



Ashok K. Roy, Ph.D., CIA, CBA
Vice President for Finance & Administration/CFO
& Associate Professor of Business Administration
Phone: (907) 450-8028
Fax: (907) 450-8023
akroy@alaska.edu



UNIVERSITY
of ALASKA
Many Traditions One Alaska

TO: President Patrick Gamble 
FROM: Ashok Roy 
Date: March 13, 2013
Subject: UAF School of Management Proposal for Differential Tuition

Apropos the proposal dated March 12, 2013, for differential tuition for the School of Management at UAF, my comments are given below:

There is no doubt that Dean Herrmann makes a cogent and compelling case to favorably view the proposal. This is a trend at public universities. Differential tuition can take many forms:

- a) Vary tuition by residency, which UA already has in effect
- b) Vary tuition by major
- c) Vary tuition by program as all programs costs are not equal
- d) Vary tuition by class standing
- e) If classes are online
- f) Statewide systems often charge less for regional campuses than for the system flagship
- g) Undergraduate or graduate, which UA already has.

Students in lower-cost courses and majors already subsidize the more expensive programs and higher-level courses.

Almost 50% of public research universities have implemented differential tuition for at least one undergraduate major or program. I observed it first-hand at Indiana University (a Big Ten public research university) years ago when I was there.

Nationally, business and engineering programs have higher tuition because on average their graduates have higher salaries and job opportunities, and also they have higher costs for instruction as their faculty salaries are typically higher. For example, the University of Illinois (a Big Ten research university) had in 2010-11, \$13,658 for base undergraduate tuition versus \$18,386 for its engineering students; the University of

Pittsburgh charges \$2,600 more for its in-state nursing major than for in-state arts & sciences majors.

These differential pricing schemes, ideally, reflect differences in the market's "willingness to pay." Once the Differential is established, we need to be aware that across-the-board percentage increases can impact different populations very differently.

On the other hand, it can be argued that differential tuition is bad for price-sensitive students from lower-income households. But, differential tuition may be counter-balanced with financial aid.

Another interesting derivation of differential tuition comes from Florida. The recently released draft report from a Florida task force on higher education recommends a tuition structure that would favor students majoring in "strategic" areas (e.g., STEM fields) to entice students who otherwise might have pursued their passion for, say, literature, to instead choose skills like Java programming.