REPORT OF THE TUITION AND FEES SUBCOMMITTEE OF THE
REVENUE ENHANCEMENT TASK FORCE

SUMMARY OF RECOMMENDATIONS

The following recommendations of the subgroup are to be considered to be implemented now. Some require additional study but that study should also be implemented at the present time. We have also included a short discussion of the elasticity of demand for UNI’s tuition in the Appendix.

I. The fee for registration changes should be increased and expanded and a new fee created for each time a course is repeated.

II. Implement a system of allowing a few, high demand, signature programs to charge a supplemental tuition to be used to expand capacity.

III. Selectively reduce out-of-state tuition in order to increase enrollments from out-of-state students.

IV. Implement a multi-tiered tuition policy but only after fully researching it for potential, unrecognized drawbacks.

V. Undertake a two pronged approach to implement a change in the number of full-time credits from twelve to fifteen. First, considerable research is needed on determining the sensitivity of students to what will be seen as a radical change. Second, discussions should be undertaken with UI and ISU exploring the possibility of all three schools adopting the 15+ model.

VI. Avoid utilizing a guaranteed, fixed four year tuition program

VII. Hire a recruiter full-time during the academic year to be stationed in Chicago. This should be done on a three year trial basis and carefully monitored to ensure the expenditure is both cost and academically justified. If the program far exceeds expectations, it should be replicated in the Twin Cities.

I. REGISTRATION CHANGE AND COURSE REPEAT FEES
It is not unusual for students to register for a course and then drop the class after just a few days or withdraw from the class with a W later in the semester. There is even anecdotal evidence to indicate students register for more credits than they anticipate completing in a semester and dropping the least attractive courses after attending class for a short while. Thus, some students are actually planning on dropping courses before the semester begins.

This presents a severe efficiency issue, especially if courses fill up, as many on campus do. If students occupy scarce seats early in the semester and then later on drop, that seat can not easily be refilled and in all likelihood will remain empty for the balance of the term. Once the opportunity to fill that seat is lost, it is lost forever and results in an inefficient use of a valuable—and expensive—resource.

Additionally, students may develop a habit of not exerting greater effort in a class in which they are struggling. The university exists for many reasons, primarily education and research, but also to prepare students for life. Allowing students to easily turn away from difficult tasks does them an injustice. The real world is not nearly as forgiving as the university. Academically, we should do what we can to encourage students to rise up to meet challenges, not walk away from them.

This is not to argue we should prohibit drops and withdrawals from courses. Rather, we should put policies in place which reduce the incentive for counterproductive behavior. One approach would be to charge a higher fee for the service or where no fee exists, impose one. Money can be a great motivator.

A. Landscape

1. Change of registration fee begins the second week of class and is a $10.00 fee per day for all added and dropped courses no matter how many changes of registration are processed in that day by the student. There is currently no charge to make changes the first week of class.

2. Students are not charged any additional fee to repeat a class.

3. Table 1 summarizes the number of drops/adds and W’s, fees collected and repeats by semester for the 2007-08 academic year.

B. Discussion

The number of drops/adds and W’s appears to be large, suggesting many students are in fact not completing courses they begin. There were 13,631 total registration changes for the year, either as drop/adds or W’s. Further, it can be assumed the great majority of these are drops or withdrawals since the last day to add a full semester course (without department head approval) is in the second week of class. The amount of fees generated by the drops/adds and W’s is not trivial with a total of 4,814 changes subject to the $10 fee, generating over $48,000 in revenue. Finally, 1,978 classes were repeated at no additional fee.
It also makes little sense to charge the fee on a daily basis rather than a per transaction basis. Presumably, each transaction generates additional expense and represents a course. It also seems inequitable to charge one student with one transaction the same as another student who has several transactions.

C. Recommendation

It appears that an increase in the fees charged for drops/adds and W’s and repeats is in order. If the additional fee were largely ignored by students, additional revenue would be generated. For every $10 increase in the fee existing fee structure (including a new fee for repeats), as much as $65,000 per year could be generated. If on the other hand, students responded to the higher fees by remaining in or not repeating classes, efficiency would be improved. For equity, efficiency, academic and financial reasons, we also recommend the fee structure be altered and be charged on a per transaction basis. Even without any increase in fees, this will significantly increase revenue, perhaps by as much as another $65,000.

