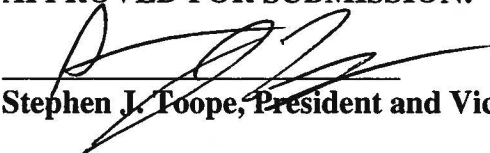


THE UNIVERSITY OF BRITISH COLUMBIA

REQUEST FOR DECISION

**FORWARDED TO: BOARD OF GOVERNORS ON RECOMMENDATION
OF PRESIDENT STEPHEN J. TOOPE**

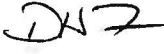

APPROVED FOR SUBMISSION:


Stephen J. Toope, President and Vice-Chancellor

DATE

November 16, 2012

PRESENTED BY:

David Farrar, Provost and Vice-President Academic 
Angela Redish, Vice-Provost and Associate Vice-President
Enrolment and Facilities 

DATE OF MEETING:

December 4, 2012

SUBJECT:

**Tuition Fees for New Bachelor of International
Economics (BIE) program**

DECISION REQUESTED: The Board of Governors approve the fees of \$333.33 per credit for Canadian Students and \$966.67 per credit for international students in the Bachelor of International Economics (BIE) program

Background

The Department of Economics is one of UBC's outstanding research units (ranked in the top 20-25 globally) and is Canada's top economics department. Over the last decade, the department has doubled the numbers of undergraduate FTEs taught and more than doubled the size of its majors program, which continues to face significant excess demand. Currently, the department is undergoing an exciting transformation into the Vancouver School of Economics, with a proposed new degree offering: the Bachelor of International Economics (BIE), expanding the capacity of UBC to offer undergraduate degrees with an economics focus.

As a direct entry bachelor's degree focused on international economics, and with the Sauder School of Business ("Sauder School" or "Sauder") as supporting partner, the BIE program differs from most, if not all, other academic programs in economics in North America. The BIE will hold

a unique position in the educational marketplace, one which UBC recruitment staff members have indicated will make the program an “in demand” option for prospective students.

BIE Value-Added Features for Students

The BIE will offer a degree program that focuses on international economics and emphasizes career outcomes. The program’s features include cohort-based program with small class sizes (80 students per year)

- Direct entry into year one, implying that by 4th year the students will be studying economics at a more intense level than in any BA (Econ) program
- Focus on the international economy: international trade, international finance and international development
- A unique core curriculum with courses exclusively for the BIE students (17 of the 39 courses that comprise the degree program are taken in sections reserved for BIE students)
- Some core courses taught in Sauder School of Business to provide a business economics perspective (including accounting and finance)
- Learning from and with carefully selected peers, approximately half of whom will be international students
- Dedicated career centre & career orientation built into the program from year one
- Curriculum designed to facilitate and support opportunities for internships, exchange programs, research projects, and co-op placements
- Opportunity to engage in the research culture of the Vancouver School of Economics during four years of undergraduate studies

BIE Graduate Outcomes

The BIE program prepares students to understand, and build a career in, the global economy of the 21st century. Students completing the BIE program may work in the public sector, non-government organizations, or the private sector as economists with empirical and analytical skills.

The curriculum is built around core courses from the Vancouver School of Economics and the Sauder School of Business, as well as required courses in mathematics. Through a rigorous and challenging curriculum, students gain discipline-specific skills, including:

- Ability to research, think analytically and creatively, and address complex international economic problems
- Work both independently and collaboratively
- Communicate orally and in writing
- Know how to choose and apply appropriate quantitative methods to a range of economic issues
- Demonstrate understanding of the global economic context in which firms and governments operate
- Develop a deep understanding of the global economy
- Appreciate the social, cross-cultural and ethical dimensions of economic decision-making

BIE Fee Proposal

Tuition fees for the academic year 2013/4 will be \$333.33 per credit (\$10,000 per year based on 30 credits) for domestic students and \$966.67 per credit (\$29,000 per year based on 30 credits) for international students. The target intake is 80 students per year – with on average 40 domestic and 40 international. For domestic students these fees are 113% higher than the 2012/13 BA fees, and 44% higher than BComm fees in 2012/13 (for students in years 2-4; students in year 1 pay BA fees). For international students, the new program has fees 28% higher than the 2012/3 BA fees, and 14% higher than the 2012/3 BComm fees. The increased costs of the new program are roughly the same in absolute dollars for domestic and international students, which implies that the percentage increase in fees for domestic students is far higher than that for international students.

