

***Report of the Ad Hoc Senate Committee on
Cost-Recovery Courses and Programs***

January 25th, 2005

1. Introduction

1.1 *Mandate of the Committee*

Following a recommendation by the Executive Committee of Senate, an ad hoc committee was struck by Senate to accomplish two main tasks: 1) to draft responses to the Commissioner and Advisor appointed in respect to the White Paper on Public Post-Secondary Education and 2) to review and advise Senate on the matter of cost-recovery courses and programs as outlined in the memorandum from Dr. David L. Thompson from the summer of 2004. In that memo, Dr. Thompson raised concerns, expressed in Senate, about recently introduced programs with special or higher tuition fees that were intended to offset the program's costs. Although Dr. Thompson is no longer a member of Senate, the concerns and misgivings were shared by others.

A draft of the white paper responses was presented to Senate on October 12, 2004. The final report of the Ad Hoc Committee to respond to the White Paper on Post –Secondary Education was submitted to the White Paper Team on October 19, 2004. This report constitutes the committee's work on the second part of its mandate.

1.2 *Purpose of the Paper*

This report is an effort to frame for debate the issues surrounding cost-recovery courses and programs, with particular reference to the concerns raised by Dr. Thompson and paraphrased below:

- The use of tuition fees that are exclusionary
- The potential detrimental impacts on pre-existing programs
- The lack of clarity on how proposals should be assessed
- The possible configuration of university based on what the market will bear, not on academic policies and norms

This report is designed to assist Senate and others in the assessment of proposals that are likely to continue to come forward for such programs and should enable Senate to make recommendations to the Board of Regents about how it might handle these proposals for courses and/or programs with fees different from the norm.

1.3 Background

Although differential tuition fees¹ have been charged to international students since 1992/93 and in some faculties for many years (e.g. higher tuition fees for MD students), they have recently become increasingly common. Several new programs have been introduced with tuition fees which are considerably higher than those charged for 'regular' or pre-existing programs. Examples include the Master of Oil and Gas Studies and the Master of Applied Science in Computer Engineering. In addition, a special or differential fee for students in the School of Pharmacy to offset costs associated with accreditation was approved by the Board of Regents but has not been implemented. These fees may be paid either by the student or an external organization. Typically, such fees have been levied in order to recover costs and/or act as a source of investment for the academic unit. In the case of international students, in the Canadian context, special fees are generally justified on the grounds that a) neither these students nor their parents had paid taxes to the Canadian federal or provincial governments equivalent to those paid by domestic students, b) that other universities were charging equivalent fees, and c) additional revenue is required to grow and support the international student population.

It is likely that proposals for new programs charging special fees will continue. The University's present budgetary environment limits the amount of discretionary funding available to support new programs and grow existing programs; consequently, some units have attempted to find and develop new sources of funding. Although the University's operating grant has increased considerably over the past 4 years, the funding increases have been largely allotted to cover non-discretionary cost increases (75% of step increases and 100% of negotiated salary increases) and the 25% tuition reduction policy of the provincial government, for which it has reimbursed the University. As a result, the University has had to cover inflationary and other costs through cost reductions and efficiency gains that have further reduced budgetary flexibility. This has made it extremely difficult to introduce new programs where additional costs are anticipated. One solution to this problem has been to propose special fees.

1.4 Scope

This report identifies and examines the implications of various forms of tuition or fee structures different from the norm and lays out a set of principles which Senate and the Board of Regents can use to assess proposals for special tuition fees.

In addition, the committee has recognized after much analysis that proposals for programs funded by outside organizations also belong in this debate, even though this issue lies outside the original terms of reference.

¹ Please see the definitions on page three of this document.

2. Types of Program Funding

As a publicly-funded university, Memorial receives approximately 75% of its operating budget directly from the provincial government. In addition to the government grant, the university funds programs through student tuition and from external sources. After intensive discussion, the committee has recognized that various terms are used interchangeably to describe different forms of funding activity. In order to facilitate discussions on the issues surrounding tuition and fee structures, we have developed a set of terms and definitions, listed below.

For the purposes of this paper, the definitions have been categorized according to the source of funding (student fees or external organization) and purpose of funding (recover costs or create investment).

		Purpose of Funding	
		Recover Costs	Create Investment
Sou	Student	Differential Tuition and Cost Recovery Fee	Premium Fee
	External Organization	Agency Funded Program	Agency Funded Program

2.1 Student Tuition Fees

Regular Tuition Fees: These are the tuition fees paid by most undergraduate and graduate students. Regular tuition for Canadian undergraduate students at Memorial is presently set at \$85 per credit hour. These fees apply to the majority of undergraduate programs at the university. Tuition for Canadian graduate students is levied differently because graduate study typically involves fewer credit hours of study and a higher proportion of independent work.