There are some concerns that need to be considered.

1. Would an additional fee to repeat courses cause students to take the course at another institution? Should UNI require that any repeated courses must be taken at UNI?

2. Should there be an appeal process for these fees?

3. Should change of registration fees be assessed earlier; perhaps beginning the first day of class?

4. Should students be restricted as to the number of changes of registration they make during their academic career?

5. Further discussion is needed regarding whether students have adequate information earlier in the semester regarding how they are doing in a class to prevent them from dropping late in the semester.

6. We must determine whether students are provided with additional support when needed to create a successful learning environment and eliminating the need, in some cases, to drop late in the semester or repeat the class.

7. Continued assessment of new pricing strategies will be necessary to determine the extent of additional revenue realized, and whether students are making changes sooner, prior to when charges begin.

Nonetheless, this is a proposal that appears to have the potential for increasing revenues and/or improving academical efficiency and effectiveness. These are both desirable outcomes.

Table 1: Drops/Adds, W’s and Fees
2007 - 2008

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
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3
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II. SUPPLEMENTAL TUITION

As programs continue to struggle under sever financial constraints, alternative sources of revenue will become increasingly important. One source, pioneered on our campus by the College of Business Administration, is supplemental tuition (ST). Rather than raising tuition for all students on campus, ST targets those students involved in particular programs. In part, ST is designed to make the pricing of education more similar to that of a private good. That is, those who receive the benefit from consuming a product pay for it. With ST, those who benefit from a particular program pay for the benefits received through ST.

A. Program Identification

Clearly, ST can not be applied to all programs on campus or it would be little different from a general tuition or general fee increase. Care must be taken in identifying appropriate programs and only a limited number should be selected. It seems logical to exclude all CBA programs from ST since the CBA already has it. To identify other academic programs that could be candidates, we suggest the following:

1. Programs must be identified as “signature programs” by the Program Review Task Force II which is currently meeting. In future years, if there is no such Task Force, an independent UNI committee be appointed to determine if any additional programs qualify.

2. Programs must have an excess demand by students.

3. Programs must maintain both academic and grading rigor.

B. Supplemental Tuition Amount

Once programs are identified, a determination of the size of the ST needs to be done. We suggest the following:

1. ST should charged on a per course-credit basis. That is, every student enrolled in designated courses in a selected department would pay ST. Since a large potential problem with budget cuts is less faculty and larger classes, it seems reasonable to assess ST based on enrollments in classes. An inferior alternative to this is to levy a flat ST on all majors in a particular program. While this is what the CBA was required to do, it is less desirable because non-majors taking a department’s classes will receive the benefits of classes but not pay ST.
2. The amount of ST should be determined by the administration (approved of course by the Regents) with a great deal of input from faculty and affected students. It is important to have “buy-in” from all involved to minimize negative reception of the idea. A per credit hour charge of $50 is a good place to start or perhaps $750 per semester for junior, senior and graduate students.

C. Use of Supplemental Tuition Revenues

As with any allocation, limitations on the use of the ST funds must be in place. We do not see this as discretionary money but rather designated for carefully, clearly defined purposes. We suggest the following:

1. 80% of the revenues generated by ST should be devoted to educational capacity expansion or put more simply, to hire more faculty. The remaining 20% should be allocated to expanding other students services such as advising, writing improvement centers, perhaps even financial aid.

2. ST should NOT be used to enhance the salaries of existing faculty nor should it be used to supplement department supplies and services budgets.

It is clear that if a price rises for a service, all other things equal, the amount demanded will fall by some amount. While the degree of this sensitivity is largely unknown, prudence dictates enrollments be carefully monitored to deal with any major adverse effects. Perhaps a phase-in of ST as is being done in the CBA would be the best path.

Programs are not static but rather dynamic entities. Over time, changes may occur which no longer justify ST. Periodic review is necessary to ensure programs continue to qualify. For those that don’t, ST should be phased out.

