
AFFORDABILITY, TUITION, AND FINANCIAL AID

The UT System Board of Regents has developed strategic initiatives designed to ensure that a college education remains affordable to students. UT System institutions are using innovative tuition policies and financial aid strategies to influence student behavior by encouraging students to enroll in more classes each semester and to complete their degree programs in a timely manner.

Since 2003, the UT System Board of Regents has been able to determine tuition policies and has used that ability to craft tuition policies that provide financial rewards to students who take and complete a full load of courses. Prior to tuition deregulation, tuition policies were under the control of the state legislature and there was no opportunity to use tuition policy to help achieve strategic goals without legislative approval. The legislature made a few tentative forays into this area when it created a tuition rebate plan for students who graduate without extra credit hours and approved a pilot flat rate tuition program at UT Austin. However, it was extremely difficult to modify tuition policies before deregulation as any change to policies required legislative action. Tuition deregulation opened the door to using tuition policies to change student behavior.

FLAT RATE TUITION

The first tuition innovation that UT System institutions implemented under deregulation was flat rate tuition. Flat rate tuition refers to a tuition pricing structure where all full-time students pay the same amount for tuition, regardless of the number of hours taken by an individual student. UT Austin was granted the authority to conduct a pilot flat rate tuition program in 2001 at two of its colleges (Liberal Arts and Natural Sciences) that set the cost for tuition and fees at the rate charged to a student taking 14 semester credit hours. UT Austin expanded its flat rate tuition plan to include all undergraduate students in fall 2005. UT Austin's tuition structure encourages students to take more hours because full-time students pay the same tuition charge no matter how many semester credit hours are taken. In effect, then, a student taking 18 semester credit hours is paying a rate per credit hour that is one-third lower than a student enrolled in the same college who takes only 12 semester credit hours.

Table II-1 AVERAGE UNDERGRADUATE STUDENT CREDIT LOAD

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|--------|------|------|------|------|------|------|------|
| UTA | 11.4 | 11.6 | 11.7 | 11.7 | 11.6 | 11.7 | 11.6 |
| Austin | 12.8 | 13.0 | 13.1 | 13.2 | 13.3 | 13.3 | 13.3 |
| UTB | 9.8 | 9.8 | 9.9 | 9.7 | 10.3 | 10.4 | 10.3 |
| UTD | 10.3 | 10.6 | 11.2 | 11.4 | 11.5 | 11.6 | 11.9 |
| UTEP | 11.8 | 11.9 | 11.7 | 11.3 | 11.4 | 11.4 | 11.3 |
| UTPA | 11.3 | 11.5 | 11.5 | 11.7 | 11.8 | 12.0 | 12.1 |
| UTPB | 10.6 | 10.8 | 11.0 | 10.9 | 11.2 | 11.2 | 11.2 |
| UTSA | 11.2 | 11.3 | 11.7 | 11.8 | 11.7 | 11.9 | 11.9 |
| UTT | 10.8 | 10.9 | 11.5 | 11.7 | 11.8 | 12.0 | 12.0 |

As a result of flat rate tuition, UT Austin has experienced a slight increase in average undergraduate courseloads. Courseloads increased from 12.8 in fall 2001 (the year before flat rate for Liberal Arts and Natural Sciences), to 13.3 in fall 2006 (the year after flat rate for all undergraduates). For fall 2007, the average undergraduate courseload remained at 13.3.

Flat rate tuition is also being implemented at UT Arlington; however, because UT Arlington's tuition and fees are flat at 14 SCHs and above, it is more accurately described as a modified flat rate tuition. UT Arlington credits the policy for a modest increase in undergraduate students taking more than 12 credit hours. UT Arlington will expand its flat rate so that it covers all full-time students taking 12 or more SCHs beginning in fall 2008.

Several other UT campuses provide discounts to students who take heavier course loads. At UT Dallas, additional tuition and fees are waived for students who take more than 15 SCHs. Similarly, at UT Brownsville, tuition and fees are capped at 15 SCHs. UT Brownsville credits this policy for a 117 percent

increase in students taking 15 or more credits during fall 2007 compared to fall 2004 (the policy took effect in fall 2005).

UT Pan American caps its designated tuition charges at 14 SCHs to encourage students to take 15 or more hours. The 14-hour designated tuition cap was put in place starting with the fall 2004 semester, and data suggests this program has been effective. Prior to the cap, about 22 percent of undergraduates attempted course loads in excess of 14 hours. Since enactment of the cap, the percentage of undergraduates attempting course loads over 14 hours has increased each year, from 23.5 percent in fall 2004 to 29.6 percent in fall 2007. This trend has contributed to a gradual increase in the average undergraduate course load from 11.3 hours in fall 2001 to 12.1 hours in fall 2007.

