



TO: **Business Board**

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DATE: For meeting on April 27, 2009

AGENDA ITEM: 3

ITEM IDENTIFICATION

- **Faculty of Arts & Science proposal to implement a universal program fee.**

JURISDICTIONAL INFORMATION

The Business Board recommends matters related to tuition fees to Governing Council for approval.

OTHER ACTION TAKEN

The proposal was approved by the Arts & Science Faculty Council on April 6, 2009.

HIGHLIGHTS

The Faculty of Arts and Science, St. George, (FAS) is proposing to move to universally apply tuition on the basis of a flat program fee for all full-time students. The proposed change is described in the attached document, which was approved by the A&Sc Faculty Council with the amendments described below.

Currently, FAS assesses tuition fees on a per-course basis, with the exception of programs in Computer Science and Commerce. The attached document proposes that a program fee be applied to all full-time students, that is, to students who take 3.0 full-time course equivalents (FCEs) or more per year, starting in Fall, 2009. The program fee will represent tuition for up to 6 courses per year. A grand-parenting provision will apply to current in-program students, who will continue to be charged on a per-course fee basis until they graduate.

The amended motion approved by Arts & Science Faculty Council proposes that for the first two years, 2009-10 and 2010-11, the program fee will apply to affected students with a course load of 4.0, 5.0 or 6.0 full-course equivalents (FCEs). Beginning in September 2011 all students who entered the University in September 2009 or later who are taking 3.0 to 6.0 FCEs will be charged on a program fee basis. Grand parenting for students who are currently in-program will end in 2013/14. That is, in 2014/15 and beyond, all A&Sc students on the St. George campus taking 3.0 to 6.0 FCEs will be charged a program fee.

The introduction of a program fee fits well with the Faculty's curriculum renewal initiative, which shifts the students' focus from individual courses to a complete program, with new

breadth and depth components. It also encourages students to take more courses each year, and thus to complete their program in a more timely manner. Any additional revenue arising from government grants and tuition fees because of the shift to the program fee approach will be used to strengthen the learning experience of students in the Faculty.

The proposed program fee will be implemented initially on the St. George campus, providing time for UTM and UTSC to examine the implications of this approach to their students and their programs.

FINANCIAL AND/OR PLANNING IMPLICATIONS

The introduction of a program fee is likely to encourage many students who are currently taking 3 or 4 courses to increase the number of courses they take per year, resulting in a higher student FTE count. Once the proposal is fully phased in and reaches steady state the increase in the FTE count is projected to be in the range 854 to 1683. This means that the program fee approach will lead to additional tuition revenue and an increase in the government grant. Depending on the degree of course intensification and the associated expenses, the incremental net revenue to the Faculty is projected to be in the range \$8.9M to \$14.7M. The proposal includes additional funds for financial aid to ensure the University continues to meet both its own student aid policy as well as the Provincial access guarantee.

RECOMMENDATION

Be it Recommended

Subject to the understanding that there will be regular review and scrutiny of the model, with regular reporting to Arts and Science Council and with adjustments as required,

THAT the proposal to charge tuition fees for full-time Arts and Science students on the St. George Campus on the basis of a program fee instead of a per-course fee be approved.

Report on A&S Program Fee

Proposed Change: The Faculty of A&S (St. George) will move to apply tuition through a full-time program fee. Currently, FAS assesses tuition on a per-course fee basis with the exception of programs in computer science and commerce which are already charged a program fee. The program fee will be applied to all full-time students (3.0 FCE and greater) starting in Fall, 2009, and will be set at a value equivalent to five times the per-course fee; students taking more than 5 FCE and not more than 6 FCE will be charged no additional fee. Current in-program students will continue to be charged on a per-course fee basis until they graduate (up to a period of five years). This change will apply to incoming students who first register in the Faculty in September, 2009.