D. Recommendation

ST is not a panacea to solve all budget problems on campus. However, for signature programs that have excess student demand along with significant academic and grading rigor, ST could provide an avenue for hiring additional faculty to maintain program quality. We recommend a system of allowing a few specified programs who meet the criteria defined above to apply for ST with the revenues restricted in use as we suggested. Programs receiving approval for ST should be periodically evaluated to ensure continued qualification.

III. SELECTIVE OUT-OF-STATE TUITION REDUCTION

The time might be right to selectively reduce out of state undergraduate tuition to attract students from neighboring states. Out of state recruitment efforts have been initiated but are hampered by UNI’s out-of-state tuition rates and minimal scholarship dollars exist to offset this high
tuition. By modestly reducing out-of-state tuition levels, it is possible enough non-Iowa students could be attracted to UNI to offset the tuition decline. Thus, reducing the per student tuition might well increase total tuition revenues.

A. Landscape

Increasing out-of-state student enrollment would assist the university’s strategic goal to diversify the student body. Currently 92% of UNI’s student body consists of Iowa residents. Geographic diversity has the potential to broaden and deepen discussions in our classrooms with individuals of different family and cultural backgrounds. The first step may be to request permission of the Board of Regents to selectively set out-of-state tuition rates independently by institution. In the 2004 Tuition Task Force: Final Report from the University of Iowa, the recommendation for Policy Question 2: Should tuition vary based on institution? stated “We are, therefore, in agreement that resident undergraduate tuition should be set independently for each institution and that all three institutions should have their nonresident undergraduate tuition set at levels reflecting the market circumstances of each individual institution.”

Likewise, the Tuition Task Force Report (1-5-04) from Iowa State University states “Although we did not pursue this question in great depth, our belief is that tuition differentials by institution may be appropriate for UNI but are not desirable in the cases of ISU and SUI.”

B. Analysis

It is recognized that any form of tuition discount brings the risk that tuition income would decrease if UNI’s enrollment of the identified student group did not increase. Such students currently pay the full out-of-state rate (2009-2010: $14,020). The incentive of a tuition discount creates the opportunity to increase tuition dollars via increased enrollment. Existing recruitment initiatives will need to be maintained and enhanced. Possible discount concepts to explore further include:

1. Develop a plan to charge out-of-state undergraduate students with home addresses in counties contiguous to Iowa’s borders the equivalent of UNI’s current average cost to educate an undergraduate student instead of full out of state tuition (Note: this would still be above the in-state rate). This would reduce student costs while maintaining UNI’s tuition income at a level that covers the average cost of education at UNI. For the 2008-2009 academic year that cost is $11,332 versus a FTE undergraduate non-resident who pays $13,744. The difference would be an incentive for those non-residents to enroll at UNI. For 2009-2010 Iowa residents will pay $5,756 for full time undergraduate tuition. Out-of-state undergraduate students from contiguous counties would pay $11,332 (adjusted for the 2009-2010 cost.). If implemented, this equates to a $2412 “discount” of tuition for students in this target group (using 2008-2009 tuition costs).

2. Another way to approach the equivalent of #1 would be to charge these targeted students the going out-of-state tuition rate and guarantee them a $2412 UNI grant. This benefits the student in the same way and costs UNI the same amount. The advantage is that UNI would not
need to have Board of Regents approval to award the grant. This concept could be extended to international students as an incentive to growth of that segment of our student body.

3. A conservative approach to variation #1 or #2 would be to implement the concept for only Illinois, or for only the 3 Illinois counties contiguous to the Quad Cities. UNI has averaged 22 students each year from these 3 counties (range of 18 to 25). If UNI were to enroll 5 or more additional students each semester from these three counties, additional income would be achieved.

4. Another conservative approach to variation #1 or #2 would be to limit the population for the tuition discount to non-residents of Iowa who have completed an Associate of Arts (AA) degree from an Iowa Community College. To implement, students could be required to enroll at UNI within one calendar year of completion of an AA degree as an additional incentive to pursue a bachelor degree. Consideration could also be given to those with Associate in Science degrees.

