Guaranteed Tuition Plans

Higher Education Advisory Committee

Richard R. Pearce
University of Mary Washington
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Key discussion points . . .

- Description of guaranteed tuition programs
- Advantages of a guaranteed tuition program
- Institutional challenges
- Requirements for a sustained and successful program
- Alternatives

What is a guaranteed tuition program?

- Establishes a fixed tuition rate for a set time period for each entering class
  - Generally a maximum period of four years of continuous enrollment
    - If a student stops out or takes longer than four years to graduate, the new entering class rate is charged
- Limited to undergraduate students
- Some academic programs are excluded
- May or may not include mandatory auxiliary fees
- Rate increases apply only to each year's entering class

Example of guaranteed rate schedule.

Entering Year	Year 1	Year 2	Year 3	Year 4
2012-13	9,246			
2013-14	9,847	9,246		
2014-15	10,487	9,847	9,246	
2015-16	11,169	10,487	9,847	9,246
2016-17	11,895	11,169	10,487	9,847
2017-18		11,895	11,169	10,487
2018-19			11,895	11,169
2019-20				11,895

Notes

1. Tuition and mandatory fees - full-time, in-state.
2. Assumes each entering class rate is increased by 6.5%.
3. Assumes 4% increase in traditional rate structure to maintain financial neutrality.

Advantages of a guaranteed tuition program…

- Provides a level of cost stability for students / parents
  - Guaranteed tuition plans are not designed to be less expensive than traditional tuition rate structures. Anticipated cost increases over the next four years are reflected in the entering class rates.
- Establishes a significant financial incentive to graduate in four years
  - Can improve retention and graduation rates
  - Spurs conversation by families about how much a four year degree costs and the importance of finishing on time

Institutional challenges…

- Administrative complexity
  - Exponential increase in student accounting tables
  - University must ensure that students have the opportunity to graduate in four years or provide refund or discount
  - Student exception requests
    - Military, illness, family and work issues
    - Simplest approach is no exceptions – potentially huge financial implications for the student
- Projecting costs over four years
  - State salary and fringe benefit costs
  - State funding levels
  - Enrollment swings and shifts
  - Operating cost increases
  - Fewer students to bear unavoidable cost increases

Requirements for a sustained and successful guaranteed tuition program. . .

- Stable state funding
  - Guarantee a floor for state funding
- Guaranteed state E&G carryforward
  - Need to establish E&G operating reserve similar to auxiliaries
- Authority to set tuition and fee rates as necessary
  - No freezes or caps
  - Rate increases from one entering class to the next could be significant
- Structured to be revenue neutral to the institution
- Helpful to have enrollment growth potential and an unrestricted endowment

Alternatives. . .

- State of Oklahoma
  - Students have the option to select either a “tuition lock” or a traditional tuition and fee structure
  - For the 2009-10 academic year
    - Tuition lock rate was $4,530
    - Traditional tuition rate was $3,941
  - Through 2012-13 (four years)
    - The tuition lock students paid a total of $18,120
    - Students in the traditional program paid a total of $16,773

- New York Proposal – SUNY / CUNY
  - Purchase credit hours at current rates to be redeemed when student enrolls
  - Allows costs to be spread over many years

Alternatives. . .

- Indiana University Pilot Program
  - Effectively freeze tuition after the Sophomore year for those who are on track to graduate in four years

- Concordia University – St. Paul
  - Freeze or reduce tuition at the expense of other scholarships and financial aid

Alternatives. . .

- Room and Board guarantees
  - Significant portion of total cost of attendance
  - Many institutions have an on-campus living requirement
  - University has more control over funding variables
  - University can build reserves as a safety net
  - Disadvantages – would impact a smaller number of students

- State administered pre-paid tuition plans
  - Effectively locks-in tuition rates
  - Not everyone can afford price of a contract

QUESTIONS?