Differential Tuition Fees: Differential tuition fees are set by the Board of Regents for broad categories of students, typically at a rate which is higher than regular tuition fees. There are two instances of differential tuition fees at Memorial: International students and students in the MD program.

Cost-Recovery Tuition Fees: These are tuition fees set at a level intended to recover the full costs of delivering a specific program to a particular cohort of students. Although the question of cost-recovery tuition fees provided the impetus for Dr. Thompson's memo and our committee's mandate, there are, in practice, very few cost-recovery tuition fees charged to students. As we are presently defining it, there are no programs which fall within this category.

Premium Tuition Fees: A special fee (either paid directly by the students or indirectly through an outside organization) attached to a course or program that is sufficiently high that the university receives revenue above and beyond the direct and indirect costs resulting from operating the program. Such programs are developed in response to market conditions and are intended to generate additional revenue to invest in the unit and/or

university. In addition to the Master of Oil and Gas Studies (MOGS), the recently approved Master of Applied Science in Computer Engineering is an example of a program with a premium tuition fee.

2.2 Agency Funding (External)

There are two potential forms of Agency-Funded programs: ones in which the outside organization pays for the additional costs of the program, (e.g. the Fast Track program in Nursing wherein the additional costs of the program are covered by the provincial department of Health and Community Services); and ones in which the outside organization provides additional incentive to the unit above and beyond the cost of the program.

3. Analysis and Argument

The committee has wrestled with the question of whether and when these sources of funding (whether paid by students or externally) are appropriate and has searched for standards by which such proposals can be assessed. In doing so, we have tried to balance conflicting considerations and take account of very real pressures which confront the university. It is useful to lay these out:

1. Memorial University of Newfoundland is a publicly-funded university, committed to widespread access to all qualified students. As indicated in our brief to the White Paper Team, this means that the University and its programs must be affordable and accessible for all residents of the province, and, as well, to any qualified student who wishes to enroll.
2. The University is committed to quality and excellence in teaching and research.
3. The University is committed to delivering programs which, broadly stated, are relevant to its students and to citizens and residents of the province. Doing so requires us to review existing programs at regular intervals, to modify and update them when necessary, and to introduce new programs when these are needed.

None of this can be done without cost. Programs at Memorial are funded in three different ways: through student tuition, through the government grant, and through external funding units are able to secure independently (e.g. agency funding, research grants and contracts). The tuition fee reduction implemented since 2001/02 has effectively frozen revenues from the first stream. Although the provincial government has replaced tuition revenues lost because of the 25% reduction in tuition fees, the university has not been able to increase revenues from this stream. Nor have increases in the provincial government grant in lieu of tuition offset either inflation or the full cost of faculty and staff step increases. Although additional provincial government funding for deferred maintenance is ameliorating the deterioration of the physical plant there is little or no money to maintain either library collections or laboratory equipment. The result is a progressive and increasing revenue squeeze that has left little money for new programs and, increasingly, not enough

to maintain central facilities, such as the university library. This has increased the importance of the third funding option.

At issue is who should pay and on what basis. One easy answer, which receives strong support in certain quarters, is that the provincial and federal governments must contribute more. While we hope that public contributions increase, we are not sure that it is realistic in the current fiscal climate. Although it is conceivable that this might change, for the purposes of this report, we assume that it will not, at least in the immediate future. As such, our problem - and it is the same from the perspective of department heads, deans and directors, senior executive, Senate and the Board of Regents - is how to reconcile the competing demands stated above. There are a number of possible solutions. These include:

- eliminating some existing programs in order to provide fiscal room for new programs
- introducing no new programs
- implementing either general increases in tuition or – preferably – securing equivalent increases in the provincial government grant.
- charging cost-recovery or premium tuition fees for some new programs
- soliciting program funding from external organizations.

Of these, only the last two options are, strictly speaking, within our committee's terms of reference. However, the questions are sufficiently interconnected, that we feel it necessary to point out these options, however unpalatable they may be to different groups and interests.

Of the options listed above, the first should be the regular order of university business, achieved in part through processes of academic program review. However, the process of academic program review is relatively new, and is more likely to result in change and renovation of existing programs – often requiring new resources – than any fundamental redeployment of resources within or across faculties and schools. The second, not introducing new programs, is not acceptable if Memorial is to provide programs of study which continue to be academically relevant. Nevertheless, it may well end up as the *de facto* result of the revenue squeeze to which we have alluded.