5. Consider a variation of #1 or #2 to apply to legacy students. We would define legacies as children or grandchildren of individuals who have earned degrees from UNI and permit legacies to be from any location other than Iowa. This would bring individuals with ties to Iowa back to the state with the potential they may choose to stay in Iowa after graduation and contribute to the economic development of future Iowa. By not limiting the location, it also provides an incentive with international students who may be legacies.

C. Recommendation

While there are great potential benefits from selectively reducing out-of-state tuition, there are also some concerns which need to be considered.

1. Can the campus handle increased capacity in all programs?

2. Should the same concepts be applied to graduate students?

3. Is there a risk lowering tuition for target populations. If additional students are not forthcoming, total tuition revenue will decline. Our marketing and recruitment initiatives must be continued and enhanced to achieve needed growth.

The concerns notwithstanding, there is great potential gain from undertaking a program of selective, out-of-state tuition reduction. Expanded diversity of the student body as well as increased revenue could result. We recommend selectively reducing out-of-state tuition in some combination of the possibilities mention above.

IV. MULTI-TIERED TUITION STRUCTURE
One concept for consideration related to alternative tuition structures is the idea of a multi-tiered tuition structure that charges less for lower-division courses and more for upper-division courses. An alternative would be to consider a graduated tuition system that charges a different rate depending on year in school. Advantages of either system include more efficient and equitable pricing as well as attracting more students to UNI earlier in their academic careers.

A. Landscape

1. The cost of instruction for lower-level students is lower than the cost of instruction for upper-level students. Lower level cost of instruction for FY07 was estimated at $8,191 per FTE student compared to $11,730 for higher-level cost of instruction.

2. Lower-level students are in larger classes than upper-level students. For freshmen and sophomores the average class size is 32.3. For juniors and seniors the average class size is 21.6.

3. Lower-level students are taking more liberal arts core courses that have larger class sizes than courses in their major. The average LAC class size is 37 and for major courses, the average class size is 27.

4. LAC and introductory major courses are frequently taught by non-tenure-track adjuncts, non-tenure-track full-time instructors, and on rare occasions, graduate assistants. Lower-level courses are taught by these faculty 42.9% of the time while upper level courses are taught by these faculty only 24.5% of the time.

B. Analysis

At the current time, all full-time students pay approximately the same tuition and fees. Thus, it seems apparent that lower-division students are partly subsidizing the education of upper-division students. Of course, it’s possible lower-division students may require more academic advising counseling and perhaps other retention programs. However at this point there is no way to quantitatively measure that impact.

A multi-tiered tuition structure that would charge lower-division students, probably freshmen and sophomores, a lower tuition than upper-division students would reduce the amount of cross-subsidization, improving equity. At the same time, by more closely tying tuition to the actual cost of instruction, it would improve the efficiency and use of resources.

Another benefit to a multi-tiered tuition structure would be to allow for more attractive pricing when trying to attract high school students to UNI compared to other higher education options. While demand for higher education at UNI is somewhat inelastic, there is nonetheless a sensitivity to price that does exist. All other things being equal, lowering tuition for freshmen and sophomores should
work to increase entry-level enrollments. One drawback would be the reduced incentive for transfer students to come to UNI because tuition would be higher. It is possible this negative effect would be somewhat mitigated because there are only two other state-supported universities in Iowa to which students could transfer. Nonetheless, this must be taken into consideration.

C. Recommendation

A multi-tiered tuition system holds the possibility of increasing both efficiency and fairness into our pricing structure. Further, it creates the possibility of attracting more students directly from high school but it also may slightly decrease upper-division transfers to UNI. Multi-tiered tuition represents a new idea for UNI and we recommend such a program be implemented but only after considerable, in-depth analysis of the advantages and drawbacks mentioned above as well as a search for other unintended consequences.

V. TUITION CHARGED PER CREDIT HOUR AND OTHER ALTERNATIVES

Tuition is the second largest revenue source of the University and as such, changes in how we collect and charge tuition have high impact potential. One change under examination is changing our undergraduate tuition model from per credit hour up to 12 hours (full time) with no additional charges for credits over an above 12 to a straight per credit hour charge. A second change under examination is the changing of full-time status from 12 credit hours to 15 credit hours.