Impact on BA Economics Major, Honours and Minor Students

The Vancouver School of Economics will continue to take 280 students annually into the BA (Econ) programs - Majors and combined majors - plus about 150 Minors and 10-20 honours students. There is no change in fees, or in numbers of admitted students, proposed for any of these BA (Econ) programs. It is noteworthy that the new BIE option for potential economics students increases the number of seats overall for students to pursue economics studies at UBC.

BIE Rationale

The BIE program will provide an education that builds a global perspective on economics through both the curriculum and the composition of the student body.

The Vancouver School of Economics will offer the program to 80 students per year (320 students across the four years by 2017). The annual cohort intake will comprise a balance of domestic and international students. This is a purposeful choice: part of the international character of the program will come from the perspectives of fellow students from different parts of the world. BIE students will take a number of dedicated courses focused on international economics and commerce, as well as taking electives in other parts of the university. Students will be admitted into year 1 of the program, with a very few admitted in year 2 to offset attrition in the first-year cohort.

The BIE program has a number of features that will contribute to the objectives of the Faculty of Arts Strategic Plan, and *Place and Promise: the UBC Plan*:

- 1) The program builds on strength - international economics is an area of strength for both the Vancouver School of Economics and the Sauder School.
- 2) The program is direct-entry. This permits students interested in economics to start focused studies in their first year. In the BA (Econ) program students who wish to major in economics must wait until third year to find out if they are admitted to the program. Prospective students who want to study economics may be concerned that they will not be accepted into the program at UBC and so choose to attend other universities. With the creation of the direct-entry BIE, our goal is to attract the best of those students.
- 3) The structured nature of prerequisites in the BA program, and third year entry point, make it particularly challenging for students to take advantage of internships and student exchanges in their third year. Direct entry allows students to take required courses in their second year so that they have greater flexibility to engage in experiential learning opportunities in their third year.
- 4) Taking the students into an integrated program that starts in first year means that they will get more detailed training than is available in any standard economics program.

The new program is expensive to deliver as new full-time faculty will be hired in both the School of Economics and the Sauder School of Business. The budget (appended) shows that in the steady state \$2.7 million of the incremental revenue generated by the program will be spent on direct costs in terms of teaching resources, staffing and supporting the new Career Centre, and overhead costs for the Faculty of Arts. Per the UBC budget model, a further \$2 million goes into the central budget to address university overhead costs such as: library resources, IT, and building maintenance.

The final 18% (approximately \$1 million) will be used to support the initiatives of the Vancouver School of Economics more broadly. The funds will be added to the investment that the central budget is contributing with the objective of turning the Vancouver School of Economics into a flagship unit for the Faculty of Arts and the University of British Columbia. Importantly, those expenditures are almost entirely for hiring research and instructional faculty, allowing the Economics unit to expand the range of course offerings in the BA (Econ) program and to improve the graduate programs. Doing this will mean that a wide community of students benefit from the new initiatives – not just those in the specialized BIE program. The overall effect will be to strengthen the reputation of the School and to enhance all the degree programs that it offers.

Financial Aid

As these fees are higher than BA fees, reflecting the high cost of the program, student financial aid is particularly important for the program.

Policy 72 (Access to the University of British Columbia) covers domestic students and as such, a portion of their fees goes to the bursary pool. Students in programs where fees are above the base are usually assigned to a differentiated program under that policy. Importantly, the BIE program is not being set up as a ‘differentiated program’ - the students will be considered as part of the ‘general pool’. Students in differentiated programs where the funding is insufficient receive their unmet need less a deductible amount. *The students in the general pool have never had a deductible applied to their funding of unmet need*, thus admission to the program will be needs blind. Emphasis on the availability of financial aid will be made in all recruiting materials.

EXAMPLE: To clarify the role of student financial aid in the BIE, consider the following example: suppose a family has two children attending UBC, one in a BA program and one in the BIE. Let’s suppose that both have the same limited financial resources and are successful in applying for student aid from the BC government. If provincial student aid left the BA student with an ‘unmet need’ (as defined by provincial formulas) of \$1000, the UBC Bursary program would contribute \$1,000. The second student would have an ‘unmet need’ of \$5,300 more, since the BIE fees are \$5,300 higher. Thus the BIE student would receive \$6,300 from the UBC Bursary program. That is, for a student with unmet need, the UBC bursary program completely covers the higher tuition fee.

