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Tuition Policies: Maintaining Affordability & Supporting Student Success

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Tuition policy and college affordability have been at the forefront of state policymakers' discussions over the past decade. According to the American Association of State Colleges and Universities (AASCU), college affordability ranks third among the top ten higher education state policy issues of 2018. This ranking is primarily related to the shift of higher education costs from states to students and continued increases in tuition outpacing wage growth. AASCU (2018) notes that the upcoming reauthorization of the Higher Education Act, as well as midterm elections for state officials, will likely underscore issues related to college affordability over the next year. While some notable progress in improving college affordability has been made in the past two to three years, the cost of higher education remains a key issue for students, families, postsecondary institutions, and policymakers.

Since the Great Recession, tuition rates have increased rapidly. On average, net tuition revenue[1] increased by 35.8% from 2008 to 2016 at public US higher education institutions (SHEEO, 2017). From 2015 to 2016, however, net tuition only increased by 2.1%, which is the lowest annual increase since 2009 (SHEEO, 2017). While there has been some recent relief in rising college costs, affordability issues have been exacerbated by stagnant household income. Published tuition and fees at public, four-year institutions have grown by 275% since the early 1970s (College Board, 2016a), while median household income has grown by only 13.6% from 1975 to 2014 (both figures adjusted for inflation) (U.S. Census Bureau, 2016). To manage the rising costs of a college education, students have relied on loans, resulting in increased debt levels among postsecondary participants. According to the College Board (2016b), roughly 61% of students who were awarded bachelor's degrees in 2014-15 from four-year institutions (public and private, nonprofit) graduated with debt; these students borrowed an average of $28,100. However, while student borrowing has increased over the past decade, undergraduate student borrowing was 18% less in 2015-16 compared to 2010-11 (College Board, 2016b).

Rising college costs inhibit access to higher education and negatively impact student success. For example, bachelor's degree completion rates for students from the top income quartiles are 40 percentage points higher than students from the bottom income quartiles (Goldrick-Rab, Harris, & Trostel, 2009; Haveman & Wilson, 2007). Among USG students, those from counties with a median income of $60,000 or greater had a six-year graduation rate of 61% compared to only 47% of those from counties with median income less than $30,000 (Figure 1).

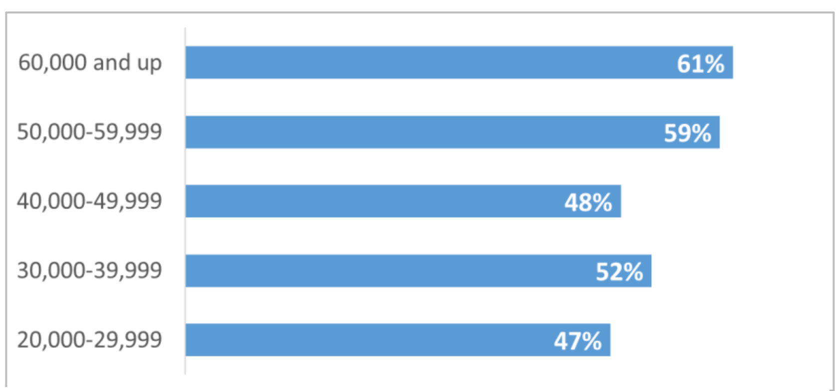

Figure 1. University System of Georgia Fall 2010 Bachelor's 6-year Graduation Rates by Median County Income

[1] Net tuition revenue is gross tuition and fees minus state and institutional financial aid and tuition waivers/discounts. Tuition and fees for medical students are excluded.

This paper provides an overview of college affordability in the USG, followed by a discussion of tuition policies implemented across the U.S. designed to curb rising college prices and incentivize efficient degree attainment. Lastly, we offer a recommendations for the USG to consider when implementing tuition policies aimed at college affordability and student success.

Affordability in the University System of Georgia

The University System of Georgia provides affordable options for higher education, relative to similar systems and peer institutions. Compared to USG peer institutions and comparable institutions in SREB states, USG tuition is approximately $2,000 less on average (Table 1). However, issues related to affordability have not escaped the USG. From the 2010-11 to the 2015-16 academic year, tuition at USG institutions increased by 31% on average at research universities, 18% at comprehensive universities, 20% at state universities, and 23% at state colleges. In response to rising tuition rates, the Board of Regents did not raise tuition for the 2016-17 academic year and raised tuition by only 2.2% for the 2017-18 academic year.