TUITION REBATES

Tuition rebates are another incentive used by three UT System academic institutions to encourage students to take a full course load. In fall 2005, UT Arlington offered a rebate of \$200 per year (\$800 maximum) for any student who successfully completed 30 SCH in the combined fall and spring semesters while maintaining at least a 2.25 GPA. In fall 2006, UT Arlington increased the amount of its annual rebate to \$500 and expanded eligibility for its tuition rebates to students completing 28 SCH in two full terms. Over four years students could earn up to \$2,000 in tuition credit. The minimum grade point average required to receive the rebate was raised slightly to 2.5.

UT Arlington also provides a \$3 per SCH designated tuition discount to students who pay their full tuition and fee bill on time. Prior to instituting the discount, only about 25 percent of UT Arlington's students paid in full and on time; with the discount, the on-time payment rate is over 50 percent. Early payment helps UT Arlington finalize its course schedule and faculty assignments at an earlier date, leading to improved use of resources.

UT Permian Basin began its "Cash for College" Program in spring 2004. Students qualify for a \$200 award by maintaining a 2.0 GPA and completing at least 30 SCH each year (September to August). Summer sessions are included, enabling part-time students to qualify by attending year-round. Eligible students also must complete a bachelor's degree with no more than 130 credit hours. As of fall 2006, 722 students have earned more than \$320,000 in tuition rebates through Cash for College. UTPB reports that graduation rates have increased steadily since the program was implemented.

UT Tyler offers a Timely Graduation Contract Program that provides a \$600 rebate to students who complete their undergraduate program in four years. The program began in fall 2007 and is available to incoming freshmen only.

TUITION GUARANTEES

Another tuition incentive is a tuition guarantee plan that locks in the cost for tuition and fees for four years. Two UT System institutions offer tuition guarantee programs: UT Dallas and UT El Paso. In fall 2006, UT El Paso became the first institution in Texas to offer such a plan. The university's voluntary Guaranteed Tuition Rate Plan provides entering freshmen who qualify for and select the program a guaranteed tuition and mandatory fee rate of \$194 per credit hour for four years. The plan requires students to take at least 30 credits each academic year and thus will encourage graduation in as close to four years as degree requirements permit. Entering freshmen in fall 2007 pay \$208 per credit hour for four years.

Beginning in the 2007-2008 academic year, new students entering UT Dallas for the first time were guaranteed fixed tuition and academic fees for four years. The tuition and fee rates for new students in 2007-2008 are 13 percent higher than the 2006-2007 rates, but will remain unchanged for this cohort for four years. The increase is equivalent to an average increase of 5 percent per year if distributed over 4 years.

A unique feature of the UT Dallas tuition guarantee plan is its agreements with local community colleges. Admitted students can enroll at a community college for two years, and then at UT Dallas for their final two years at the UT Dallas tuition rate applicable when they first enrolled at the community college.

FINANCIAL AID

In addition to innovative tuition policies, UT System academic institutions have made a major commitment to student financial aid in order to ensure that a college education is affordable regardless of a student's economic circumstances. All nine of the UT System academic institutions have developed policies to cover all of the tuition and fees with grant aid for a Texas resident whose family income is below a threshold amount. Most institutions require students to earn 30 SCHs each year and limit the guarantee to four years in an effort to encourage timely graduation.

In recent years, the role of institutional aid has grown, demonstrating UT System's commitment to help cover tuition costs for low income students. Between 2002-2003 and 2006-2007, total financial aid funding for undergraduates rose by 45 percent, while institutional funding increased by 97 percent (from \$77.9 million to \$153.4 million). Institutional funds now provide 17 percent of UT System financial aid funding. Among UT System institutions, UT Austin has the largest share of aid from institutional sources, with 31 percent of undergraduate financial aid funded from local funds. Only a little more than 6 percent of UT Austin's financial aid funding comes from the state. At the other end of the spectrum, at UT Brownsville and UT Permian Basin about 4 percent of undergraduate aid is funded from institutional sources. However, because of the mandatory set aside of 20 percent of designated tuition above \$46 per semester credit hour, institutional funds will continue to grow in importance at all UT System institutions and will be even more critical to maintaining access in the future.

The availability of financial aid funding means that the average undergraduate student does not pay the full cost of their tuition and fees. For example, at UT El Paso and UT Pan American in 2006-07, the average net cost of tuition and fees (tuition and fees less need-based grants) for full-time students with need-based grant aid is zero. System-wide, 47.8 percent of undergraduates receive need-based grant aid. This aid reduced the cost of tuition and fees for these students by an average of 77.9 percent, cutting the average cost for 30 semester credit hours to just \$1,454 from the "sticker price" of \$6,573.

UT System institutions are following closely the impact that their financial aid guarantees have on student access and success. Because the guarantee programs are new, it will take several years to ascertain their effectiveness. The guarantee programs differ from one another in that some require enrollment in a full course load and are limited to four years, while others are more open-ended. Evaluating how these different approaches affect student behavior will help institutions to determine the best approach to take on their campus.