Executive Summary

Tuition is charged on the basis of fees per course or per full-time study. The most common means of tuition application at Ontario Universities is via a program fee. This is also true at UofT where the three A&S divisions are the only ones charging tuition on our per-course basis, with the exception of the Commerce, Computer Science and Bioinformatics programs, for which tuition is assessed as a flat program fee. A full-time program of study is expected to encompass 5 full course equivalents (5 FCE) annually for 4 years of study to yield the required 20 FCE. Full-time study is defined as 3.0 or greater FCE at UofT and part-time is 2.5 FCE or less. For those full-time students currently charged on a per-course basis in FAS, the average enrolment is 4.5 FCE.

A Program Fee Working Group explored the academic and financial implications of moving from a per-course tuition fee structure, currently in place, to an undergraduate program fee structure. This effort involved modeling various scenarios regarding a program fee and how it might influence the number of FCEs students take (potential for intensification or a move to part-time studies), the overall financial implications of tuition and government grants, the role of student aid, and implications to academic programs. Program fees would yield course intensification by students maximizing the value of their program fee with the net effect being more FCEs taught by FAS per academic year (best estimate ~10% increase). The efficiency gains of using our buildings and infrastructure to greater capacity would be significant. It was discussed that intensification may result in some students reducing participation in extracurricular activities though there is no evidence, from any of the other UofT divisions with a program fee or from other institutions, to substantiate this.

Overall financial analysis indicated that a move to a program fee would yield significant financial resources for investment into the teaching mission of FAS. At full implementation, assuming 0.5 FCE intensification of course load, the models project FAS would annually receive an additional \$10M in base funding. The increase in revenue would provide over \$1.5M for student aid, and sufficient funds to hire an additional 17 faculty and 6 staff. A program fee will increase the net government grant per student, because of the increase in BIUs per FTE. Effectively, the change will help maximize the per student grant and tuition. For students, there is a financial benefit in finishing their program in four years, as they would thereby avoiding the living costs, and lost income, from a fifth year of study.

Academic benefits include more direct alignment with FAS programs that are universally designed for four years of study. The move to a program fee is consistent with recent changes in FAS, resulting from the intense curriculum renewal effort, to better capture how students could meet specific degree objectives and breadth requirements. Substantial academic benefit will accrue to students through the significant financial resources that will be generated. FAS will be able to increase the faculty:student ratio and invest substantial funds into directed efforts to improve student learning and opportunities. The \$10M figure noted above is currently more than FAS spends annually on TAs and five times the total budget for curriculum renewal improvements. In contrast, without a program fee, the current budget situation in FAS would require significant and sustained budget cuts that will severely impact our current delivery of learning.

A Program Fee Implementation Committee (PFIC) was tasked with deciding how a program fee would be realized for FAS; membership included representatives from arts and science faculties across the three campuses, the ASSU president, and members from Planning and Budget, Government and Institutional Relations, Communications, and the University Registrar. This group agreed the program fee should be applied consistent with how tuition is assessed in the other UofT divisions and that the full-time definition of study (3.0 FCE and greater) should be the 'trigger level' for assessing the program fee; students taking 2.5 or fewer FCE would be part-time and their fees would continue on a per-course basis. For students taking more than 5 FCE, up to and including 6 FCE, no additional fee would be charged; permission would be required to take more than 6 FCE and charges would be on a per-course basis for the additional courses beyond 6 FCE. The only statutory exceptions from the program fee mechanism would be students registered with accessibility services. All other extraordinary or compelling personal circumstances will be addressed through the financial aid and academic advising services of college registrars, who currently administer exceptional financial aid for the Faculty's students. The move to a program fee in 2009 will be for FAS only in order to provide additional time for UTSc and UTM to study the implications of the proposal for their programs. FAS has been considering this move for a number of years, intensively for the last year, and is fully ready to implement the administrative move to the program fee for Fall, 2009.