A. Landscape:

Historically the 12 credit full time charge comes from a time when 8 semesters of 12 credits enabled a student to earn a bachelors degree at the regents universities. All three universities now encourage students to carry a 15 credit load to support matriculation in four years and many majors at UNI require at least that load. As majors have grown broader, lack of economic pressure, thanks to relatively strong state funding and competition for students within the regents system has kept the institutions from changing full-time tuition from 12 to 15.

Available data from the University of Iowa states that on average, undergraduate students take 14.5 credits while students at ISU undergraduate students take 14.7 and at UNI student take 13.8. Iowa State concluded that groups that were motivated financially or intellectually to take on higher than average course load would be more heavily impacted by a change to per credit charges.

The University of North Carolina is evaluating charging per credit for all classes but early public relations feedback from students is negative. This is not surprising however, since it is widely perceived as an increase in tuition. Rare is the student who supports paying more for their education. The majority of state publics do some variation of the full-time and higher tuition that mirrors our current policy.
That being said, several Midwestern states and large systems charge per credit. An incomplete list of schools includes; Michigan publics, Oklahoma publics, Wyoming publics, Arizona State, Florida State, Kansas State and the Arkansas system. Further, the state of Georgia system is changing its full time per credit charge from 12 credits to 15 credits. This move and the reaction it has engendered, negative PR response and an increase in average course load is valuable in our considerations.

B. Analysis:

1. Changing from a full-time and above model to a per credit charge will differentiate us from UI and ISU and the majority of public universities. Such a change would require careful preemptive explanation and marketing. Some students may be discouraged from larger course loads.

2. Changing from full-time and above to per credit will mirror the community colleges, be more transparent and charge all students equally for learning received. Assuming other conditions remain the same, charging per credit will increase revenue received for each credit taught by some 20%. Charging per credit reduces the number of students that register for overload with the intention of dropping classes, potentially wasting capacity for full classes.

3. Differentiate us from UI and ISU and the majority of public Universities. This cuts both ways, however. There will undoubtedly be students who will see this as an unwarranted increase in tuition and may choose to avoid enrolling at UNI. If UI and ISU could be encouraged to adopt the same basis, this loss could be reduced.

4. Changing full-time status from 12+ credits to 15+ will likely increase the average course load of students and improve progress toward graduation. All other conditions remaining the same, charging tuition at the current rate for the first 15 hours could increase revenue as much as 22%. Once again, it might be necessary to urge the other Regents schools to follow suit.

C. Recommendations:

Both of the investigated changes differ from the current tuition practices of a majority of public institutions. Both methodologies are rational and transparent, both do a better job of linking costs to revenue, and have a fairness benefit.

Of the two, changing to a per credit model offers the greater political struggle and creates a hard to refute PR challenge as it removes the hidden discount that is provided by “free” credits after the first 12. It would be possible to reduce the per credit charge that might provide some differentiation from the other regents.

The 15+ model affords an opportunity to increase revenue while at the same time encouraging positive behaviors that include faster progression. If we would reduce the per credit charge
we could gain a lower per credit cost than our regents competition and still positions ourselves as more education for the money. This model provides greater opportunities to positively differentiate the University, by more realistically offering graduation in four years.

We recommend a two-pronged approach. First, considerable research is needed on determining the sensitivity of students to what will be seen as a radical change. Second, discussions should be undertaken with UI and ISU exploring the possibility of all three schools adopting the 15+ model.

VI. FIXED TUITION PROGRAMS

Uncertainty about future tuition is an important concern for incoming students to the university. Large, unexpected increases can cause problems for budgets and planning. One proposal to deal with this uncertainty is to guarantee an incoming student a fixed tuition rate for up to four years if certain conditions are met.

A. Discussion

In theory, a fixed tuition program would increase enrollment, and by increasing the educational level of the state, we will increase the wealth of the state. Fixed tuition appeals to families because it helps them plan for students’ educational expenses without the threat of unanticipated costs and sends a message that it will cost less to complete a college degree in four years.