	Sibling A BA Year One Domestic	Sibling B BIE Year One Domestic
Gross Tuition Fees	\$4,700	\$10,000
Unmet need	\$1,000	\$6,300
UBC Financial Aid	\$1,000	\$6,300
Net Tuition Fees	\$3,700	\$3,700

The program is being permitted to access the general pool because the small number of domestic students in the early years implies that a segregated fund would be very small, and one or two unusually large cases of unmet need would deplete it. After five years, there will be 160 domestic students in the program and we will have data with which to assess the extent to which students have drawn on student financial aid and awards. At that time, the question of being a differentiated program will be reconsidered. The Vancouver School of Economics will also prioritize student financial assistance in its fund-raising strategy.

International students will be eligible for all the forms of ISI support, including ILOT, IMSE, emergency aid and work learn. Of note is that 7.4% of all tuition (including the within-base tuition) goes into the SFAA fund and the ISI part of that fund is separate from the money set aside for domestic students. In addition, 7.4% of the above-the-base portion of the tuition will be allocated for merit-based scholarships and awards specifically for international students in the BIE program. This will create a fund of between \$17,000 and \$20,000 per year for each cohort of 40 students, an amount that will rise slightly with inflation. The precise number, size and term of scholarships will be determined in discussions with the ISI office. Some may be combined with an IMSE to make a particularly attractive package for 1-2 outstanding students.

Benchmarking

The following table (Table 1) shows the tuition fees of various programs in Canada and internationally (their international fees only). Note: all figures are in Canadian dollars.

Table 1

University	Degree	Domestic Tuition	International Tuition	Comments
UBC	BIE	\$10,000	\$29,000	Proposed for 2013/4
UBC	BA	\$ 4,700	\$22,600	Actual 2012/3
	BComm	\$ 6,965	\$25,346	Actual 2012/3 (Yr 2+)
U of Toronto	BA	\$ 5,695	\$32,075	Intern'l – entering 2013
	BComm	\$14,259	\$32,075	Intern'l – entering 2013 (Yr 2+)
Queens	BA	\$ 5,706	\$22,249	Actual 2012-13
	BComm	\$14,141	\$30,611	Actual 2012-13
Western	BA	\$ 6,882	\$20,046	Actual 2012-13
	HBusAdm	\$23,743	\$31,060	Actual 2012-13
U of Alberta	BA	\$ 5,268	\$18,318	Actual 2012/3
	BComm	\$ 6,928	\$24,094	Actual 2012/3 – incl. 'business market modifier'
McGill	BA	\$ 6,155	\$32,640	Actual 2012/3 Domestic - non-Quebec resident
	BComm	\$ 6,155	\$32,640	Actual 2012/3 Domestic - non-Quebec resident
U Wash	BA		\$28,860	Actual 2012/13
Berkeley	BA/BComm		\$34,098	Actual 2012/13
Michigan	BA		\$38,928	Lower division
	BComm		\$39,118	Lower division
London School of Economics	BSc (Econ)		\$24,392	Actual 2012-13
U New South Wales	BEcon		\$34,518	Entering 2013 3-year program

With respect to benchmarking (although there is no exact comparison program in Canada), it is noteworthy that the tuition for the BComm at UBC is particularly low in comparison with the fees at Western, the University of Toronto and Queens University for similar degrees. The fees at those institutions reflect the current cost of offering the degree program whereas the BComm fees at UBC are based on historic levels and permitted increases, and not on the current cost of the program.

Budgetary Impact of the Proposal

The BIE program will be self-sustainable over the long run. Revenues from tuition will be used to fund the direct costs of the new program and support the strengthening of the Vancouver School of Economics more broadly. In the steady state when no more one-time costs are incurred, net surplus to Faculty of Arts will reach approximately \$1 million in 2017-18. Those monies, plus a contribution from the University (\$500k annually), will fund the hiring of increased faculty who will teach in the BA and graduate programs. The university will also provide seed funding for the Vancouver School of Economics of \$4m. The budget summary is illustrated in the Appendix.

Student Enrolment and Tuition Allocation

It is assumed that there will be 40 domestic students and 40 international students enrolled per cohort, with 320 students being enrolled in the steady state. No over-enrolment has been assumed on the domestic side. Therefore, the tuition allocation to the teaching faculty for domestic undergraduate at base rate for this program is not included, because these allocations would have been captured already and the net incremental amount does not include base rate allocation to avoid duplication.

This is a joint program with the Sauder School of Business. Tuition allocation proportion to Sauder School as a joint home faculty is assumed to be 37.5% so as to make the Sauder cost breakeven. Elective courses will be existing courses offered in the Faculty of Arts, the Sauder School of Business and the Faculty of Science.