Table 1. Published In-state Tuition and Fees per Term[2]

	USG Institutions		USG Institutional Peers*		Comparable SREB Institutions	
	Median	Average	Median	Average	Median	Average
2011-12	$4,890	$4,871	$6,507	$6,798	$5,817	$6,127
2012-13	$4,978	$4,883	$6,840	$7,118	$6,335	$6,486
2013-14	$5,085	$5,180	$7,125	$7,345	$6,562	$6,769
2014-15	$5,246	$5,414	$7,383	$7,581	$6,963	$7,066
2015-16	$5,350	$5,506	$7,516	$7,775	$7,334	$7,341

The Georgia Department of Audits and Accounts determined that "decreased levels of state appropriations and changes to the HOPE scholarship have shifted a larger portion of the cost of public higher education to USG students in the form of increased tuition" (Griffin & McGuire, 2016, p. 1). Also, according to the audit, major cost drivers for students include dining and housing charges—related to institutional policies requiring students to live on campus and purchase meal plans—as well as increases in mandatory fees and expanded athletic programs.

Despite these challenges, the USG has made notable strides to improve affordability for its students. Such efforts include the development of courses with low- or no-cost textbooks and streamlining degree pathways through the Complete College Georgia suite of initiatives (University System of Georgia, 2018). The USG Foundation has also substantially increased need-based scholarships as the amount for need-based scholarships has more than doubled from $672,650 in 2014 to $1,781,817 in 2016.

[2] Calculations based on data from the Integrated Postsecondary Education Data System. USG Peer institutions are based on the selections made by institutions in Spring 2017 in collaboration with the USG. SREB states include Alabama, Arkansas, Delaware, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, West Virginia. The data excludes private institutions that are Georgia Institute of Technology's peers. Institutions in SREB states are limited to those with Basic Carnegie Classification of 14, 15, 16, 17, 18, 19, 20, 22, or 23.

In addition to these affordability improvement efforts, the USG implemented the Finish in Four tuition policy at select institutions as a means to encourage students to take heavier course loads and graduate on time. The Finish in Four tuition policy is a flat tuition rate based on 15 credits per semester for students enrolled in more than six credit hours, as opposed to a per credit hour tuition rate (Board Policy Section 7.3.1.1). Cost savings could be realized for students taking more than 15 credit hours per semester, as each additional hour above 15 is offered at no additional cost. A lower rate is applied for students enrolled in six or fewer credit hours.[3] Moreover, students taking heavier course loads and completing degrees in less time, as intended by the policy, will save money that would have been spent on additional semesters. These students will also enter the job market sooner and avoid the wage loss accompanied by delayed graduation.

In an in-depth analysis of the Finish in Four policy, we found substantial increases in course load associated with the implementation of Finish in Four. However, these course load shifts were only observed at one of the four institutions subject to Finish in Four. At Augusta University, the portion of undergraduates taking 15 or more credit hours increased by 18 percentage points in the fall term immediately after Finish in Four was implemented, relative to the preceding fall term. This analysis is described in detail in the supplementary paper: The Impact of Finish in Four on Course Load.

It is important to note, however, that Augusta University's student population differs from the other three Finish in Four institutions (Georgia Institute of Technology, University of Georgia, and Georgia College and State University) in that Augusta enrolls a greater population of Pell recipients and a smaller population of HOPE scholarship recipients. As such, Augusta's students are likely more price sensitive than students at the other three institutions. Moreover, the implementation of Finish in Four at Augusta University coincided with other Complete College Georgia efforts, namely a notable Fifteen to Finish campaign, that likely contributed to course load increases. Fifteen to Finish initiatives primarily rely on advising strategies and marketing campaigns to encourage students to take full course loads each term to ultimately graduate in a timely manner.

Overview of Tuition Policies

A variety of tuition policies have been implemented in states throughout the country as a means to address college affordability, cost predictability, access, and completion.

Guaranteed Tuition

Guaranteed tuition plans, implemented statewide in Illinois, Oklahoma, and Texas, charge students the same tuition rate for four consecutive years. Florida recently passed a bill requiring all state colleges to implement block tuition by Fall 2018. This approach improves cost predictability for students and parents as annual tuition increases are not permitted. Additionally, guaranteed tuition plans encourage timely degree completion as the fixed rate expires after four years. It is reasonable to expect that the improved price predictability that guaranteed tuition offers may improve retention and persistence as price increases often contribute to attrition (Troutt, McEwen, & Yew, 1995). However, guaranteed plans often charge higher rates to account for fluctuations in institutional costs, which is especially detrimental for students who do not persist. Moreover, the frontloading of costs can lead to a misalignment of educational costs for students, as underclassmen are often less costly to educate than upperclassmen (Morphew, 2007). Existing evidence also suggests that guaranteed tuition leads to increases in student fees as well as declines in state appropriations (Delaney & Kearney, 2015). If

[3] Augusta University's flat tuition was charged for all students taking more than ten credit hours per semester; course loads of 10 hours or less were charged on a per credit hour basis.

students are given a choice to opt into guaranteed tuition, very few choose to do so; and, those that opt out are typically better off financially than those that opt-in (Delaney, Kearney, & Hemenway, 2016).