In reality, fixed tuition produces accelerated costs for underclassmen, and penalizes students from underrepresented groups. Optional fixed-tuition programs are often financially out of the reach of lower income students because those students who participate in a fixed-tuition program actually borrow more money because the initial first-year rate is higher. When universities face unexpected drops in funding, fixed-tuition programs cost students entering the university in subsequent years a higher rate than they would have incurred without the fixed-rate plan. Some programs at institutions are full, so even if tuition is guaranteed, a degree is not. This will deter students more than a tuition increase.

The University System of Georgia’s budget deficit is largely a result of state cuts due to the economic downturn and the state’s Board of Regents voted to end the “Fixed for Four” program to allow for tuition increases to combat the budget deficit. This move is estimated to save the state $60 million during the first fiscal year. GSCU President Dr. Dorothy Leland explained that the initial tuition rate for freshmen must be set higher than otherwise to reflect projected increases in operating costs over a four-year period. If actual costs exceed predicted costs, institutions are left with a budget deficit. University of Georgia President Michael Adams and Georgia State University’s previous president Carl Patton both gave poor reviews of the plan in 2008 calling it “not economically viable.”

University of Arizona President Robert Shelton opposes a fixed-tuition program explaining it
would be admirable to have a predictable tuition, but there’s no predictability in the state budget. A representative of Wartburg College in Waverly, Iowa, indicated that those who have tried it said it was a mistake and they would never do it again. Through his research, he has not found any institution that believes it worked as they expected it would.

B. Recommendation

While guaranteed fixed tuition may have some surface appeal, it ultimate has a disappointing result in higher tuition, especially for underrepresented groups. Since so many schools have considered or discarded it, we recommend abandoning the idea.

VII. EMPLOY A FULL-TIME PERSON STATIONED IN THE CHICAGO AND/OR TWIN CITIES AREA TO RECRUIT STUDENTS TO UNI.

Increasing enrollment of out-of-state students is desirable for a variety of reasons. On a campus where well over 90% of the students graduated from an Iowa high school, the need for perspectives different from local ones is important. A university education can expand a student’s horizons in a variety of ways, one of which is the opportunity to interact with people from different backgrounds.

On a more fiduciary level, expanding out-of-state enrollments has the possibility of increasing revenues to the university. Currently, the out-of-state tuition exceeds the average cost of education at UNI so the possibility exists for the potential help cover rising costs of education through expansion of out-of-state enrollments.

A. Discussion

The Chicago area is the second largest metro alumni base after the Twin Cities so we are reasonably well known in both areas. We currently recruit in both Chicago and the Twin Cities by sending admission counselors to the area from campus. They participate in college fairs via a plethora of organizations and make selected individual high school visits. In the Gary, Indiana area (usually considered part of the greater Chicago area) we have a cluster recruitment initiative with the Gary school district that is about 8 years old and results in a steady stream of 5-8 students each fall. Their administration has been a partner in providing access to their students, in identifying capable students who would be a good match for UNI and in providing bus transportation for a group visit of their students to our campus each March. We now have alumni back in that area who also assist us with identification of students and providing information to them and their families. In addition to tours, student panels, various breakout sessions, UNI staff interview them for Bridge Awards--a financial aid package that is an incentive for them to enroll here.

Locating a permanent admission counselor to live and work in the metropolitan areas has benefits. A constant presence allows us to do more in a specific area, perhaps increasing both overall enrollment and diversity. Further, there is more flexibility with a permanent local presence as well
much higher visibility. For example, the City of Chicago proper has over 90 high schools and at least that many in the surrounding area. Estimating a school year about 170-175 class days long, a person living in the area could spend an average of 1 day at each high school and thus not need an office.

Of the Twin Cities and Chicago area, Chicago may be the preferred site based on population. The Chicago metro area is between nine and ten million while the Twin Cities is between three and four million. Further, entrance to the University of Illinois is more restrictive and tuition is higher than in Iowa.

Finally, the cost of employing a full-time recruiter could be as much as $75,000 per year including benefits and expenses. Given that each out-of-state student pays about $14,000 per year in tuition, if an additional half-dozen students could be recruited, the program would be cost effective. This of course assumes the additional cost of a small number of students attending UNI who would not have attended is almost zero.

