

Overview of Guaranteed Tuition Plans

The following is a brief summary of guaranteed tuition plans, their background and whether they affect affordability. We also discuss the specific plan adopted by the University of Oregon, as well as how we calculate a weighted increase for those such programs and specifically had we did so with regard to UO's program. Finally, we conclude with an updated chart of tuition increases at all seven public universities.

Guaranteed Tuition Programs

The basic concept behind guaranteed tuition programs is that students pay a fixed rate at a higher initial level than would be the case with traditional tuition plans with that fixed rate remaining unchanged during the student's undergraduate academic career. In theory, students pay more than they would otherwise the first two years and less in the final two years, although whether the overall tuition paid for their degree plan is higher or lower is not certain because it's based on subsequent student behavior.

These programs can be either optional (as was the case with Kansas) or limited to specific types of students (often residents, as was the case with Western Oregon University), and most typically do not freeze mandatory fees (although the University of Oregon program does so). In addition, programs are generally mixed on how they handle part-time enrollment or transfer students and according to HCM Strategists are "most appropriate for institutions where full-time consistent enrollment is the norm."

These programs are designed to offer price certainty to students and families which results in a greater willingness and marketability of the institution since tuition-associated costs can be predicted. It is worth noting that these programs do not apply other costs of attendance such as housing, board or transportation, which combined typically add up to half the total cost of attendance at many institutions.

The Past Experience of Guaranteed Tuition Programs

The record on whether these programs result in more affordability or higher success for students is mixed. Common challenges include student behavior, the accuracy of cost projections and program design features.

A July 2014 report on affordability organized by HCM strategists called *Maximizing Resources for Student Success* states, “although fixed tuition programs make it easier for students and families to plan and reduce the risk of rising prices, these programs are unlikely to actually make college more affordable, since they generally involve higher first-year tuition in exchange for lower tuition later on. Institutions are not very accurate at estimating their multiyear costs, particularly with unexpected changes in enrollments. This uncertainty, combined with unpredictable state appropriations in the out years, could cause serious budgetary problems for some comprehensive institutions.”

Some of the common challenges relate to student behavior. Students who take longer than four years to graduate will see their tuition rate reset at a higher rate for the next cohort averaging out to be more expensive than it would have been under a traditional tuition program. The same is true for students who transfer or drop out after the first two years of a degree program. An institution with a full-time, consistently enrolled population that extends the program to five years will fare better under these circumstances.

There are also program design challenges. If they are voluntary or limited, questions of fairness can arise amongst the different cohorts of students which would be further complicated by a more transitory student population. That was the experience at WOU. Designing the program to be compulsory for entering students can potentially contribute to a more successful experience for students as well as the institution.

Timing can play a role as well. Unfortunately, some programs fell victim to poor timing in that they were introduced right before the Great Recession. The resulting volatility in revenues was enough to cause some to abandon their programs. Institutions that establish reserve accounts will be better positioned to weather volatile revenue cycles or accommodate inaccurate estimates.

These reasons are perhaps why many institutions, including Western Oregon University, Central Michigan University, and the State of Georgia, abandoned their programs and went back to traditional variable tuition models. While these programs can work both for students and the institution, they require strong management and a high ability to predict costs and future revenues.

UO Guaranteed Tuition Program

The UO Board of Trustees adopted a guaranteed tuition program (called the “[Oregon Guarantee](#)”) in March 2020. This program freezes all tuition and fees (except incidental fees set by the student government) for five years for all resident and non-resident undergraduate students. During the transition period, continuing students will see 3% annual increases in tuition (and potential fee increases) but after five years all students will be in a guaranteed tuition “cohort” and variable tuition will cease to exist.

Should a student need more than five years to complete, their tuition would be raised to the next cohort rate in their sixth year. For students in the Pathway Oregon program (a last-dollar program that covers tuition and fee costs not covered by other aid for Pell-eligible Oregon residents with high GPAs) they continue to pay no tuition or fees under the Oregon Guarantee Program. As with other programs, UO's program does not freeze any non-tuition costs such as room, board or transportation.

Weighted Average Calculation

In order to calculate the tuition and fees increase for those institutions with a guaranteed tuition program (or multiple campuses), the HECC relies on a weighted average calculation. We have done this calculation in the past for WOU related to their former guaranteed tuition program and for OIT and OSU due to differing tuition and fee rates between their multiple campuses.

The HECC does so pursuant to a 2016 Oregon Department of Justice memo that recommended the HECC base its review on whether an institution has exceeded the 5% review threshold on a holistic weighted approach rather than determining if any one tuition or fee combination increased by more than 5%.

Specifically, the HECC undertakes a four step process:

1. Determine the rate of increase for each tuition and fee cohort. For example, UO's non-guaranteed tuition and fees increased by 3.00% while their guaranteed tuition rate group increased by 9.2%.
2. Get the FTE within each cohort to determine the relative proportion each represents. For example, UO's non-guaranteed tuition and fees had 6313 FTE (68.9%) while their guaranteed cohort had 2856 FTE (31.1%).
3. Multiply the rate for each cohort by the proportion of the overall FTE that each cohort represents to get the "weighted increase" for that cohort. For example, UO's non-guaranteed cohort had a weighted increase of 2.07% and the guaranteed cohort had a weighted increase of 2.87%.
4. Add the various weighted increases together to determine whether the total weighted average increase, which in this case was 4.93% (due to rounding), is greater than 5% and is therefore subject to HECC review. Since the total weighted average increase was less than 5%, UO's guaranteed tuition program was not subject to the HECC's review.