Consultations

1) Proposal Development

A consultative approach was taken over several months in developing the structure and substance for the new Vancouver School of Economics and proposed BIE degree. Both were approved unanimously by the Faculty of Arts. After review by three Committees, the UBC Vancouver Senate approved both the new School and new degree on September 19, 2012. Prior to the Senate vote, numerous members of the UBC community were involved in advising on the vision for the Vancouver School of Economics and on the structure and substance of the proposed BIE degree program, including representatives from:

- Departments in the Faculties of Arts and Sciences
- Sauder School of Business
- Library
- Economics undergraduate and graduate students
- Strategic Decision Support
- Department of Economics faculty and staff
- Student Services, Enrolment Services and ISI recruiting

Feedback on both the creation of the new School and the BIE curriculum was overwhelmingly positive. Since the formal decision by Senate approving the new School, many economics alumni, current economics students, and members of the business community at large have made

comments of enthusiasm and support, both for the Vancouver School of Economics and for the BIE degree program.

2) Proposed BIE Tuition Fees

As this is a new program Policy 71 (Consultation with Students about Tuition and Mandatory Fees) does not require that there be a formal consultation around the fees. Nevertheless, the Alma Mater Society (AMS) made a request to Provost David Farrar for consultation to occur and he agreed to do so.

Working with the VP Students office and the Provost's office, the economics department hosted an open forum on October 9, 2012, to present an overview of the new Vancouver School of Economics and to explain what the change means to current students, as well as to consult with students on the proposed BIE tuition fees. The forum was promoted by the Department of Economics, The Ubysey student newspaper, the AMS, the International Students Association, the Economics Students Association and the Arts Undergraduates Society. The forum was attended by leaders of these student organizations as well as by student Senators and interested students at large (approximately 40 students attended). Additionally, some students present at the forum were using social media on mobile devices to receive questions from other students whom were unable to attend the forum in person.

On hand from UBC to present information and answer questions were the Provost David Farrar and Head of the Department of Economics Michael Devereux, as well as Economics Faculty members David Green and Angela Redish who developed the Vancouver School of Economics and BIE proposals. Notification methods for the forum included posters, the student newspaper, and social media channels. The choice of a town-hall-styled, question-and-answer format for the forum, and the forum agenda, was agreed upon in advance by representatives of the Department of Economics, the AMS, the Economics Students Association and the VP Students office.

Students at the forum made a wide range of comments. Some requested clarification on the nature of the new School as well as the BIE program. Several asked whether there was a way they could get into the new program even though they were already at UBC and the first BIE intake is not until next fall. Others made critical comments on the proposed BIE tuition fees.

At a subsequent meeting (October 15th) with leaders of the student groups noted above, the students' concerns were prioritized:

- The fees are too high (tuition initially had been proposed at approximately 7% above the BComm rate, but increased as the proposal was developed in more detail over the summer)
- Tuition should be limited to direct costs of the BIE program, and not to cross-subsidize other programs in the university
- The tuition of undergraduates will be used to fund graduate programs and this is inappropriate
- The benchmarking is biased

The first three issues primarily relate to the fact that the BIE program will provide a 'surplus' to the Faculty of Arts of approximately \$1 million on a recurring basis after 2017.

In considering these points about the 'surplus', it should be noted that:

- The use of all these funds is not specific – the goal is to build on the already high international reputation of the UBC Department of Economics, to create an outstanding Vancouver School of Economics that will attract and benefit the best students from around the world. They will come in part because of the reputation of the School, built on

outstanding programs and world-renowned faculty; and in part for a curriculum that both prepares them for careers in today's economy and educates them as global citizens. Outstanding researchers are attracted to work at a research university in part on the strength of the graduate program at that institution – this cannot be separated out from the overall initiative.

- The 'surplus' will be allocated by the Faculty of Arts to the Vancouver School of Economics to support initiatives that will directly strengthen the BA programs, the graduate programs, and the alumni and community engagement activities of the School. These new finances will largely be directed towards research and instructor faculty growth. This will allow for greater teaching resources in both graduate and undergraduate programs in the School. Benefits will include smaller class sizes, a greater range of course offerings, increased undergraduate research options, and a greater capability to support co-operative education programs and community-based learning courses. All these elements offer major benefits for future economics undergraduates.

The initial proposal had tuition rates of \$253 per credit for domestic students and \$922 for international students. These rates had been developed based on an initial costing proposal (although set on the basis of costs - not as measured relative to Sauder - the domestic rate was described in early versions of the proposal as 7% above Sauder tuition). After consulting with the Provost's office, the Department of Economics was advised that a number of costs had been underestimated and that the program required to be re-costed leading to the revision in the proposed fees.