Reports of the Program Fee Working and Implementation Groups were presented to the Budget Strategy Subcommittee, the budget committee, and to the chairs, principals, and academic directors (CPAD) in FAS. Feedback and direction from these groups and others in University leadership, which included consultation with Ministry of Training, Colleges and Universities (MTCU), was incorporated into the proposed administrative changes to how A&S will assess tuition. Meetings are ongoing between the Dean, PFIC members and student leaders and groups, CPAD's academic leadership, undergrad coordinators and administrators in FAS to broadly inform and discuss the program fee. Formal governance approvals include the FAS Faculty Council, Business Board, and Governing Council.

In summary, converting to a program fee is an administrative change to how tuition is assessed and is not a change in the tuition rate itself. Overall, a program fee will provide FAS with expanded strategic options with which to address its challenges around student learning and engagement.

Context of Current Tuition Fee Assessment in Ontario & UofT

Tuition fees at Ontario universities are applied in one of two ways: on a program basis or on a per-course fee basis. Of the twenty universities in Ontario, ten universities apply a program fee across all undergraduate programs, four universities apply a per-course fee across all undergraduate programs and six universities apply a combination -- program fees are applied for some programs while per-course fees are applied for other programs. (MTCU collected this data primarily from institutional websites.) Brock University converted to a program fee in the summer of 2007. The definition of what constitutes the threshold or "trigger point" for applying program fees at other Ontario universities varies across the province from 3.0 to 4.0 full course equivalents (FCEs).

The University of Toronto is one of the universities with a mix of program and per-course tuition fees with all divisions applying a full-time program fee except the three Arts & Science divisions: St. George, UTM and UTSC. At UofT the basic expectation is that students will complete a 20 credit degree in four years of study during the fall and winter terms. Full-time status is defined on the three Arts & Science campuses as a load of 3 FCE or greater. The fee structure permitted by the Province is expressed in terms of a 5.0 load, and we divide the allowed tuition fee by 5 to produce our per-course schedule of fees. Tuition in Arts & Science at all three campuses is currently assessed on a per-course basis for both part and full-time students, with the exception of Commerce, Computer Science and Bioinformatics, which apply program fees that start in year two, for students taking a course load of 3.0 or more. In short, the structure of per-course fees applied to the majority of students in Arts & Science is unique within UofT and is atypical among Ontario universities.

Why Change?

Changing from a per-course to a program fee has beneficial financial and academic implications for students and the FAS.

Students will benefit from additional resources targeted at the learning experience and financially from an incentive to complete their degrees and enter the workforce more quickly. In addition, the program fee explicitly provides for no additional fees to be charged for students taking 0.5 or 1 FCE over the normal 5 FCE full-time load. Some students will choose to move from full-time study to part-time (2.5 FCE or less) where tuition will continue to be assessed as a per-course fee, and some might move to 6.0 to accelerate their graduation.

A&S will see increased revenues through a full realization of 5 FCEs of tuition and additional grant revenue via expected FCE intensification. Enrolment-based operating grants provided by the Ontario Government are based on the total number of FCEs students take. The current situation is that A&S captures less government grant than it could since the average student overall takes fewer than the full 5 FCE.

The question of what financial benefit would accrue to FAS with the move to a program fee depends on a range of assumptions. To facilitate a comparison with the existing tuition fee structure, the working group modeled several scenarios.

Modeled Scenarios

Consistency with our definition of full-time would suggest applying the program fee at 3.0 FCEs (or full course equivalents – FCEs); the current program fee for Commerce, Computer Science and Bioinformatics is applied to students with 3.0 or more FCEs. In other words, students taking 3 or more course in the Fall/Winter session would pay the program fee, which is equivalent to the fee charged for 5 courses. The following assumptions were consistent across all scenarios:

- students below the 3.0 FCE threshold are assumed to pay the existing per-course fee
- students taking 5 or 6 courses would not pay an additional fee
- students enrolled in summer courses are assumed to pay the existing per-course fee.