Flat Tuition

Some states and institutions offer a flat tuition rate, instead of a per credit hour rate, such as the USG's Finish in Four policy described above. This approach encourages heavier course loads and can help students achieve per credit hour savings when enrolling in more courses. And, as mentioned, graduating in less time brings about notable savings as well. However, flat tuition policies can lead to greater costs for part-time students and may have limited impact for less price-sensitive students. Moreover, course unavailability may prevent students from taking advantage of cost savings or, if major-related courses are unavailable, inhibit progress toward a degree and increase credits earned at graduation. While some researchers have found that flat tuition rates are associated with gains in short-term student outcomes (increases in credits attempted and earned and likelihood of earning 30 credits or more in the first year) (Yanagiura & Johnson, 2017), others have noted that selection bias can play a role in the observed positive outcomes. For instance, students that enroll in heavier course loads to take advantage of flat tuition rates tend to be more academically prepared and more likely to be from advantaged backgrounds (Monaghan & Attewell, 2014).

Tuition Caps and Freezes

Some states have relied upon tuition caps or tuition freezes to slow the growth of college costs for students. While these policies can improve affordability, they do not necessarily contribute to improved predictability as tuition caps and freezes are often temporary and reliant upon state appropriations (Kelchen, 2017; Kim & Ko, 2015; Taylor, 2014). Moreover, extended tuition freezes are typically followed by periods of high annual increases (Kim & Ko, 2015). It is important to note that tuition freezes enacted without an increase in state funding can create challenges for institutions, often leading to increases in fees and auxiliary services.

Some states have linked tuition increases to the states' median income (Maryland, Washington) or the consumer price index (Missouri) to regulate the growth of tuition. Tying tuition increases to these economic measures directly addresses the concern that tuition has far outpaced both median household income and inflation (College Board, 2017). While states such as Washington and Maryland have seen notable reductions in tuition prices following this approach, it is important to note that these states have also ensured stable, if not growing, support for higher education via appropriations. Maryland utilizes a state tuition stabilization fund and Washington increases state support by the rate of inflation annually (NCSL, 2015). If similar efforts to support institutional funding are not utilized when tuition is limited, schools may sacrifice academic quality or reduce enrollments to cope with budgetary shortfalls. Furthermore, price controls tied to economic measures may negatively impact a college's ability to compete with peer institutions that do not face the same tuition pricing constraints. Lastly, some experts consider tying tuition to measures like CPI to be inappropriate since "costs associated with running universities naturally exceed the costs of basic goods and services as represented in the CPI" (Bidwell, 2015).

Tuition Free Promise Programs

Tuition-free or debt free promise programs have been implemented most notably in Tennessee; programs also exist in Arkansas, Kentucky, Minnesota, New York, and Oregon. These programs are last-dollar scholarships, meaning that whatever cost remains after applying other federal, state, and institution grants is covered by the promise program. These policies have increased access and enrollment and made college more affordable for many students. Specifically, Tennessee's Promise program has led to an increase in FAFSA applications and community college enrollment (Tennessee Higher Education Commission & Tennessee Student Assistance Corporation, 2017). On the other hand, such programs are expensive for states to implement and they can lead to unintended enrollment shifts such that students who would normally begin college in the four-year sector, enroll for their first two years in a community college, potentially preventing anticipated gains in access. In addition, without a family income requirement, it is likely that Promise programs will subsidize students who can afford college rather than targeting students who most need financial assistance, resulting in an inefficient use of state funding. Moreover, last-dollar programs discourage the pursuit of additional scholarship opportunities as there is no net gain for the student.

Pay it Forward Models

Many states have considered pay it forward tuition models, though none have been implemented. Pay it forward models allow students to defer tuition payments until departure or graduation from college rather than paying for tuition upfront. Instead, students would pay a pre-determined, fixed portion of their annual earnings for an extended period following graduation. These plans may reduce "sticker shock" for price-sensitive students and improve the feasibility of students entering socially valuable but lower-paying professions. On the other hand, these plans are costly to implement and can be quite complex. Ultimately, the complexity and lack of information regarding these plans have prevented their implementation.