Of the five options listed, the third might seem most promising. In our submission to the White Paper Commission, we noted that if Memorial were to enjoy revenues from tuition and fees equivalent to those of either the University of Prince Edward Island (+ 26%), or the average of Atlantic Canadian Universities (+46%), our financial outlook would be quite different from what it currently is. However, students and other groups have opposed increases in tuition, and it is not our task to recommend for or against an increase in tuition fees. Public funding is another matter. We believe that the government grant has to increase; however, there is no guarantee that it will.

In light of the above, charging cost-recovery or premium tuition fees or pursuing agency funding may appear to be a partial remedy in specific or limited areas or situations if revenues from tuition fees or the provincial government grant cannot be increased.

However, doing so is problematic: although it might be possible to secure additional revenue from certain kinds of programs (typically those whose students are likely to benefit economically from the program), relying on these sources would mean that new programs would be introduced only in areas of study for which cost-recovery or premium tuition fees could be charged. In all likelihood these would be programs which promised not only high employment but also high income to the students who complete them. Establishing new programs only in these areas would be difficult, if not impossible, to justify at a public and publicly funded university, or for that matter, any university committed to the advancement of knowledge for its own sake.

This is only one of several difficulties. Except for medicine, where differential tuitions for MD students are well-established, it has not been the general practice here at Memorial – or for that matter, at most other universities – to charge students either for the direct costs of their education, let alone for the likely earning power which they may derive from receiving that education. In practice, most university programs draw on shared common resources – laboratories, library, the teaching and expertise of other units, computing systems, and central services such as the Registrars' Office, Financial Services, etc. Although it is common knowledge that some programs – laboratory sciences, for example, cost more than others, we do not cost programs in detail, nor except in the instances indicated above (Medicine, Computer Engineering, Master of Oil and Gas Studies) do we charge students more for more expensive programs or for programs from which they may derive greater financial benefit later on in life. To be sure, it might be possible to cost programs in the detail with which American hospitals charge patients and their insurance programs (down to the cost of individual boxes of tissues), doing so would be costly, not only because of the detailed accounting required, but also because of its likely impact on the university as an academic community.

4. Recommendations and Governing Principles

4.1 General Principles

In light of the above, is there a place for either cost-recovery programs or programs which charge premium tuition fees? The members of the committee have concluded– some of us reluctantly – that there is a place for such programs, but believe that it should be limited, and that such programs be established and continued only if they meet certain conditions. In our view, the normal practice at Memorial should be:

- 4.1.1 The overwhelming proportion of undergraduate and graduate students should pay the same levels of tuition fees and, in doing so, should have access to the complete or nearly complete range of programs which the university has to offer. Putative future income should not be a standard for assessing tuition. Our system of taxation is sufficiently fair that those who earn more, assuming that they remain in the province and in the country, will pay more in taxes over their working careers.
- 4.1.2 Proposals for new programs should only be approved if the university and the unit concerned can implement the proposed program without deflecting resources from normal activities.
- 4.1.3. Any proposed program must not compromise the academic integrity of the

university. The proposed program must maintain acceptable admissions requirements and uphold the quality of instruction and course content by ensuring both are approved through all normal routes.

- 4.1.4. Each proposal should be evaluated on a case-by-case basis to establish its feasibility and suitability.
- 4.1.5. Furthermore, neither the Senate nor the Board of Regents should accept the claim that market demand for premium tuition programs and the willingness of students to pay more for them, inside or outside of the province, is a sufficient reason for introducing them. In our view, academic programs should be approved only on the basis of their intrinsic merits and the ability of the units proposing them to offer them.
- 4.1.6. Cost-recovery, premium fee or agency-funded programs should be considered **only** in circumstances in which it can be demonstrated that there is a pressing demand or need for the program. As per section 3 above programs so considered must have intrinsic merits, and it must be demonstrated that charging a premium or cost-recovery fee would make it possible to offer a program which otherwise could not be offered.

Thus, notwithstanding the Strategic Framework of Memorial University of Newfoundland which recognizes the need to develop new revenue streams, at a public university programs with a tuition fee structure that differs from the norm should be the exception rather than the rule.

4.2 Principles Related to Premium Fees

In instances in which premium fee programs are proposed, there should be a detailed examination not only of demand for the program and willingness of students to pay additional fees in order to participate, but also of the ways in which the additional revenues will be used.

- 4.2.1. Premium tuition fees should be permitted **only** if there is a clear and demonstrable benefit accruing to:
 - Students in the program.
 - The unit offering the program.
 - The university as a whole.

