

# COMMISSION FOR HIGHER EDUCATION

Friday, February 10, 2012

## **DISCUSSION ITEM B-1: Pricing of Distance Education Programs: Issues Raised by Four Master's Degrees**

### **Staff Recommendation**

For information only.

### **Background**

At its December 2011 meeting, the Commission for Higher Education discussed a joint presentation made by Indiana, Purdue, and Ball State Universities on distance education, which included attention to the rationale for fees charged for distance education by these institutions. This item is a continuation of that discussion, with specific reference to four professional distance education master's programs, which are currently before the Commission, and the issues raised by a comparative analysis of the additional fees charged for these programs.

All four programs add distance education fees for Indiana residents, although the amount differs markedly (see attachment). Indiana State University applies the smallest distance education fee – \$17 per credit hour or five percent above the on-campus rate. IU Bloomington and IUPUI add fees of \$83 and \$129 for distance education, respectively, or 20 and 32 percent above what they charge on-campus students. Purdue University West Lafayette adds the highest distance education fees: \$696 per credit hour or 207 percent above on-campus levels.

While comparing distance education fees on a per credit hour basis is useful, from a student perspective, the full impact of university policy is only truly appreciated when the total, cumulative additional fees is calculated for all credit hours required to earn the degree (see below).

#### Total Additional Distance Education Fees Paid by Indiana Residents

ISU M.S. in Technology Management	\$ 612
IUB Master of Public Affairs	\$ 3,984
IUPUI Master of Social Work	\$ 7,740
Purdue M.S. in Computer Science	\$ 20,880

Also notable are the very different approaches taken toward the fees paid by non-resident students who take these programs via distance education. While Purdue West Lafayette charges these students \$116 per credit hour or 13 percent more than non-residents taking the program on campus, ISU and IUPUI give non-residents a discount

for taking the program via distance education: \$236 per credit hour or 34 percent and \$255 or 29 percent less than the on-campus rate, respectively. IU Bloomington charges the non-resident students the same rate, irrespective of whether they take the program on campus or through distance education. The table below summarizes the cumulative impact of these policies on non-resident students who complete these programs.

Total Additional Distance Education Fees Paid  
by Non-Residents

ISU M.S. in Technology Management	-\$	8,496
IUB Master of Public Affairs	\$	0
IUPUI Master of Social Work	-\$	15,300
Purdue M.S. in Computer Science	\$	3,480

Indiana University does not have a system-wide policy toward the pricing of distance education fees, which explains why the approaches taken by the Bloomington and IUPUI campuses differ so much: for Indiana residents, fees 20 and 32 percent above on-campus fees, respectively, and for non-residents, fees that differ from on-campus instruction by zero or -29 percent. The essence of IU's present approach toward pricing distance education programs, as well as the approach followed by Purdue University West Lafayette, was presented to the Commission at its December meeting (see attachment). Indiana State has a campus-wide policy of adding a \$50 fee to each course delivered via distance education.

This analysis raises a number of questions regarding distance education fees charged to residents and non-residents, including:

- What is the rationale for charging additional fees for residents, while in three of the four instances non-residents are charged no additional fee or are given a discount?
- Putting aside the question of whether any additional distance fees should be charged at all to residents, what is the rationale for the wide range of additional fees that are charged?

**Supporting Documents**

- (1) *Comparison of Fee Structures for Four Proposed Distance Education Master's Programs: Resident v. Non-Resident, On-Campus v. Distance Education*, February 1, 2012
- (2) *Costs and Pricing of Distance/Online Education Programs: A Joint Report from Indiana University, Purdue University, and Ball State University to the Indiana Commission for Higher Education*, December 9, 2011 (selected pages)

**Comparison of Fee Structures for Four Proposed Distance Education Master's Programs:  
Resident v. Non-Resident, On-Campus v. Distance Education**

