics such as residency (in-state or out-of-state), level of study (undergraduate, graduate or professional), type of instruction (in class or online), class standing (under or upper classmen), or major or program of study (e.g. history or business). Some types of differential tuition, such as those by residency and level of study, have become a widespread, accepted practice among public institutions of higher education in the US, while others have remained more controversial and are enacted on a limited basis. Similarly, many institutions charge the same tuition but greater fees for classes or programs that have greater costs, such as lab requirements.

As state funding has declined, universities have increased tuition rates to help offset the loss of state funds, to help address inflationary increases in costs, and to help meet workforce demand for relatively more expensive programs, like engineering. Some programs cost more than others due to differences in faculty salaries, costs related to labs or other experiential learning techniques, specialized supplies, and student to faculty ratios. In conjunction with a responsibility-centered management or activity based budgeting model, differential tuition can help align resources and activities with the varying costs housed by colleges and departments. Most universities already partially do this by charging students higher course fees or lab fees for more expensive programs; differential tuition simply takes this a step further.

Like many institutions, the UW currently charges different tuition rates for our graduate, fee-based and certificate programs, and has higher tuition charges for non-resident students. This brief will therefore examine differing tuition charges for *undergraduate* students by class standing, major or program, or type of instruction, focusing on differential tuition for major or program.

Washington State Tuition Laws and Policies

The UW's ability to enact differential tuition for undergraduates is constrained by the fact that our undergraduate resident tuition rate is legislatively mandated. According to RCW 28B.15.067, the UW Board of Regents may reduce or increase full-time tuition and fees for all students other than resident undergraduates (including nonresident students, summer school students, and students in other self-supporting degree programs). Resident undergraduate tuition is set by the state legislature and, beginning with the 2017-18 academic year, full-time tuition and operating fees for resident undergraduates may increase by no more than the average annual percentage growth rate in the median hourly wage for Washington for the previous fourteen years (approximately 2 percent per year).

With laws as they currently are, the UW *is* able to change or increase the tuition and fees for non-resident undergraduates to allow for differential tuition. **The only option for resident undergraduate tuition differential would be to implement the maximum increase allowed by the legislature (roughly 2 percent per year) for our most expensive programs and lower increases for other programs.** This would result in very little tuition differentiation and would not be an economically viable option, as it would decrease the total revenue that the UW would bring in from resident undergraduate students.

The UW faces another challenge to implementing differential tuition due to the unit pricing model used by Washington's Guaranteed Education Tuition 529 plan. GET unit payouts are tied to the highest tuition charged by a public institution in the state, and the highest public tuition in Washington is currently charged at UW. If the UW were to adopt differential tuition by program, it would trigger a new, relatively higher rate that exceeds current actuarial assumptions. GET payouts would consequently increase to the new, higher level and the funded status of the program as a whole

could be compromised. This was more of a concern, however, during the economic downturn, when GET ran into funding woes due to the combined forces of double-digit tuition growth and the falling value of its investments.

Differential Tuition at Peer Institutions

According to the undergraduate tuition charges available on each institutions website, **half of our U.S. News Top 25 Public Universities peer institutions have differential tuition rates.** If the University of California (UC) schools are combined into one group (there are six UC schools in the Top 25 list), then 65 percent have differential tuition. When using other peer groups, a slim majority of our peer institutions have differential tuition: 64.3 percent of Global Challenge State (GCS) peers, 50 percent of Office of Financial Management (OFM) peers, and 60.9 percent of Higher Education Coordinating Board (HECB) peer institutions have differential tuition. For those institutions with undergraduate differential tuition rates, most were by major or program area (engineering, nursing, and business being the most common), with a few by level of study or both.

Many of the UW's peer institutions have debated or considered differential tuition over the last few years. Reasons for considering or adopting differential tuition include:

- The decline in state funding and increased reliance on tuition revenue;
- The need to remain competitive amongst their peers¹; and
- The balancing act between providing high quality education and keeping education affordable and accessible², especially for low-income students in low-diversity, high-demand fields, as considerations in the debate.

Other Considerations

While differential tuition for undergraduates is becoming more common, it is not always popular among the student body or their families. This can be especially concerning for lower income students who may have a harder time paying increased tuition, even if their major is likely to have a higher salary after graduation. Low-income students, who are also disproportionately minorities and students of color, typically take on a greater debt-load to finance their tuition, fees, and living expenses³. Without strategic investment in financial aid and student support services, increased cost of a program with differential tuition could dissuade these students from more expensive areas of study, acting as another barrier to high-demand degrees and higher paying jobs in growing fields. Many high-demand, high-pay fields already lack diversity, and differential tuition could make this problem worse without thoughtful aid and support services strategies.

Another concern is how increased tuition in some programs could impact overall enrollment in those programs. A 2013 study⁴ found that engineering and business enrollments saw small declines in enrollment three years after the imposition of higher tuition in public research universities with differential tuition, and that enrollment decisions of female and minority students were more likely to be influenced negatively by those higher rates. A decrease in graduates in high-demand fields would impact the local supply of educated workers, leading to gaps in some fields.

¹ http://sec.tamu.edu/upload/documents/LCOE%20Differential%20Tuition-11_08_10.pdf

² http://senate.universityofcalifornia.edu/files/underreview/rev_diff_fee_proposal.pdf

³ [http://www.demos.org/sites/default/files/publications/Mark-Debt%20divide%20Final%20\(SF\).pdf](http://www.demos.org/sites/default/files/publications/Mark-Debt%20divide%20Final%20(SF).pdf)

⁴ <https://www.insidehighered.com/news/2013/07/15/study-finds-differential-tuition-can-influence-enrollment-levels>

Appendix: Peer Institution Differential Tuition Comparison

US News & World Report Top 25 Public Universities	Has differential tuition?	By division (lower vs. upper division)	By subject, major, or college
Georgia Institute of Technology-Main Campus	No	N/A	N/A
University of California - Berkeley	No	N/A	N/A
University of California-Davis	No	N/A	N/A
University of California-Irvine	No	N/A	N/A
University of California-Los Angeles	No	N/A	N/A
University of California-San Diego	No	N/A	N/A
University of California-Santa Barbara	No	N/A	N/A
University of Connecticut	No	N/A	N/A
University of Georgia	No	N/A	N/A
University of Florida	No	N/A	N/A
Ohio State University-Main Campus	Yes	No	Yes
Pennsylvania State University-Main Campus	Yes	Yes	No
Purdue University-Main Campus	Yes	No	Yes
Rutgers University-New Brunswick	Yes	No	Yes
The University of Texas at Austin	Yes	No	Yes
University of Illinois at Urbana-Champaign	Yes	No	Yes
University of Maryland-College Park	Yes	Yes	Yes
University of Michigan-Ann Arbor	Yes	Yes	Yes
University of Pittsburgh-Pittsburgh campus	Yes	No	Yes
University of Virginia-Main Campus	Yes	No	Yes
University of Wisconsin-Madison	Yes	No	Yes
University of North Carolina at Chapel Hill	Yes	No	Yes