529 Plans

Most states offer 529 plans that allow families to save for future college expenses through either a prepaid tuition plan or college savings plan. This allows funds to grow income tax-free and are exempt from federal income tax when withdrawn. The state of Georgia offers a college savings plan known as Georgia Path2College (https://www.savingforcollege.com/529-plans/georgia). Unfortunately, most 529 plans are held by the wealthiest people and, due to the plans' complexity, most potential users do not know how the plans work or how to access them (Gardner & Daff, 2017; Pressman & Scott, 2017).

Recommendations and Implications

Following the economic downturn of the Great Recession, states and institutions have implemented a variety of strategies including guaranteed tuition plans, tuition caps and freezes, and tuition-free programs to combat the rising costs of college. Some of these strategies address affordability directly by reducing prices, while others improve transparency and predictability in pricing, allowing students and families to anticipate future prices. USG institutions continue to rank among the best in the region and among peer institutions in keeping college affordable for students. USG's ability to maintain college affordability in Georgia is largely due to increases in state support, changes in tuition and fee policies, and addressing the indirect costs of higher education (for instance, efforts to provide low and no-cost text books). Flat tuition plans, like Finish in Four, reduce per-unit costs for students who take heavier course loads. They also incentivize students to complete degrees "on time," which can produce additional cost savings. Other cost-conscious initiatives include expanding accessibility through eCore, saving students millions each year through free, open-source textbooks, and phasing out certain mandatory university fees (namely, meal plans). When considering potential tuition policies, USG should continue to seek out a variety of tuition and fee alternatives to maintain affordability for all students. Nevertheless, there may be opportunities to improve the already established college affordability initiatives within the USG. Using the research above, the USG should consider the following:

- **Align tuition policies with existing finance policies related to financial aid and state appropriations**. The USG should consider aligning the three primary mechanisms related to college affordability to provide a comprehensive, transparent, and long-term approach for students and administrators. For example, tuition freezes that are accompanied by increases in state appropriations will prevent revenue losses for institutions. In addition, the Finish in Four policy may have been ineffective for most students at the institutions where the policy was implemented due to the HOPE scholarship. Implementing tuition-related policies that work *with* existing finance policies and structures may produce more desired outcomes.
- **Consider ways in which tuition policies can contribute to both affordability and predictability for students and institutions.** Not all affordability policies are predictable (e.g., temporary freezes or caps) and not all predictable policies improve affordability (e.g., the frontloading of costs under guaranteed tuition). Policymakers should be cognizant of both of these factors when considering tuition policy options.
- **Tuition policies intended to improve student outcomes like degree attainment must consider the role of the institutions.** The success of Finish in Four at Augusta University was likely related to the simultaneous Complete College Georgia efforts. As Finish in Four was implemented at Augusta, they also launched a 15 to Finish campaign that actively encouraged students to enroll in at least 15 credit hours.
- **Develop equitable incentives for degree attainment.** The USG should continue to incentivize students to complete degrees quickly through programs like Finish in Four, while also exploring alternative initiatives to ensure less-academically prepared, traditionally underserved, and part-time students are treated equitably. Specifically, part-time and adult students are more likely to be affected by the unintended consequences of policies like Finish in Four. For example, part-time students unable to take on the additional course load due to work, family, or other personal constraints fail to reap the cost-saving benefits. Coinciding with the alignment of state appropriations, tuition, and financial aid policies, USG and its institutions should be intentional in incentivizing non-traditional and historically underrepresented student populations.
- **Specific Recommendations for Finish in Four:**
    - **Ensure course availability.** Course unavailability may prevent students from taking advantage of cost savings or, if major-related courses are unavailable, inhibit progress toward a degree and increase credits earned at graduation. Institutions must ensure course availability so students can make progress toward degrees in a timely manner, especially since lighter course loads become more expensive under flat tuition.
    - **Consider per credit hour rates for part-time students.** Part-time students will generally have less flexibility than full-time students and may find it difficult to achieve cost savings through heavier course loads. Students that are unable to take at least six credit hours per term will end up paying more under Finish in Four than a per credit hour tuition rate. Since the greatest gains in improving on-time degree completion will likely occur among the full-

time student population, it may make sense for part-time students to be charged a per credit hour rate—this is the approach taken at Augusta University.

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