

January 15, 2014

MEMORANDUM

TO: State Board of Regents

FROM: David L. Buhler

SUBJECT: University of Utah - MBA Online Program Tuition 2014-15

Background

Beginning fall 2014, the University of Utah will offer its nationally recognized Professional MBA program completely online. The online format will include the same program and course requirements as the traditional on-campus Professional MBA program, hereafter referred to as the "MBA Online Program." The current total program tuition and fees based on 2013-14 rates (48 credit hours over 6 semesters), is \$50,400, with a projected 2014-15 amount of \$55,200, or \$9,450 per semester in the Fall and Spring, and \$6,300 per semester in the summer. This is comparable to the University of Utah's non-resident tuition and fees for a general graduate program (\$9,705 per semester). The higher non-resident tuition rate is not charged during summer semesters.

Issue

This proposal is to request that all students enrolled pay the same tuition rate regardless of residency status, which requires an exception to Regent policy R510-4.1 "...Alternative tuition schedules for on-line courses may be authorized by the Regents on a case by case basis." The generally understood purpose of non-resident tuition is to cover the full cost of attendance—without a state taxpayer subsidy—and it is the University's position that the amount of tuition proposed covers the full cost of this program, this seems appropriate. A quick survey of institutions by the Commissioner's Office finds a variety of practices regarding non-resident tuition for fully on-line programs.

By allowing the same tuition rates for both resident and non-resident students, the MBA Online Program can be priced below similar programs offered by peers, and maintain marketplace with competitors. The projected participation of new in-state and out-of-state professionals looking for a flexible online format, will assist with current enrollment declines, and provide additional revenue for faculty and program support. This proposal was approved on December 10, 2013 by the University of Utah Board of Trustees for recommendation to the Board of Regents.

Traditionally, new tuition schedules are presented for approval during the March Regents' meeting after the conclusion of the Legislative session. Considering the urgency of the MBA program's marketing campaign, the request is presented at this time.

Commissioner's Recommendation

The Commissioner recommends the Regents approve the University of Utah Professional MBA Online program request, to set the same tuition rate for both residents and non-residents beginning fall 2014. The Commissioner further recommends that the Board direct the Commissioner's Office to undertake a thorough study of on-line tuition, including for Utah resident and non-resident students, and provide a report to the Board including any recommended policy changes.

David L. Buhler
Commissioner of Higher Education

DLB/GLS/BLS
Attachment

Institution Submitting Request: University of Utah
Currently Approved Title: Professional MBA (MBA Online)
School or Division or Location: David Eccles School of Business
Department(s) or Area(s) Location: Executive Education
Current Classification of Instructional Programs (CIP) Code (for existing programs): 52.0201
Institutional Board of Trustees' Approval Date: 12/10/2013

Chief Academic Officer (or Designee) Signature:

I certify that all required institutional approvals have been obtained prior to the submitting this request to the Office of the Commissioner.



Signature

January 10, 2014

Date

Ruth Watkins

Printed Name

University of Utah
Masters of Business Administration-Professional MBA (MBA Online)
12/09/2013

Section I: Request

An online format of the current Professional MBA program will be launched in fall 2014. It is proposed that all students enrolled in the online program will pay the same tuition rate, regardless of residency status.

Section II: Need

In the 2013 edition of *Bloomberg Businessweek's* MBA rankings, both the Executive MBA and Professional MBA programs at the David Eccles School of Business were recognized as top 40 MBA programs in their respective categories. Beginning in fall 2014, the University of Utah's David Eccles School of Business will launch an online format of its Professional MBA program, hereafter referred to as the MBA Online program. The MBA online will be complementary to the existing two offerings by allowing the University of Utah to offer a high-quality MBA program to a wider audience.

The current lack of an online MBA option has already had a negative impact on the University of Utah's MBA programs. Recently, there has been increased competition from out-of-state schools, such as Arizona State University and Northeastern University, attracting in-state Utah professionals looking for a flexible, online MBA format. Over the last several years, the University of Utah has experienced a decrease in part-time and full-time MBA enrollment due to this lack of an online MBA offering.

