

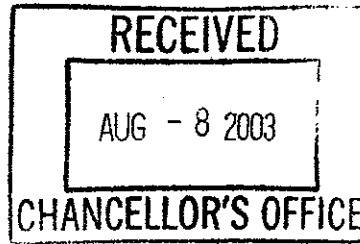


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*"Green File
Service Based
Pricing"*



August 5, 2003

MEMORANDUM

TO: Jack Miller, Chancellor
UW-Whitewater

FROM: Katharine Lyall
President

K Lyall

RE: Service Based Pricing Request

*Copy to
Freda
Marathon
K. Lyall
Chancellor*

I hereby approve your request to transition the on-line MBA program from a distance education priced program to a service based pricing program. I further want to congratulate you on developing and growing a nationally recognized program that serves as a model for other institutions and is a source of pride for the System.

The on-line MBA program is easily distinguished from other distance education courses and programs by the many additional services provided to enrollees. Those services, coupled with the service based pricing program policy that allows for programs previously mounted in fund 104 to transition automatically to fund 101-102 as a service based priced program, make this an easy request to approve.

Again, congratulations on a very successful program, and I urge you to look for additional creative opportunities to serve the higher education needs of the citizens of Wisconsin and the world community.

G:\Pres\Miller, Jack (general)

cc: Freda Harris
Debbie Durcan
Andy Richards

Service-Based Pricing Guidelines and Procedures

Definitions

Non-Traditional student means either:

- students who are age 25 and above, part or full time, at the under-graduate, professional or graduate level, or
- students who are enrolled in programs delivered in a non-traditional manner (i.e. flexible as to time, place, media, or mode of instruction).

Service-Based Pricing

Service based pricing applies to graduate and other adult non-traditional programs for credit.

Programs can be:

- Certificate or degree programs. Programs are defined as a series of courses leading to a certificate or degree.
- Individual courses or a series of courses designed to provide students with a specific set of competencies, including those designed for and delivered to a specific business
- Delivered on or off-site.

Traditional aged students who are taking one of the above categories of program also would be subject to service-based pricing except as noted in #7 below.

Guidelines

1. The program is a graduate or other adult non-traditional program.
2. The program is designed primarily for adults and meets one or more of these seven criteria outlined in the **Enrollment Management (EM-21) Policy**:
 - a) Offers flexible scheduling packages
 - b) Offers flexible course delivery options
 - c) Provides ancillary services such as evening or weekend services (academic advising, registration, financial aid, etc.), program specific career advising, free or dedicated parking, book delivery services, etc
 - d) Implements degree completion programs
 - e) Provides more geographic dispersion
 - f) Works with area employers to develop programs to meet training needs
 - g) Provides Certificate and customized Master's degree programs
3. Information about the market and competitive pricing is submitted by the institution as part of the approval process.

PRINCIPLES FOR PRICING DISTANCE EDUCATION CREDIT COURSES, DEGREE AND CERTIFICATE PROGRAMS

1. Access for Wisconsin residents to undergraduate education through distance education courses does not have to be provided solely on a cost-recovery basis and can be supported by GPR/Fee funds.
2. Academic and student support services for distance education courses should adhere to system-wide standards to assure high quality distance education programming.
3. UW institutions will identify distance education costs (such as instruction, development, support services, electronic delivery, and administrative overhead) using a common methodology. Costs may be calculated at the course or program level.
4. Pricing distance education courses and programs should take into account fixed and variable costs, future enrollments, and frequency of distance education offerings. Prices may be charged at the course or program level.
5. Institutions may choose to increase the price charged for distance education courses and programs to take advantage of market opportunity. Conversely, institutions may choose to decrease the price charged for distance education courses and programs according to the following factors: derivative benefits to faculty or institution, access/mission relationship, multiple sources of subsidy (e.g., grants, contracts, unused or marginal capacity), or competition.
6. Tuition for all students taking distance education courses will be charged outside the credit plateau, i.e., each distance education credit would be charged at the per credit rate. However, institutions will have the flexibility to waive this principle and charge within the plateau for their own students.
7. There is no change to current policy (FPPP 44) which allows institutions to waive segregated fees for students enrolled exclusively in courses held off-campus. Institutions should consider a number of factors when determining if segregated fees are appropriate including student input, the benefits received by off-campus students, and whether the price charged will be a disincentive for students to register for distance education courses.
8. Institutions will be held accountable for their distance education pricing and cost analyses (consistent with the above principles) by keeping records demonstrating the use of a common methodology. UW System Administration will report annually to the Board of Regents on distance education pricing activities.
9. These principles do not pertain to non-credit continuing education courses and programs. Existing institutional and system policies are sufficient for determining costs and setting prices (see Continuing Education Fee Policy).