February 1, 2012

	----- Fees -----	
	<u>Indiana Residents</u>	<u>Non- Residents</u>
<b><u>ISU M.S. in Technology Management (36 Credit Hours)</u></b>		
On-Campus Instruction per Credit Hour	\$ 353	\$ 694
Distance Education Instruction per Credit Hour*	\$ 370	\$ 458
Distance Education Premium or Discount per Credit Hour*	\$17	-\$236
Percent	5%	-34%
Cumulative Distance Education Premium or Discount for All 36 Credit Hours	\$612	-\$8,496
<b><u>IU Bloomington Master of Public Affairs (48 Credit Hours)</u></b>		
On-Campus Instruction per Credit Hour	\$ 415	\$ 902
Distance Education Instruction per Credit Hour	\$ 498	\$ 902
Distance Education Premium or Discount per Credit Hour	\$83	\$0
Percent	20%	0%
Cumulative Distance Education Premium or Discount for All 48 Credit Hours	\$3,984	\$0
<b><u>IUPUI Master of Social Work (60 Credit Hours)</u></b>		
On-Campus Instruction per Credit Hour	\$ 405	\$ 889
Distance Education Instruction per Credit Hour	\$ 534	\$ 634
Distance Education Premium or Discount per Credit Hour	\$129	-\$255
Percent	32%	-29%
Cumulative Distance Education Premium or Discount for All 60 Credit Hours	\$7,740	-\$15,300
<b><u>Purdue W. Lafayette M.S. in Computer Science (30 Credit Hours)</u></b>		
On-Campus Instruction per Credit Hour	\$ 336	\$ 916
Distance Education Instruction per Credit Hour	1,032	1,032
Distance Education Premium or Discount per Credit Hour	\$696	\$116
Percent	207%	13%
Cumulative Distance Education Premium or Discount for All 30 Credit Hours	\$20,880	\$3,480

\*The fee is actually \$50/course; for comparability, this as been expressed per credit hour

## COMPARATIVE PRICING MODELS FOR DISTANCE COURSES AND PROGRAMS

- Purdue-Eduventures (2010) study of Texas A&M, University of Wisconsin, University of Maryland, Indiana University, University of Illinois, University of Georgia, and Penn State University:
- Mixed results
  - Three institutions charged less for online than on-campus
  - Two charged more for online than on-campus
  - One charged the same
- IU (2011) study also found pricing policies at the reviewed institutions to be highly variable.

## PURDUE UNIVERSITY PRICING MODELS FOR DISTANCE COURSES AND PROGRAMS

- University standard rates are set to cover University costs and supplemented by state funding, research funding, gifts, and other revenue sources. Purdue has three pricing models.
- Full-time campus students pay standard Board of Trustee rates as part of their block tuition.
- Off-campus, non-degree students pay a treasurer-approved rate that is equivalent to the campus rate for state residents and one and a half times that for nonresidents. These programs are self supporting.
- Pricing for distance degree or certificates, for working professionals, is market-based, which is not below campus resident fees. These are also self supporting.

## INDIANA UNIVERSITY PRICING MODELS FOR DISTANCE COURSES AND PROGRAMS

- Pricing of distance courses and programs has not historically been based on a costing model.
- Distance education fee rates for resident students generally match the rates charged for the analogous on-campus program. This is not a University policy, but rather a reflection that as programs were started, the simplest logic to apply at the time was to use the same fee rates.
- For several distance education programs, nonresident fee rates are less than their on-campus analogs, but generally at least 40% greater than the resident rate, to maintain a meaningful distinction while recognizing market realities and competition.

## INDIANA UNIVERSITY CONTINUED

- Some offerings charge a separate distance education course fee (\$30-\$50) in addition to the tuition, reflecting a portion of the additional costs associated with developing and delivering the courses online.
- Some executive education and business programs have the same rates for residents and nonresidents.
- With the establishment of an Office of Online Education, in Spring 2011, IU will implement policy to guide the setting of distance education rates.