As mentioned previously, the MBA Online is the same program as the existing Professional MBA, except it is offered entirely online. The MBA Online format will contain the same course requirements, credit hours, and tuition and fees, including Graduate Tuition & Mandatory Fees, Business Differential Charge per Credit Hour, Program Fee per Credit Hour, and Program Fee Tier II, as our traditional, on-campus Professional MBA program. This pricing puts the MBA Online in line with other competitor programs.

Table I
2013-14 Online MBA Competitor Tuition

<u>Institution</u>	<u>Online MBA Tuition</u>
University of Texas-Dallas	\$42,240
University of Utah	\$50,400
Arizona State University	\$54,600
University of Indiana	\$58,395
Penn State University	\$59,312
Northeastern University	\$69,250
Thunderbird	\$69,800
University of North Carolina	\$93,500

With the annual rise in tuition around 7%-12% it is anticipated that starting tuition for the MBA online program will be around \$55,200. This will still put the University of Utah program well below many peer programs. Future increases will be expected, based on program costs and market conditions.

With the online expansion of this program into other states, it is anticipated that there will be a significantly larger percentage of non-resident students enrolled in the MBA Online. Traditional, on-campus resident and non-resident students put the same demands on University facilities, parking, state roads, and resources. However, online students participate in the program from home or other places of convenience which does not have the same impact on University and state resources. The current University of Utah non-resident tuition schedule would dictate that these non-resident MBA Online students would pay a total tuition and fees rate of nearly \$40,000 more than a resident student.

Table II
Current Resident vs. Non-Resident MBA Online Rate
Based on 2013-2014 Tuition and Fee Rates

Credits	Resident Tuition & Fees	Non-Resident Tuition & Fees
9	\$9,450	\$18,900
9	\$9,450	\$18,900
6	\$6,300	\$6,480
9	\$9,450	\$18,900
9	\$9,450	\$18,900
6	\$6,300	\$6,480
Total	\$50,400	\$88,200

Since online students use fewer resources, the proposed rate would make both non-resident and resident tuition the same. This precedent has already been established by Utah State University's Online Course Tuition. Students participating in Utah State University's Distance Education Program, pay the same rate regardless of residency status (see <http://distance.usu.edu/future-students/tuition.cfm> for schedule details). This model is also common practice among schools' offering an online MBA program, including Arizona State University, University of Indiana, Penn State University, and the University of North Carolina.

Section IV: Institutional Impact

The growth of online MBA programs in recent years has been rapid. When looking at enrollment numbers of public, accredited institutions, it can be seen that the online format significantly increases the total MBA enrollment. It is anticipated that this will have the same impact on the University of Utah.

Table III
Online MBA Enrollment in Public, Accredited Institutions

<u>Institution</u>	<u>Online MBA Enrollment</u>
University of Indiana	682
Arizona State University	520
Penn State University	747
University of Texas-Dallas	1053
University of Florida	309

A new non-resident schedule for MBA Online students will make the University of Utah's program much more competitive in the online MBA space. With the current marketing efforts of institutions like Arizona State University

in Utah and surrounding states, it is important for the University of Utah to maintain a competitive program cost. The current model would price many students, including University of Utah alumni living out-of-state, from pursuing the online format.

Table IV
University of Utah vs. Arizona State Tuition Rates
Based on 2013-2014 Tuition and Fee Rates

Tuition Rates	University of Utah (Current Rate)	University of Utah (Proposed Rate)	Arizona State University
Resident On-Campus Professional MBA Program	\$50,200	\$50,200	\$53,600
Resident MBA Online Program	\$50,200	\$50,200	\$54,600
Non-Resident MBA Online Program	\$88,200	\$50,200	\$54,600

The MBA Online program would be at a significant marketplace disadvantage if the current non-resident policy were to remain the same for online students.

Section IV: Finances

The long-term growth of the MBA Online program will significantly increase the revenue to the University of Utah's David Eccles School of Business, in turn creating a positive impact on both graduate and undergraduate students. It will allow the school to maintain and increase the number of tenure track and academically qualified faculty in our graduate and undergraduate classrooms. This will continue to allow the school to provide a rich academic experience for our students and expose them to state of the art research concepts that will be beneficial throughout their careers.

The additional faculty will also allow us to have more engagement in overall curriculum decisions and development. Tenure track faculty members bring the benefit of experiences at other top business schools that can be incorporated into our educational programs. This is a critical time for business education with rapidly changing requirements in the business world. It is very important for us to provide students with the preparation to be successful.