Student behavior patterns resulting from the change to a program fee were considered. If students are charged a program fee equivalent to the total per-course fee for 5 FCEs, students taking fewer than 5 courses may be financially motivated to take a higher course load, as they would perceive this to be better value for their money. For example, a student taking 4 courses who is charged a program fee at the 5-course level may decide to take one more half or full course. This report refers to this behavior pattern as “course intensification”. If it occurs, the number of individual students would not increase, but that number of students would take more courses, resulting in additional student FTEs. Government grants for domestic students are calculated based on student FTEs (and BIUs); therefore an increase in FTEs will mean additional grant revenue.

It should be noted that the projections of additional grant revenue assume the Ministry will fully fund additional enrolment growth; some risk underlies this assumption, particularly given the current economic downturn.

The two scenarios appended to our report model two degrees of intensification. In Scenarios 1A and 1B, students who are now taking fewer than 5 FCE would take an additional full credit. In Scenarios 2A and 2B students taking fewer than the full 5 courses would take an additional half credit. The “A” models assume A&S hires additional faculty and staff in concert with intensification while “B” models the case of no additional FTE hires. Appendix B provides a summary of the distribution of students by FCE for 2007-08 and the potential impact on the distribution resulting from course intensification.

Third, assumptions were made about the impact of a program fee on expenses to the Faculty. An increase in tuition revenue would require an increase in funds available for student aid to ensure that the University continues to meet its policy on student support: “No student offered admission to a program at the University of Toronto should be unable to enter or complete the program due to lack of financial means.” In addition, a move to a program fee will drive an increase in university-wide costs resulting from the university’s budget model as well as increased divisional costs. A key driver in considering increased costs is the additional student FTEs resulting from course intensification. If, on average students are taking more courses, then there will be an additional need for space, faculty, staff and other supporting services. All scenarios were modeled assuming a portion of incremental revenue is allocated to student aid, university-wide costs

and divisional costs. Our models specifically incorporate one significant resource assumption - additional faculty and staff - and modeled this under two different scenarios: assuming that the current level of faculty and staff would absorb the additional student FTEs (Appendix A, 1B and 2B) and assuming additional faculty and staff would be hired to support the increase in student FTEs (Appendix A, 1A and 2A).

Finally, it should be noted that all models assume that during the transition phase, continuing students would remain within the current tuition structure; the period of being “grandparented” would end after five years. All models also assume a small reduction in revenue (3%) to reflect the possibility that some students at or above the threshold level will not “intensify” but rather will drop to a lower FCE level. In addition, all models also assume a small reduction in revenue (3%) to reflect the possibility that if students do “intensify” in the Fall/Winter session there could be a negative impact on summer enrolment.

Models were also run for the trigger point being set at 4.0 FCE, which would result in lower revenue projections, challenges with respect to having a program fee set at a different level than the definition of full-time study, inconsistencies with OSAP regulations, and inconsistency with how the rest of UofT applies a program fee. The PFIC decided these challenges precluded our moving forward with the proposal under this scenario.

Projected Financial Outcome

The financial implications of moving from a per-course to program fee basis of charging tuition are substantial. A program fee will yield both additional tuition revenue and an increase in the government grant, with the net amounts dependent on input assumptions. Setting the program fee at 3 FCE and above, depending on the degree of course intensification and additional expenses, incremental net revenue ranges from \$8.9M to \$14.7M. The large range is first a function of the assumptions about increased course load and increased student FTEs (854 to 1683), resulting in a range in new government grant revenue, and secondly a function of the assumptions on new faculty hires (0 to 34). In all cases an additional \$1.5M is set aside for student aid, at least \$2.6M for university-wide expenses and at least \$1M for general FAS expenditures to handle student needs and the intensification.

Financial Conclusions

Implementing a program fee structure would result in significant new revenue available for expenditure in our undergraduate teaching program. While a greater proportion of new revenue is derived from higher tuition fee revenue, a large portion results from FAS providing more FCEs in a given year and therefore increased overall efficiency. In addition, a larger government grant should result.

