



## House Bill 3472 (2013): Tuition Freeze Report

Passed during the 2013 Oregon legislative session, House Bill 3472 (HB 3472) directed the Higher Education Coordinating Commission (HECC) to conduct a study regarding the implementation of a tuition freeze at Oregon's public universities. The study required an analysis of the Western Tuition Promise, the Florida Finish in Four proposal, and possible ways to mitigate financial strain should the adoption of a tuition freeze take place. In response to the legislative request, the HECC researched various models both within Oregon and nationally.

### ***Western Oregon University (WOU): Western Tuition Promise***

Upon enrollment, WOU provides new undergraduate Oregon resident and Western Undergraduate Exchange students with a choice between standard tuition rates or a guarantee that their tuition rates will remain unchanged for four academic years.<sup>1</sup> This guarantee applies to students who enter during the fall, winter, or spring terms. Students who are enrolled in the dual enrollment partnership with Chemeketa Community College are enrolled in the Tuition Promise based upon the first academic year in which they were dually enrolled. Graduate, international students, students who are returning to the University, or who were enrolled prior to September 2007 are not eligible for participation in the Western Tuition Promise.<sup>2</sup> Online courses are not included in the Western Tuition Promise.

### ***Portland State University (PSU) Four Year Guarantee:***

Beginning with fall term 2014, students who sign an agreement with PSU will be guaranteed access to the required courses necessary to graduate with their identified four year degree. Under the agreement, full-time freshmen who maintain good academic standing and meet requirements for their majors will be provided academic advising and the required courses for each year. If students meet these requirements but are unable to access the courses necessary to graduate in four years, PSU will waive tuition for the courses that they were unable to access in order to complete their degree.<sup>3</sup>

### ***National Models:***

Florida Governor Rick Scott's 2013-14 Recommended Budget included a proposal known as "Finish in Four." The foundation of the proposal was a guarantee that if the student enrolled in a state university and attended full-time, their tuition and fees would be fixed for four years. Controlling costs and encouraging on-time degree completion were drivers for the proposal. The proposal was introduced via Florida's Senate Bill 920; however, the bill did not pass. The Florida legislature later passed a budget with a 3% tuition hike for institutions. As expected, Governor Scott vetoed the tuition increase.

<sup>1</sup> Source: [https://www.wou.edu/student/admissions/tuition\\_guarantee.php](https://www.wou.edu/student/admissions/tuition_guarantee.php)

<sup>2</sup> Source: [http://www.wou.edu/student/admissions/tuition\\_promise\\_print.php](http://www.wou.edu/student/admissions/tuition_promise_print.php)

<sup>3</sup> Source: <http://www.pdx.edu/four>

Texas is approaching tuition costs through fixed tuition plans and a competency-based bachelor's degree. On June 14, 2013 Texas Governor Rick Perry signed House Bill 29. Effective immediately, the bill requires public universities to "offer entering undergraduate students including undergraduate students who transfer to the institution, the opportunity to participate in a fixed tuition price plan under which the institution agrees not to increase tuition charges per semester credit hour for a participating student for at least the first 12 consecutive semesters that occur after the date of the student's initial enrollment..."<sup>4</sup> The Texas Affordable Baccalaureate Program launching in Spring 2014 allows students to pay a "flat, seven-week rate" and complete as many courses as possible during that time. Advancement in the degree is based upon proof of competency. The program intends to reduce time to completion with 80% completion and retention rates while reaching sustainability within five years.<sup>5</sup>

### ***Reducing/Limiting Oregon Tuition Increases***

During 2013, the Oregon legislature appropriated \$40 million to the Oregon University System for the purpose of limiting tuition increases for resident undergraduates. This appropriation resulted in the reduction of average tuition increases of 4.8% to an average annual increase of 2.5% for the 2013-14 academic year and 0% increase for the 2014-15 academic year. This average does not include the Western Tuition Promise. In order to maintain the same level of support for the 2013-15 forgone tuition revenue, an estimated investment of *\$61.1 million is needed for the 2015-17 biennium*.

House Bill 5101, passed during the 2013 Oregon Legislative Special Session appropriated \$15 million to the Community College Support Fund for the purposes of limiting tuition increases at Oregon's community colleges. While Oregon community college tuition is set by each locally elected board of education, the colleges agreed, to the greatest extent possible, to limit increases to tuition and fees in the second year of the biennium.

### ***Managing Tuition Freezes at the Institutional Level to Mitigate Financial Strain***

Institutionally, tuition freezes may be managed via a multitude of methods. Some of the most popular methods include "pro-rating" tuition, which refers to the concept of charging a mid-level tuition rate between current tuition rate and forecasted tuition rates in four years and shifting the burden of the fourth year for existing cohorts to incoming freshman cohorts. In addition, many institutions increase fees and tuition to higher than standard levels for non-resident and graduate students to help support the tuition freeze programs. In times of decreased state support, these practices appear to increase.

### ***The Effect of Tuition Freezes on Students***

Families who are looking to plan for financing education often find institutions with tuition freezes appealing as it allows a more accurate assessment for budgetary planning. When tuition freezes are instituted, students do not experience an increase in tuition during the four-year period, which may lead to reduced loan debt. While it

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<sup>4</sup> See: <http://www.legis.state.tx.us/tlodocs/83R/billtext/pdf/HB00029F.pdf#navpanes=0>

<sup>5</sup> Source: <http://net.educause.edu/ir/library/pdf/NG1229.pdf>

is thought that these programs also incent graduation in four years and reduce the rate of student transfers, national data regarding these issues is not currently available.<sup>6</sup>

### ***Findings***

While the concept of using tuition freezes as a method to reduce student loan debt and to incent on-time degree completion is promising, there is insufficient data available to support this hypothesis. Institutions nationally report that state funding support is instrumental in ensuring that the costs associated with the third and fourth year of tuition freeze programs are not passed to incoming students. Without additional state funding support for universities, a tuition freeze will likely result in increased tuition charges for incoming freshmen, which may deter students from attending a university their freshman year. Once data becomes available from states that have recently implemented tuition freezes and additional state funding resources become available, an in-depth study can be conducted regarding the effectiveness of tuition freezes in reducing student debt and increasing on-time student completion rates.

### ***For further discussion***

Tuition freezes may be (a) a pricing strategy (e.g. Western Tuition Promise) that may appeal to some students/families even though it doesn't diminish overall student/family financial burdens; or (b) a state commitment to enhanced resources designed to moderate/freeze tuition increases (e.g. the Oregon's 2013 tuition "buy-down".) As the HECC begins its strategic journey on the "pathways to progress", it will continue to organize its work around the importance of making postsecondary education accessible and affordable for all Oregonians. Continued conversations regarding acceleration to degree completion, student debt reduction and postsecondary funding models will keep student affordability and access at the forefront of statewide and institutional conversations.

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<sup>6</sup> See: <http://www.insidehighered.com/news/2013/06/04/appropriations-increases-and-tuition-freezes-reshape-state-funding-picture>