Policy: Online Distance Education Revenue and Cost Management
March 12, 2011

Introduction

It is the goal of the College of Agriculture and Life Sciences (CALS) to build a nationally and internationally recognized on-line distance education (DE) program. To support departmental efforts to invest in online DE the college will return a significant portion of the revenues to participating departments. Since July 1, 2010, DE revenues have been accounted for within the RMM. Given our goal for online DE and given the change in the way DE revenues are now being handled, CALS, in consultation with Chairs, has developed a new policy on managing DE revenues and costs.

At the University Level

When a student takes an on-line DE course from ISU they pay tuition and fees to ISU. These funds are then subject to two categories of deductions by ISU prior to distribution to colleges.

1) Bad Debt: ISU deducts an amount from the gross assessed tuition to account for tuition that is not expected to be collected during the fiscal year: Undergraduate is 1% and Graduate is 0.5%.

2) Tuition Set Aside: The Board of Regents requires each institution to set aside a minimum of 15% of the tuition paid by all students to be distributed in the form of financial aid. ISU has established an undergraduate tuition set aside rate of 23.5%.

At the College Level

Revenues
Currently, the college receives:
$ 270.79 per undergrad SCH (Average Net Revenue before Allocated Costs)
$ 618.03 per graduate SCH (Average Net Revenue before Allocated Costs)

Tuition revenue generated from online DE course sections (XA, XB, XW) will be distributed by the university to the college in the same manner as the revenues from on-campus course sections. The college will be given the average tuition revenue per SCH at the end of each term. This $/SCH rate and the DE SCH data will be used in calculating how much tuition revenue will be distributed to departments. (Exceptions are GP*IDEA / AG*IDEA online DE course sections [XF, XG, XH] and online DE programs charging differential tuition because the revenues are handled outside of the RMM).

The college will utilize the following rates/SCH for revenue distribution for true online DE students enrolled in XA, XB, and XW course sections. The duration of this plan is two years (FY11 and FY12) and it will be reviewed annually to make adjustments if needed. Feedback is welcome at any time.

CALS Graduate Online Distance Degree Programs (core/required courses in dept.) $325/SCH
CALS Graduate Online Distance Certificate Programs (core/required courses in dept.) $225/SCH
CALS Graduate Online Distance Individual Courses (excluding 590/599/699) $175/SCH
CALS Undergrad Online Distance Certificate Programs (core/required courses in dept.) $125/SCH
CALS Undergraduate Online Distance Individual Courses $100/SCH
The rationale for distributing different amounts of revenue includes:

1) Graduate online DE courses generate more revenue so the amount returned to departments will be higher.

2) Complete degree programs and certificates generate more revenue so the amount returned to departments will be higher. They also require more investment than single online courses, they are easier to market, they attract a greater number of students each semester, and courses in the program/certificate are less likely to be cancelled.

Remaining revenue and the college delivery fee will be retained by the college to help to defray existing allocated costs charged to the college on every DE student whether they are enrolled part-time or full-time, and some central common services. The college is currently charged:  
$1,469.37 (allocated cost per undergraduate student, full or part-time, per year)  
$2,358.16 (allocated cost per graduate student, full or part-time, per year)

Costs
Costs of offering a course are expected to be borne by the department offering the course, including materials related to the mechanics of teaching the course, such as course outlines, syllabi, exams, and similar handouts, and the purchase and replacement costs of instructional equipment with a typically expected usable life of more than five years. The department is also expected to bear the costs of staffing courses, including personnel employed to aid in the course such as teaching assistants and guest speakers. Exceptions to this basic principle arise when there are unusual and/or extraordinary costs associated with offering a course. Departments may add delivery fees to recover unusual and/or extraordinary costs, but must follow the current University Delivery Fee Policy. Department delivery fees must be approved by the college and the college will maintain a written copy of all departmental delivery fees.

At the Department Level

Taking into account the additional time and effort required to develop and offer DE courses and being mindful of the need to sustain faculty involvement in DE, departments are asked to establish a Principal Instructor incentive account for those CALS faculty who are engaged in DE and who meet specific criteria established at the department level. For example, departments may elect to make this incentive fund available only to instructors who are already teaching near or at their budgeted teaching appointment. In order for this fund to be in line with the Principal Investigator funds the dean’s office recommends that the Primary Instructor incentive accounts be funded with no less than 15% of the net tuition revenues returned to departments. Delivery fees charged by departments will not be part of the calculation of the Primary Instructor incentive. The Brenton Center and the CALS Budget and Finance Office will consult with departments and assist them in establishing new accounts for distance education revenue.

The college will continue to cover the allocated expense costs for online DE students. Allocated costs are expected to rise. If tuition revenues do not keep pace with allocated cost increases an adjustment on revenue distribution will be required.

Departments needing to adjust their DE programs to make them more attractive financially should meet with Gaylan Scofield for suggestions. Adjustments could include increases in Delivery Fees, through adoption of a differential tuition pricing structure, through marketing to increase SCH, and through the development of graduate certificates and degree programs.