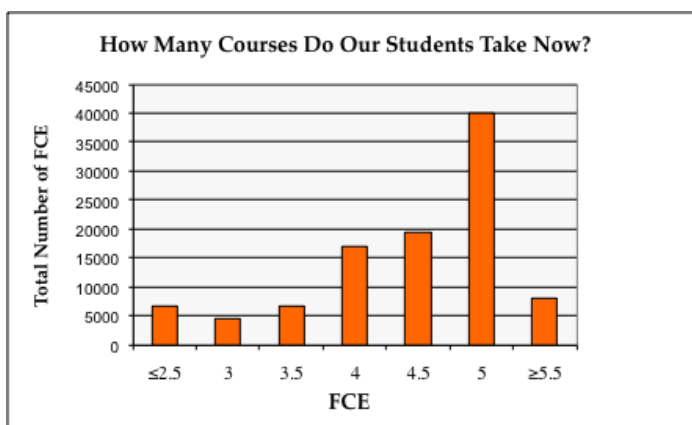
It should be noted that for domestic students with financial need, tuition fees are fully covered by government and/or University student aid. The possible increase in tuition would therefore not itself create a compulsion for students to increase their course load. Both they and their more affluent peers, however, would be wiser – at least from a financial point of view -- to plan their academic programs to minimize their time-to-degree in order to reduce other in-school living costs and maximize their years of employment.

An additional financial benefit for some students would be an exchange of a fifth year of expenses (tuition fees) for a year of revenue (salary) through completion of their studies in four years rather than five years. Of course the relevant additional “year of revenue” from salary would be substantial as it would come in the final year of employment, ahead of retirement, rather than from the initial year of employment after graduation.

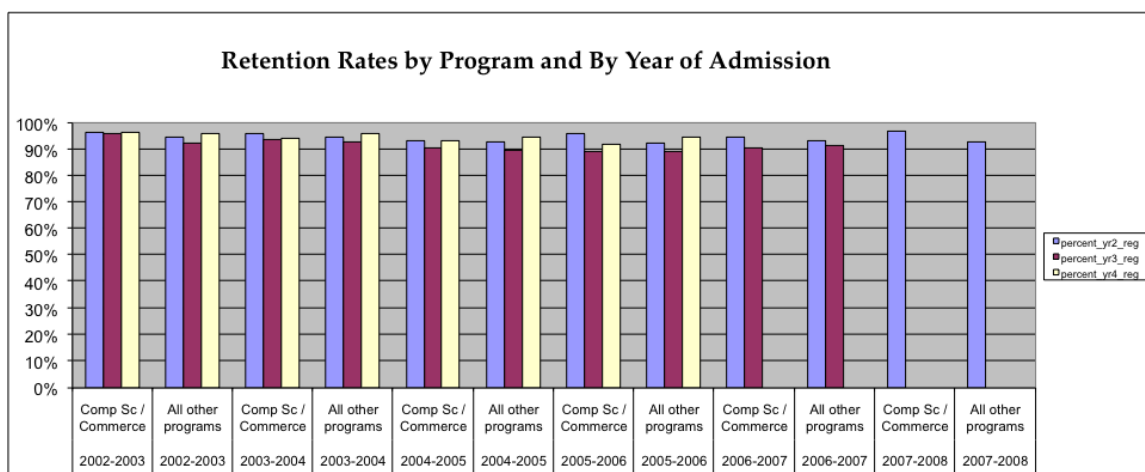
The University of Toronto’s *Towards 2030 Framework* calls for a slight reduction in undergraduate enrolment at the St. George campus. If program fees result in course intensification and additional grant revenue, this would enable FAS to move in future years towards a reduction in student headcount without the full impact of lost revenue.

