

SUBJECT: Requiring public universities to offer a four-year fixed tuition price plan

COMMITTEE: Higher Education — committee substitute recommended

VOTE: 8 ayes — Branch, Patrick, Alonzo, Clardy, Darby, Howard, Murphy, Raney

0 nays

1 absent — Martinez

WITNESSES: For — (*Registered, but did not testify*: Justin Yancy (Texas Business Leadership Council)

Against — None

On — David Daniel, University of Texas at Dallas; Diana Natalicio, University of Texas at El Paso; (*Registered, but did not testify*: Dan Weaver, Texas Higher Education Coordinating Board)

DIGEST: HB 29 would require public higher education institutions to offer a four-year fixed tuition price plan. The fixed-tuition plan would be offered to undergraduate students, including transfer students.

HB 29 would require fixed-tuition plans to provide that tuition charged to an undergraduate in the plan would not exceed that charged during the student's first academic term. In the fifth academic year following the student's initial enrollment, the institution would not be able to charge tuition that exceeded the amount that would have been charged to the student in his or her second year, had they not been on a fixed tuition plan.

A fixed tuition plan would not apply after a student had been awarded a baccalaureate degree by the institution.

If the institution offered multiple tuition price plans, then it would have to require entering undergraduate students to accept or reject the plan before the student enrolled. Universities would notify each entering undergraduate student of the fixed-tuition plan.

Fees charged by an institution to a student in a fixed-tuition plan would not be more than the fees charged to a similarly situated student not in a fixed-tuition plan. Students would be similarly situated if they shared the same residency status, degree program, course load, course level, and other applicable circumstances.

The bill would require institutions to adopt rules to administer the program. It would not require universities to offer a variable-tuition price plan.

The bill would not apply to students who entered an institution for the first time before the 2014 fall semester. This restraint would expire on January 1, 2020.

This bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2013.

**SUPPORTERS
SAY:**

HB 29 would provide parents and students with price certainty, which would allow them more easily to determine whether they could afford the tuition of a particular institution. They also would be able to make better informed decisions about the true value of financial aid, scholarships, and other offers knowing their actual value over the next four years.

Price certainty for a bachelor's degree would be similar to other major purchases for which a buyer knew what the payments would be. Families need to know what they will spend on a mortgage or car payment in order to properly budget. They should know the same for college tuition.

Price certainty could allow students to spend less money on a college degree because they would be insulated from unpredictable and sharp tuition price increases.

HB 29 would encourage on-time graduation by framing a university education as a four-year experience. The University of Texas at Dallas saw a significant increase in on-time graduation after the school switched to offering only a four-year fixed price tuition plan to students. Texas should foster on-time graduation because it saves formula funding tax dollars, helps the economy as newly minted graduates transition into the workforce, and opens up space for incoming students.

Institutions would have some flexibility in how they offered the program. The bill would allow them to set their own administrative rules. This would allow them to tailor their fixed-tuition plans to minimize administrative burden and ensure they were competitively priced to meet the needs of their student population.

OPPONENTS
SAY:

Four-year fixed tuition price plans would end up being a financial drain on many institutions and prove unpopular among students who struggled to meet short-term tuition costs.

For example, the University of Texas at El Paso, which offers a fixed-tuition plan, has signed up only a handful of students. This undoubtedly is because fixed-tuition plans, while they lock in the price a student would pay for four years at an institution, are designed to average costs and offer a higher rate the first two years than that charged a student who pays semester by semester. This makes the plans less attractive to financially needy students who struggle to pay immediate tuition and other costs.

Dedicating administrative time and resources to calculating, marketing, and tracking acceptance and rejection of plan offers would be a financial drain at schools where few students sign up.

The Legislature should be careful when adding additional mandates on the schools at a time when it is paramount to control rising costs.

NOTES:

The committee substitute differs from the bill as filed in that it would require students to accept or reject the four-year fixed tuition price plan and would include rules about fees that could be charged to students on the plan. The bill as filed would have allowed a student who had previously completed a baccalaureate to be considered an entering undergraduate student for purposes of a fixed tuition plan if the student later enrolled in a different undergraduate degree plan and would have required the Texas Higher Education Coordinating Board to create rules to administer fixed-tuition plans.