Refining the Budget Model for Professional Master's Programs

Academic Futures White Paper

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A big objective of the CU Boulder administration is to provide appropriate resources to help departments to be successful. However, it is often difficult to find enough room in the budget for even high leverage initiatives, such as providing competitive fellowship support for graduate students. Thus, bringing in new revenue through professional master's programs is attractive. We want to argue that considerably more new revenue can be generated if the financial incentives of departments can be more closely aligned with the administration's objectives. The key idea is to align additional resources (resources the administration wants to give departments in any case) more closely to the departments that bring in new revenue.

Recently the CU Boulder administration has encouraged the creation of professional master's programs. While there is no official documentation of the campus model, the basics (per William Kaempfer) are a program with a minimum of 30 hours of graduate work; tuition rates set with relatively higher in-state rates and relatively lower out-of-state rates; and a tuition revenue share where central administration takes $300 per credit hour and the remainder goes to the college/department. These programs are not intended to siphon off existing resources from the department's existing graduate and undergraduate programs. Current tuition rates for professional graduate programs on campus range from $927-$1061 per credit hour for in-state students and $1133-$1500 for out-of-state and international students.

Since the inception of the incentive program, CU Economics has been encouraged to create a professional master's program. This encouragement came in light of the fact that economics departments in other state universities such as UC Santa Barbara, UCLA, UT-Austin, recently created successful professional master's programs, while the University Michigan dramatically expanded its preexisting professional master's program.[1] To date, CU Economics has been reluctant to start a professional master's program due to the current budget model. A high quality professional master's of economics program taught by tenure track faculty accompanied by graduate teaching assistants and adequate staff is sufficiently costly that it would be difficult to accomplish with the current budget model, thus reducing the incentives for the department to create a professional master's program. This has led the faculty to choose not to go forward. To highlight the costs associated with the creation of a professional master's, there need to be full-time administrative staff for processing students, a faculty director, teaching assistants (stipend, benefits, tuition), professors in the classroom, and support for recruitment and placement.

The University of Michigan professional master's program in economics operates under a model where central administrative costs were negotiated up front and not tied to the number of students enrolled. Their master's program returns fairly large net revenues to the department that are invested in the Ph.D. program. Ph.D. students are fully supported without teaching responsibilities in the first and last years of the Ph.D. program. This level of graduate student support has greatly improved recruitment of Ph.D. students and student placement after

[1] CU Economics suspended its stand-alone masters program in the early 2000s in response to budget cuts.

graduation. In addition, the College of Literature, Science and Arts at the University of Michigan has been able to negotiate cost-sharing for out-of-the-ordinary initiatives to help the Economics Department that the College otherwise might not have been able to afford. (The most recent example was a major salary adjustment program the college knew was badly needed for the Department. The funds from the master's program covered only the first few years of the salary program, but still helped the College to feel it could afford the program.)

UCLA's model provides large overload stipends to faculty who teach in the program, 25% of academic year salary for overload capped at $50,000. This model does not return unencumbered revenue to the department, but does significantly raise the income of professors in the department and enhance faculty retention. We bring up these potential uses of resources to emphasize how professional master's programs that leave more of the revenue with the departments creating or expanding these programs can facilitate improvements in those departments.

An alternative budget model is to continue the $300 per credit hour charge but to cap the charge to 20 students per cohort. This would still provide approximately $200,000 in revenue to central administration but would provide a large incentive for departments to grow their programs while providing resources to do so. Net resources could then be invested, according to well-articulated plans, in programs to improve research in the department along with the department's graduate and undergraduate programs. In the College of Arts and Sciences departmental support is minimal. Professional master's programs with more generous revenue sharing agreements could bridge this funding gap and provide not only high quality professional master's programs, but also significantly enhance existing programs.