B. Recommendation

UNI should hire a recruiter full-time during the academic year stationed in Chicago. This should be done on a three year trial basis and carefully monitored to ensure the expenditure is both cost and academically justified. If the program far exceeds expectations, it should be replicated in the Twin Cities.

VIII. APPENDIX: TUITION ELASTICITY

We know that any increase in tuition, all other things being equal, will reduce the number of students who enroll at the University. The salient question is by how much? The responsiveness of changes in the quantity of a good or a service purchased by consumers to changes in price is referred to in economics as elasticity.

Table A1 shows UNI enrollments and tuition for various years. It also shows the changes in percentage form. What is clear is that in the very short run, that is from one year to the next, and with small tuition changes, enrollment changes are not terribly sensitive to tuition changes. For example, with a price change of 4.2% from 2000-01 to 2001-02, enrollment fell by half that amount, 2.1%. On the other hand, with a price change of 5.3% from 2003-04 to 2004-05, enrollment fell by almost as much, 4.7%. Further examination reveals that large tuition increases in 2002-03 and 2003-04 were accompanied by small enrollment changes in those years but larger changes in subsequent years. Thus, it may be that existing or already enrolled students have an inelastic demand and are less sensitive to tuition increases but incoming or transfer students are much less inelastic and do respond in a greater fashion to tuition increases.

The degree of elasticity is dependent on a variety of factors, among them availability of close substitutes and importance of the product or service to buyers. While there are substitutes for freshman and sophomore level courses (community colleges and the other two state universities) these may not be close substitutes when the entire academic experience is considered. UNI is unique
in the state with its combination of relatively small classes, limited use of teaching assistants, and focus on undergraduate education. Further, it is becoming increasingly clear that for lifetime financial success a college education is imperative. Thus, it appears there are a few close substitutes for UNI education and students and their parents highly value it. This offers a partial explanation for the inelastic demand for UNI education.

The information in the table does suggest an inelastic demand for UNI education. However the analysis is crude and broad. It certainly does not rise to the level of rigor required for solid academic research. It is only suggestive of likely elasticities. Further, it is clear in some years, elasticity was higher than others indicating the relationship may be somewhat unstable.

The table also shows that tuition increases were accompanied by an increase in the total dollar amount of tuition paid to the University. Thus, while there was some decrease in enrollments, that decrease was more than offset by higher tuition be UNI students. Put another way the tuition increases did have the desired effect of increasing revenues to the university.

Estimating demand elasticities is a complex task. Separating responses to price changes from those caused by other non-price factors is a tricky business. A clear implication is that changes in tuition can not be made in a vacuum. Rather, they must be carefully evaluated and accompanied with information programs that extol the advantages of higher education at UNI and all that includes.

With those cautions, the implication of this is that within a relatively small range and in the short run, increases in various fees and certain kinds of tuition will have only a small effect on enrollments. But keep in mind, even a decline of a few hundred students can have a large effect on total tuition revenue.

Table A1: UNI Tuition and Enrollment Data
2000 - 2009

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<td>2003-2004</td>
<td>13441</td>
<td>-3.5%</td>
<td>4342</td>
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<td>4064</td>
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<td>2004-2005</td>
<td>12824</td>
<td>-4.7%</td>
<td>4702</td>
<td>188.9</td>
<td>4286</td>
<td>5.3%</td>
<td>-0.88</td>
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<td>4890</td>
<td>195.3</td>
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<td>5086</td>
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<td>-2.71</td>
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<td>Total</td>
<td>Growth Rate</td>
<td>New Total</td>
<td>Average</td>
<td>Growth Rate</td>
<td>New Average</td>
<td>Percentage Change</td>
<td>New Percentage Change</td>
</tr>
<tr>
<td>------------</td>
<td>-------</td>
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</tr>
<tr>
<td>2007-2008</td>
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<td>5352</td>
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<td>63,896,246</td>
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<td>5524</td>
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<td></td>
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*Calculated using midpoint formula*