Academic Implications

For full-time FAS students paying a per-course tuition fee, the current average annual course load is 4.5 FCE; the current distribution of students is highlighted in the figure to the right. We expect this average to rise and note that the two main areas of study with program fees in Arts & Science, Computer Science and Commerce, currently



have averages of 4.6 and 4.9 FCE respectively, higher than the average among those currently charged per-course fees. The figure below indicates no discernable difference for student retention between those FAS students currently paying a per-course fee and those in Commerce and Computer Science paying a program fee. The data suggest little potential for significant attrition arising from a switch to a program fee. The fact that most Ontario universities use a program fee would also lead one to conclude that it does not seriously affect attrition.



Any intensification in overall course load could be imagined to have implications with respect to other non-academic or extracurricular issues, e.g. student time available for non-course activities including clubs, sports, employment, and related activities, or adversely affecting the overall student experience. The committee is

not aware of any particular problems experienced by the other ten Ontario universities, or by other University of Toronto divisions, that currently have a program fee. Indeed, given our performance on measures of student engagement, one might suggest course intensification would have little to no impact or perhaps even have modest benefits. It is noteworthy that the two Ontario universities that received top scores on “overall student satisfaction” in the recently-published Globe and Mail Report Card, Guelph and Western, charge program-based fees.

With respect to the impact of course load intensification on academic performance, “some evidence suggests that a student’s quality of effort or level of involvement in college has a significant and positive influence on various dimensions of general cognitive development.”¹

The Program Fee Working Group explored what might be the potential for performance problems if average course loads increased somewhat. This is very difficult to estimate; there could be some strains on less strong students if they attempted an unwisely large course load, and this could increase the need for advising and more resources might have to be directed toward this.

If a program fee does result in students moving through their studies more rapidly due to more intense enrolment, the Faculty will be presented with a choice as to how to respond in the longer term. That is, FAS could either increase the intake at the entry level to maintain the size of the student body, or FAS could maintain the intake at current levels and use the opportunity to reduce the overall number of students. That is, FAS could have a greater number of students taking a more intense course load and so generating more tuition and grant revenue to improve the educational experience. Alternatively FAS could have fewer students taking a more intense course load, reducing the strain on the services and divisional costs thus improving the educational experience overall. How FAS decides to respond to the choice would determine what resources were available and where the Faculty might deploy those resources to address needs, but both choices could result in an improved student educational experience.

Course intensification has the potential of impacting space needs broadly across FAS through the need for additional courses or course sections. The degree to which the additional student FTEs (range of 600 to 1700) would be accommodated in existing course/sections is difficult to predict since we do not know how intensification will vary across disciplines. In areas where capacity exists, the physical sciences for instance, little to no impact is expected. Alternatively, this could yield demonstrable strain in some areas of current course delivery such as the Social Sciences and Humanities. The issue of space would need to be carefully managed by FAS to ensure no diminution of student access and classroom environment. The enhanced financial resources generated by the program fee would provide the means to target resources to address the space challenges as they arise.

¹ Ernest T. Pascarella and Patrick T. Terenzini, How College Affects Students: Findings and Insights from Twenty Years of Research (San Francisco, Oxford: Jossey-Bass Publishers, 1991) 147.

Appendix A Financial Scenarios

	Scenario: Program Fee Threshold of 3.0 FCE			
	1A	1B	2A	2B
	1.0 FCE increase in course load, additional faculty and staff complement	1.0 FCE increase in course load, NO additional faculty/staff complement	0.5 FCE increase in course load, additional faculty and staff complement	0.5 FCE increase in course load, NO additional faculty/staff complement
Projected Incremental Net Revenue by 2013-14				
<i>Incremental staff and students</i>				
Faculty FTE	34	-	17	-
Admin. FTE	11	-	6	-
Student FTE	1,683	1,683	854	854
Revenue				
Government Grant	\$ 7,704,025	\$ 7,704,025	\$ 3,916,003	\$ 3,916,003
Tuition Fee	15,463,141	15,463,141	15,463,141	15,463,141
Subtotal	23,167,166	23,167,166	19,379,144	19,379,144
Discount: impact on PT and summer	(1,390,030)	(1,390,030)	(1,162,749)	(1,162,749)
Gross Revenue	21,777,136	21,777,136	18,216,396	18,216,396
Deductions				
Student Aid	1,546,314	1,546,314	1,546,314	1,546,314
University-wide costs	4,739,086	4,384,596	2,812,975	2,633,121
Divisional costs	6,599,115	1,158,358	3,729,383	968,957
Total deductions	12,884,515	7,089,268	8,088,672	5,148,392
Incremental Net Revenue	\$ 8,892,621	\$ 14,687,868	\$ 10,127,724	\$ 13,068,004
Incr. net revenue as % of FAG 2008-09 net oper. budget	4.2%	7.0%	4.8%	6.2%

