Incentive-Based Budget Model
Undergraduate Tuition Allocation

This working document provides a high level summary of the issues discussed by the Committee while working towards making a recommendation on the allocation of undergraduate tuition revenue. The recommendations outlined in this document are a starting point for developing a proposed initial budget model. The working document will continue to be revised throughout the process. If you have any questions or comments you would like to share, you may email broncobudget@boisestate.edu and visit http://vpfa.boisestate.edu/budget-and-planning/bronco-budget-2-0-new-budget-model/.

The Committee first reviewed research and articles written on similar approaches to budgeting as well as details of similar budget models being utilized at other universities. The information gathered informed the Committee in their work.

For the purposes of this working document, undergraduate tuition excludes undergraduate tuition and fee revenue currently recorded / managed under Extended Studies including concurrent high school enrollment, online degree programs, self-support programs, and summer fees. Allocations for these revenues will be addressed separately. Mandatory student fees are excluded because they are dedicated to specific purposes and not available for allocation in this manner. Undergraduate tuition revenue does include part-time credit hour fees as well as the additional fees charged to non-resident students.

In general, incentive-based budget models allocate undergraduate tuition revenue directly to the units or activities that generate the revenue. The term unit in this document refers to the academic revenue units identified in the budget model. These revenue units include the College of Arts and Sciences, College of Business and Economics, College of Education, College of Engineering, College of Health Sciences, School of Public Service, College of Innovation and Design, and Foundational Studies. Universities that have implemented incentive-based budget models tend to allocate funds at this unit level. There is typically no expectation that funds be distributed to departments using the same methodology that drive allocations to academic revenue units.

The Committee determined that for initial modeling, tuition revenue would be allocated as follows:

- 70% to SCH taught based on the unit paying the instructor of record.
Relative to other incentive-based budget models, the recommendation made falls within the range of distributions based on SCH taught. This allocation is intended to provide resources to departments for cost related to instruction.

For team taught courses, a recommendation was adopted to split credit hours between instructors. The Committee acknowledged that a team taught course with two instructors is more than half the work of a regular courses, however, the university does not charge extra for these courses and this recommendation better aligns with the finances of the institution. In addition, the alternate approach of double counting these credit hours provides an incentive that could be financially unsustainable in the long run. The Committee recommends central funds be used to mitigate any negative impact this recommendation may have on interdisciplinary programs.

- 20% to the unit based on major

An allocation based on major provides funding to a College to pay for the costs of supporting their majors while providing an incentive to retain majors. The Committee does not believe this will discourage advisors from advising students from changing majors when it is in the best interest of the student. The university will rely on management to ensure this is not taking place.

There were several concerns with utilizing student majors as a metric. Students change their majors frequently, in some instances just to enroll in a restricted course, reducing the validity of this metric as a good measure of the number of students served by a unit. However, the Committee believes this impact can be mitigated by choosing an appropriate date for counting student majors since these students change their major back after they have registered. In addition, the Committee looked at upper division student majors believing that upper division students change their majors less frequently. However, analysis shows that there are minimal differences when looking at the two options. Undergraduate major is preferred by the Committee since the university would like Colleges / Schools to support their declared majors for their entire undergraduate career, not just their upper division years.

- 10% based on degree

An allocation based on degrees provides an important incentive for graduating students, one of the primary outcomes we are trying to achieve with our undergraduate student population. The Committee also believes degrees to be a more stable metric than just using major and mitigates the revenue loss a College /School experiences when a student graduates.
The committee discussed whether degrees should be the only metric used in the model. However, after some discussion, utilizing only degrees was deemed undesirable. Graduation lags when a student requires support in their major thus a unit that is growing their majors would not receive the resources necessary to support these majors. In addition, units would not receive resources for supporting students that subsequently transfer to another unit which could have unintended consequences. These reasons are why the Committee chose to include both majors and degrees in the allocation recommendation.

For both metrics, double majors will count double for several reasons. The Committee did not want advisors to discourage double majors if it was in the student’s best interest. In addition, the Committee believes the cost to support a double major is not half of a major so counting each major as ½ would penalize areas supporting double majors. Finally, the Committee believed that preventing a proliferation of double majors as a means to earn revenue could be managed outside the budget model.

The Committee also considered utilizing upper division credit hours taught as a proxy for majors since this metric isn’t affected by students changing majors to enroll in specific courses. It was suggested that since most students are taking their upper division credits primarily in the unit of their major, allocating based on this metric would more accurately reflect the unit that is supporting the student. In addition, this may be a more predictable measure than student major. However, utilizing this metric would create a disincentive for units to offer courses to their majors through another unit since they would not receive any of the revenue. An additional consideration is in regards to the management information provided to Deans to manage their budgets. Upper division credit hours may serve as a proxy for the number of majors served by a unit, however, it may not address a department’s contribution to the overall unit revenue if many of these courses are taken outside the department. When examining the data, there was a significant difference between each College / School’s share of upper division credit hours when compared to student major, upper division major, and degrees awarded.

- **Cost of instruction weighting.** A few institutions allocate tuition revenue based on a weighting factor for cost of instruction (program of study and/or level of course). While this provides additional resources to more costly majors and courses, the allocation of revenue does not align with how the university receives tuition revenue from students. The committee decided to address differences in cost of instruction through other mechanisms planned in the model yet to be discussed.

- **Non-resident tuition.** The committee recommends that all domestic non-resident undergraduate tuition revenue be pooled with resident undergraduate tuition revenue and allocated regardless of residency. The committee did not want to provide a greater incentive to grow domestic non-resident undergraduate students than the incentive to serve resident undergraduate students. In addition, the
current distribution of sch / majors for non-resident domestic students mirrors the distribution for resident students meaning the additional factor would have little financial impact based on current data.

The committee recommended that all international student tuition be allocated as a separate pool based on the same 70/20/10 distribution used for domestic students. The committee believes that an incentive for growing international enrollment is appropriate and necessary, particularly given the time and effort that can be involved in international recruitment as well as the desire to increase international students on campus. In addition, distributing the additional tuition revenue generated from international students to units serving the students will help address any additional resources needed to serve international students.

- Scholarships / waivers: The committee agreed all centrally allocated university funded scholarship / waivers would be deducted from undergraduate tuition revenue either prior to distribution or in the same manner that undergraduate tuition revenue is distributed. As a result, Colleges will receive the same allocation for instruction / support for a student regardless of whether they are on a centrally allocated scholarship. Scholarships allocated specifically by university departments would continue to be charged to the department. In addition, privately funded scholarships will have no net impact on the budget model since these funds are currently excluded from the budget model.