There are several reasons for imposing these conditions. The first is perhaps most apparent: students who are asked to pay more for a particular program should benefit from the resources which would otherwise not be available. The second and third reflect the fact that a university is a community in which common resources are shared, in most instances, to the benefit of all. Although synergies result from the pooling of these resources, time, energy, and funds are finite. Time and effort and space devoted to new premium programs will inevitably detract from time, effort, and space needed for existing programs. Therefore it is reasonable that some kind of demonstrable benefit accrue both to the unit involved and to the university as whole.

In addition, we believe that premium tuition programs should undergo a more frequent

schedule of evaluation and accountability. Our current practice is to subject all programs to an academic program review every seven years. Premium tuition programs should be evaluated every three years, in order to assure these conditions are met.

4.2.2. Premium tuition programs should be subject to triennial review of both their academic merits and the degree to which prospective benefits to students, the units concerned, and the university as a whole, are being delivered.

Finally, we believe that proposals for premium tuition programs should contain an exit or wind-up strategy which can be implemented if costs prove to be too high, benefits as stipulated insufficient, or the program itself proves to be inadequate or no longer needed. There are a number of reasons for this. First, any such program is likely to involve both start-up costs and a measure of risk to the university and the units that proposed such programs. Insistence on feasible exit strategies will minimize these risks.

4.2.3. Proposals for premium tuition programs should contain a clear exit strategy, enabling the university to end the program if costs prove to be too high or the program is unable to meet its expectations or is no longer needed.

The conditions which we have proposed are stricter than those applied to normal academic programs. We believe that these conditions are useful because they require those proposing premium tuition programs to demonstrate not only the need for the program and that the program cannot be mounted within existing resources, but also the ways in the program will benefit not only the students enrolled in it, but also the unit concerned and the university as a whole. Application of these tests will permit the introduction of premium fee programs where there is clear demand and no alternate means to mount the program, but at the same time preserve the principle that the overwhelming proportion of academic programs will be available to the overwhelming proportion of students at similar levels of cost.

4.3. Principles Related to Agency Funding

Agency funding occurs when an outside organization (e.g. a volunteer association or a government department, but also in certain circumstances, a private company) pays for the additional costs of the program, as defined in section 2.2. Instances in which students are accepted by normal means into already existing programs are of no consequence to the university. Instances in which an outside organization asks either that qualified students who would not otherwise have access to existing programs or that programs, existing or proposed, be offered to students to whom they would not otherwise be available are problematic. There are two instances in which the University is justified in recovering costs and in certain cases, additional fees beyond basic costs.

4.3.1. In instances in which an outside organization asks that an existing program be delivered to a group of students to whom it would not ordinarily be available – e.g. the Bachelor of Education by distance to University College of Cape Breton Students – the University should recover a) whatever incremental costs are involved in offering the program, and b) in keeping with 4.2. some additional revenues in light

of the likely diversion of some resources (e.g. time and space) from existing programs.

- 4.3.2. In instances in which University contracts with an outside organization to deliver new programs to groups of students whom it would not normally enroll, the University is justified in recovering the additional costs incurred from that organization.

In each instance, students enrolled in the program must meet normal admission and continuance requirements, and the programs themselves must be of intrinsic merit, as indicated in section 3 above. The question of whether cost-recovery or premium fees should be charged should depend on the nature of the organization making the request. Because we are a public university funded in large measure by the Province of Newfoundland and Labrador, there are reasons why charges levied for programs requested by the provincial government and its agencies might differ from those levied on outside agencies making similar requests.

5. Conclusion

The committee feels that programs charging premium and cost recovery fees represent a potential source of growth in certain schools and faculties. Such programs should, however, be the exception rather than the rule. Proposals should be evaluated on a case by case basis in accordance with the general principles outlined in Section 4 above to ensure that the prescribed benefits do indeed occur and that existing programs do not suffer as a result of their existence.

Recommendations

1. That Senate adopt the principles described in section 4.1, above, and use them in its consideration of new programs.
2. That Senate recommend premium tuition fees for academic programs **only** if there is a clear and demonstrable benefit accruing to the students in the program, the unit offering the program and the university as a whole (4.2.1.).
3. That premium tuition programs should be subject to triennial review of both their academic merits and the degree to which stated benefits to students, the units concerned, and the university as a whole, are being delivered (4.2.2).
4. That proposals for premium tuition programs should contain a clear exit strategy, enabling the university to end the program if costs prove to be too high or the program is unable to meet its expectations or is no longer needed (4.2.3).
5. That Senate recommends that the Board of Regents adopt these principles and use them in its evaluation of proposals for cost-recovery and premium tuition programs.