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UW System Methodology for Determining Distance Education Costs and Tuition 3 - Year Model

Directions:

This model may be used for a course or a program. In the case of a program, tuition per credit is the same for each course in the program, and cost recovery is on a program basis.

This model is an activity based model. It attempts to break down delivery of distance education into separate activities, and identify the costs associated with those activities. The definition of each activity is not as important as identifying the time and effort taken to deliver the course. Therefore, attempt to include your activities under the categories provided, and if they do not fit, include them under the "other" categories.

Cost Methodology

The methodology allows you to develop cost models for up to three types of courses in a program with different kinds of cost structures. For example, you may have one course that is very time intensive, with a lot of interaction, and one course where there may be more independent study and little interaction. You could use two different worksheets (Type I Course and Type II Course) to more accurately reflect the different costs. Or you could average the two into one worksheet. If you have more than three courses with different cost levels, insert a worksheet and copy the information from one of the existing worksheets. (You will also have to modify the formulas in the "tuition model" worksheet to include the new worksheet). If all of the courses in the program have the same type/level of costs, just use one of the worksheets.

Starting with the "Type I Course" worksheet

The first set of columns is for the initial year of the program, and will include the majority of the development and equipment costs. For this model, it is assumed that the life-span of technology is 3 years, therefore after three years significant course design/development will be required and a new model should be run. It is assumed that the annual costs for subsequent years will be steady for the next 2 years. Institutions may modify the 3 year life-span if they believe it is warranted (see tuition model), or use the 5 year life-span model.

INITIAL YEAR

1) Insert the average hourly salary for each type of personnel involved in the course in the shaded cell beside the \$/hour in the appropriate column (i.e.. cell c12 for faculty, cell e12 for TA, cell g12 for curricular designer). To determine the hourly salary you would use 2,080 hours for an annual appointment, 1,560 for nine months, etc. (see note below). Include fringe benefits where appropriate. Example: A faculty member making \$60,000 for a 9 month appointment would make \$38 an hour. 38 would be inserted into c12.

2) Below each type of personnel involved, in the shaded cells under the column labeled "hours", insert the number of hours spent on each activity by that type of personnel. Example: If a faculty member spent 40 hours on designing the curriculum for a course, 40 would be inserted in b17. Note: If, rather than steps 1 and 2 (using hourly salaries and time spent on activities), you would prefer estimating a cost for each activity, enter the estimated cost in the cost column under the appropriate personnel.

3) Amortizing some technology infrastructure costs over a 3-year period may not be feasible. If it is not, only include the portion of the cost that will be amortized over this time period.

4) Insert the cost of supplies and equipment. Example: If new software is required to offer the course, the cost would be inserted in L21.

ONGOING SUBSEQUENT YEARS

4) Enter annual ongoing hours into the next set of columns (hourly salaries will be automatically copied from the first set of columns). Example: After the initial year, the only course design/development time put in by the faculty is 10 hours in course update/revisions. Therefore, 10 would be entered into N22. Note: As above, if you would rather insert an estimated cost for each activity then insert those costs in the "cost" column under the appropriate personnel. Once you have entered all of the above data, the total initial year cost of the course will be calculated in M62, and the annual ongoing cost will be calculated in Y62.

5) If you have courses in the program that involve different types/levels of cost, repeat steps 1-4 in the remaining course worksheets, add additional worksheets as needed

Tuition/Per Credit Cost

Use the "tuition model" worksheet to determine the tuition per credit. Three years was used to amortize development costs (it is assumed that major development/design changes will be needed after five years due to changes in technology). Institutions may modify the 3 year time period if they feel it is warranted (modify the number in B15, D15, F15). Insert figures only in the shaded cells

- 1) Insert the number of Type I courses in the program in B22, Type II courses in B23 and Type III courses in B24. If only doing this exercise for 1 course, not a program, insert 1 in B22
- 2) Insert total number of projected students in the program or course over 3 years B29
- 3) Insert the number of credits for the program or course in B34
- 4) Insert any Learning Innovations or Vendor Fees associated with offering the program or course in B36
- 5) Insert an additional charge to acknowledge program demand, market, etc. in B42
- 6) If applicable, a tuition deduction may be inserted to acknowledge institution's mission, teaching load, etc. in B44
- 7) If applicable, a tuition deduction may be inserted to reflect any grants, contracts, etc. to offset the cost of the course or program in B45

Summary Sheet (Optional)

The summary sheet provides a "balance sheet" of revenues and expenditures for the course over the three-year period.

- 1) Insert the number of projected credits produced by the course or program for each of the three years

All other information will copy from the previous worksheet