The HECC used the process outlined above to determine that UO's new guaranteed tuition program and its resulting tuition increase did not exceed the 5% threshold and was therefore not subject to review. More detailed calculations can be found in appendix A.

Summary of Tuition Setting for Academic Year 2020-2021				
Institution	19-20 Tuition and Fees	20-21 Proposed Tuition and Fees	Increase %	Status
EOU	\$8,174	\$8,534	4.40%	Approved
OIT-KF	\$9,618	\$9,863	2.55%	Approved
OIT-WV	\$9,030	\$9,476	4.94%	Approved
OSU-Corvallis	\$10,513	\$10,568 (current students) \$10,883 (new students)	0.52% Current 3.51% New	Approved
OSU-Cascades	\$9,837	\$9,837 (Continuing Students) \$10,287 (new students)	0.00% Current 4.57% New	Approved
PSU	\$8,789	TBD	TBD	Awaiting Proposal (6/18/2020 Board Meeting)
SOU	\$9,114	\$9,450	3.69%	Approved
UO	\$11,942	\$12,301 (current students) \$13,041 (new students)	4.93% (Weighted increase)	Approved
WOU	\$8,631	\$9,009	4.38%	Approved
NOTE: A detailed history of tuition increases over time can be found in Appendix B.				

**Appendix A – Calculation of Weighted Increase for UO Guaranteed Tuition Program
(Undergraduate, Resident Tuition)**

2019-2020 Tuition and Fee Rates	Tuition per Credit	45 Credits	Fees per Term	Fees for Full Year	Total
Continuing Students	\$232	\$10,440	\$501	\$1,502	\$11,942
New Students (Guaranteed Tuition)	\$232	\$10,440	\$501	\$1,502	\$11,942

2020-2021 Tuition and Fee Rates	Tuition per Credit	45 Credits	Fees per Term	Fees for Full Year	Total
Continuing Students	\$239	\$10,753	\$516	\$1,547	\$12,301
New Students (Guaranteed Tuition)	\$255	\$11,458	\$528	\$1,583	\$13,041

Year over Year Change in %:	Tuition	Fees	Total
Continuing Students	3.00%	3.01%	3.00%
New Students (Guaranteed Tuition)	9.75%	5.38%	9.20%

Calculation of Tuition/Fee Increase:	FY 21 Estimated FTE Count	Proportion of Total	Weighted Increase %
Continuing Students	6,313	68.9%	2.1%
New Students (Guaranteed Tuition)	2,856	31.1%	2.9%
TOTALS	9,169	100%	4.93%

Appendix B – Annual Changes in Resident, Undergraduate Tuition Rates

	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020
EOU	2.70%	3.20%	-0.30%	4.10%	3.00%	4.50%	3.80%	4.86%
OIT	5.30%	2.10%	-0.20%	4.50%	3.00%	4.80%	4.70%	7.33%
OSU	6.40%	1.70%	10.20%	10.80%	2.60%	4.20%	3.80%	4.44%
PSU	-1.40%	2.20%	-0.30%	3.10%	3.80%	5.30%	3.70%	5.19%
SOU	4.20%	2.80%	-0.20%	5.50%	4.60%	9.00%	3.50%	8.99%
UO	5.90%	4.20%	2.20%	3.70%	4.60%	7.50%	2.80%	6.91%
WOU	0%	2.80%	0.80%	1.90%	3.20%	5.70%	3.80%	2.33%

Average Annual Increase in Resident, Undergraduate Tuition Rates - Not Adjusted for Inflation

	EOU	OIT	OSU	PSU	SOU	UO	WOU	All
2012-2013	\$ 7,238	\$ 8,308	\$ 8,138	\$ 7,653	\$ 7,521	\$ 9,310	\$ 7,989	\$ 8,022
2019-2020	\$ 9,101	\$ 10,719	\$ 11,709	\$ 9,578	\$ 10,479	\$ 12,720	\$ 9,768	\$ 10,582
Total								
Increase	25.7%	29.0%	43.9%	25.2%	39.3%	36.6%	22.3%	31.9%
Avg Annual Increase	3.3%	3.7%	5.3%	3.3%	4.9%	4.6%	2.9%	4.0%

Average Annual Increase in Resident, Undergraduate Tuition Rates - Adjusted for Inflation*

	EOU	OIT	OSU	PSU	SOU	UO	WOU	All
2012-2013	\$ 8,187	\$ 9,397	\$ 9,205	\$ 8,656	\$ 8,507	\$ 10,530	\$ 9,036	\$ 9,074
2019-2020	\$ 9,101	\$ 10,719	\$ 11,709	\$ 9,578	\$ 10,479	\$ 12,720	\$ 9,768	\$ 10,582
Total								
Increase	11.2%	14.1%	27.2%	10.6%	23.2%	20.8%	8.1%	16.6%
Avg Annual Increase	1.5%	1.9%	3.5%	1.5%	3.0%	2.7%	1.1%	2.2%

*Using the higher education cost adjustment (HECA) to adjust for inflation.