***MUNSU Response to
Cost-Recovery Courses and Programs***

January 19th, 2005

Undergraduate students believe that cost-recovery programs have, for the most part, no place in a public University. Cost recovery programs open the doors to myriad problems. Such problems include the growing privatization of campus and the ensuing constraints on academic integrity and freedom; the traditional low degree of accessibility to such overpriced programs, as well as the leeching effect that these programs may have on core programs: in the end the supposed “cost recovery” programs actually result in an overall loss and drain upon departments and the University.

Undergraduate students, however, draw a distinction between variations in the cost-recovery model. For example, there is the model whereby another publicly funded organization funds the tuition over and above the average amount paid by students in order for a program to exist. An example of this is the current RNC training program occurring this year. Undergraduate students believe that these programs may work as the monies used and the organizations involved are accountable to the people of the province and the country. However, even under such conditions, stringent guidelines should be put in place to ensure that the creation and maintenance of such programs meet strict tests of academic integrity, academic freedom, and fiscal health.

A strong case has been presented for the fact that premium tuition fees and other differential tuition fee structures should not be used as a method for ensuring funding for the university’s physical infrastructure or the overall funding for its academic departments.

Proponents of premium tuition fees rationalize that it is reasonable to base tuition fee structures on current market trends, chance of employment, and average salary upon graduation. It is the belief of undergraduate students that this reasoning would prove to be a major detriment to the students of Memorial as well as the Province of Newfoundland and Labrador.

This rationalization would prove harmful for many reasons. The primary concern is that it would perpetuate inequities based on access rates among differing family income brackets. These inequities occur on a wider scale when overall tuition fees rise, but this time they would start occurring at the departmental and School level. Rising tuition fees within the “professional” schools of Memorial will result in a barrier restricting students from lower socio-economic backgrounds from entering or pursuing studies as they will not be able to afford increased tuition. And even if loan ceilings were to rise to reflect increased fees – which is not necessarily a good thing, as it results in greater debt – the natural deterrent of high fees, or sticker shock as it is referred to, would still exist. This would prove to have a dramatic effect on the enrolment of students from low-income backgrounds. Use of premium deregulated tuition fees in Canada has already been proven to have this effect. For example, when tuition fees were deregulated for medical students in Ontario and were allowed to rise to “what the market could bear” there was a sudden and dramatic decrease in enrolment among students from low-income families by 50%. This would have major obvious implications for the people of Newfoundland and Labrador as well as the students it draws from abroad. Another major implication for the students and the people of this province would be the accelerated brain drain that will occur. For those who may have

been enrolled in premium tuition fee programs the massive student debt will force them to areas where they can best service it. University students in Newfoundland & Labrador already have both the highest incidence and highest amount of student loan debt in the entire country. We do not need to make what is already the worst case of student debt, even worse yet! Doing so would mean increased migration from rural Newfoundland to bigger centers and mass migration from Newfoundland and Labrador as a whole. As well, graduates' choices of employment would be severely disadvantaged due to the fact they would have to find a job that could service the debt brought on to them – a debt based on market-bearing projections. It is the position of undergraduate students that this will become a reality if students are forced to bear increases resulting from fees and programs based on market projections

Another concern of undergraduate students is that the use of premium tuition fees within the university is contradictory to the ideal of the academy. All students should have equal access to the program of choice here, at our public university. There should not be barriers put around certain studies just to make money. A person should have the right to enroll and learn in a discipline of their choice just like all other students and should not have this right taken away or otherwise restricted due to differential fees based on departments' profit motives. Within this same line, there is a cause for concern that this university may come to appear more like a poor-quality private “trade school” than a public institution of higher learning, and that premium tuition fees may set the stage for certain programs and departments to be perceived differentially as well – for example, as “high quality” and “low quality” programs.

Undergraduate students believe that the funding problem facing the University and its departments can not be solved through premium tuition fees. Current evidence from other universities in Canada shows that when tuition fees increase they act as a means to destabilize government funding (which, in every case, has been reduced at the same or greater rate as fees have been increased). This would mean that universities must continue to make up their funding shortfall on the backs of students while providing no increase in the overall quality of the University – the source of funding is merely transferred to students, not improved. It is the belief of undergraduate students that the University should join students in lobbying the government for funding increases as well as multi-year budgets so that its departments may have adequate time to plan and pinpoint possible fiscal problems. The university should in unambiguous terms communicate the needs of the University and its students and demand the increased funding come from the government, instead of concentrating on tuition fee schemes as the solution to the funding problem.