- The Vancouver School of Economics will largely be funded through sources that were previously allocated to the Department of Economics. These will be supplemented by funds from BIE tuition and by funds committed by the University. That latter source will provide \$4 million in one-time funds and, in steady state, over \$500,000 on a recurring basis.
- As stated above, the UBC Department of Economics already has a very high international reputation. The BIE resources will allow the economics unit to increase its research strength significantly. This will allow UBC to attract the best students from around the world, both in undergraduate and graduate economics programs. A major benefit will be that the economics PHD program can significantly increase its ranking among similar programs in North America and the world. This ties in well with UBC President Toope's agenda for increasing UBC's strength as a post-graduate institution.

The initial proposal presented benchmarks that included domestic tuition fee levels at Universities outside Canada. In the consultation, students argued that since BC students could not access those rates they were inappropriate benchmarks, thus they have been removed from this document. However, international fees at universities outside Canada have been kept as they are relevant as comparators that some international students will look to. The proposed program is relatively unique so that finding appropriate benchmarks is not straightforward. We have included fees for BA (Econ) and BComm degrees at state universities in the US, and for BEcon degrees at New South Wales and the London School of Economics.

Additional feedback from students at these meetings included a strong expression of interest in increased student aid. The Financial Aid section of this document provides discussion related to this subject.

Appendix A: Budget of the Bachelor of International Economics (BIE) Program

(in \$000s)	2011-12	2012-13	2013-14 1st Intake	2014-15 2 nd Cohort	2015-16 3 rd Cohort	2016-17 4 th Cohort	2017-18 Cost Steady State
Revenue							
Domestic Tuition Revenue (differential only)	-	-	208,221	424,771	649,899	883,863	901,540
ISI Tuition Revenue	-	-	1,160,000	2,378,000	3,656,204	4,996,891	5,146,798
Total Tuition Revenue	-	-	1,368,221	2,802,771	4,306,103	5,880,755	6,048,339
Direct Program Expenses in Faculties							
Teaching Costs (incl. benefits)	-	-	583,251	1,077,002	1,607,463	1,846,726	1,915,041
Teaching Costs – Econ (incl. benefits)	-	-	186,000	386,136	601,214	714,060	741,194
Teaching Costs – Sauder (incl. benefits)	-	-	270,000	560,520	872,730	995,893	1,033,737
Teaching Costs – Science			55,026	56,677	58,377	60,128	61,932
Teaching Assistants (5/6 Arts and 1/6 Econ)	-	-	72,225	73,669	75,142	76,645	78,178
Staff Costs (incl. benefits)	-	70,000	84,400	85,828	87,285	88,770	90,286
Staff – Econ (incl. benefits)	-	70,000	71,400	72,828	74,285	75,770	77,286
Staff – Sauder (incl. benefits)	-	-	13,000	13,000	13,000	13,000	13,000
Operating and Admin Costs	-	1,387	122,888	256,515	389,196	528,098	542,342
IT Costs	-	1,387	2,830	4,330	5,888	7,508	7,658
Operating Expenses (15% of Arts net tuition revenue)	-	-	77,668	175,639	273,981	376,943	387,513
Space Operating Costs	-	-	16,500	18,000	18,000	18,000	18,000
Overhead Costs (5% of Arts net tuition revenue)	-	-	25,889	58,546	91,327	125,648	129,171
Career Centre Costs			104,060	124,100	134,420	138,611	138,611
Total Direct Recurring Expenses in Faculties	-	71,387	894,599	1,543,445	2,218,364	2,602,205	2,686,280
One-Time Expenses	15,000	10,000	45,000	50,000	40,000	70,000	-
Tuition Allocation:							
Central Portion (incl. bad debt & credit cards)		-	442,101	905,771	1,391,812	1,901,054	1,955,809
SFAA		-	86,652	177,637	273,118	373,268	384,466
Arts Portion		-	517,789	1,170,926	1,826,537	2,512,953	2,583,421
Sauder Portion		-	266,653	491,761	756,259	1,033,352	1,062,710
Science Portion		-	55,026	56,677	58,377	60,128	61,932
Arts Direct BIE Costs	15,000	81,387	589,535	950,970	1,301,733	1,590,411	1,564,581
Arts Contribution (VSE)	15,000	81,387	71,746	219,956	524,804	922,542	1,018,840
Total Arts	-	-	517,789	1,170,926	1,826,537	2,512,953	2,583,421

Note: this budget refers to incremental costs and revenues only.

Note: Sauder and Science costs equal tuition allocations in steady state.