Appendix B Enrolment Scenarios

ANALYSIS OF PROGRAM FEE OPTIONS USING 2007-08 ENROLMENT AND TUITION DATA Excluding Retained Fees and Minimum Charges		THIS ANALYSIS TAKES THE FALL 2007 POPULATION AND THEN COMBINES THE ACTUAL FALL & WINTER FTEs TAKEN THIS ANALYSIS EXCLUDES 980 STUDENTS WHO ONLY TOOK COURSES IN THE WINTER SESSION										
No. Courses	CURRENT SITUATION				0.5 FCE SHIFT				1.0 FCE SHIFT			
	HEADCOUNTS		FTEs		HEADCOUNTS		FTEs		HEADCOUNTS		FTEs	
	Current	%	Current	%	Current	%	Current	%	Current	%	Current	%
	Enrolment	HC	Enrolment	F/W FTEs for Fall popn.	Enrolment	HC	Enrolment	F/W FTEs for Fall popn.	Enrolment	HC	Enrolment	F/W FTEs for Fall popn.
< 3.0	4,276	16.6%	1,340.1	6.5%	4,786	18.5%	1,595.1	7.3%	4,786	18.5%	1,595.1	7.1%
3.00	1,546	6.0%	927.6	4.5%	0	0.0%	0.0	0.0%	0	0.0%	0.0	0.0%
3.25	3	0.0%	2.0	0.0%	0	0.0%	0.0	0.0%	0	0.0%	0.0	0.0%
3.50	1,914	7.4%	1,339.8	6.5%	1,038	4.0%	725.2	3.3%	0	0.0%	0.0	0.0%
3.75	4	0.0%	3.0	0.0%	3	0.0%	2.3	0.0%	0	0.0%	0.0	0.0%
4.00	4,264	16.5%	3,411.2	16.6%	1,914	7.4%	1,531.2	7.0%	1,036	4.0%	828.8	3.7%
4.25	6	0.0%	5.1	0.0%	4	0.0%	3.4	0.0%	3	0.0%	2.6	0.0%
4.50	4,331	16.0%	3,897.9	18.9%	4,264	16.5%	3,837.6	17.6%	1,914	7.4%	1,722.6	7.6%
4.75	5	0.0%	4.8	0.0%	6	0.0%	5.7	0.0%	4	0.0%	3.8	0.0%
5.00	8,002	31.0%	8,002.0	38.8%	11,538	44.7%	11,537.8	52.9%	15,808	61.2%	15,807.8	69.9%
> 5.0 to 6.0	1,410	5.5%	1,593.0	7.7%	2,189	8.5%	2,452.8	11.2%	2,140	8.3%	2,473.6	10.9%
> 6.0	64	0.2%	85.0	0.4%	85	0.3%	112.4	0.5%	134	0.5%	178.8	0.8%
	25,825	100.0%	20,611.4	100.0%	25,825	100.0%	21,803.5	100.0%	25,825	100.0%	22,613.0	100.0%
Avg. Course Load - FT			4.47				4.80				4.99	
Avg. Course Load - PT			1.57				1.67				1.67	
Avg. Course Load - Overall			3.99				4.22				4.38	