

March 20, 2003

## COLLEGE PLANNING

# Colleges Look to Lower Costs By Adopting Flat-Rate Tuition

By JANE J. KIM  
DOW JONES NEWSWIRES

A handful of colleges are taking steps to make tuition more affordable by locking in the cost of attendance.

Earlier this month, New York's Pace University and New York Law School announced plans to adopt a flat-rate tuition structure for all incoming students, guaranteeing they will pay the same amount each year.

Baylor University, Waco, Texas, has had a guaranteed tuition plan for a few years that allows freshmen to lock in a slightly higher tuition than other students pay, but keeps the payment steady for all four years. Only about 3% of Baylor's undergraduates currently participate, but the school says it is seeing more interest in the program.

"Since the early 1990s, you've seen a lot of new innovations in how private colleges make themselves affordable ... such as tuition cuts, tuition freezes, tuition guarantees and accelerated-degree programs," said Tony Pals, public-information director for the National Association of Independent Colleges and Universities in Washington. Some colleges say the programs help their bottom lines because they improve retention rates and attract qualified students who otherwise wouldn't be able to afford a private education.

The move to a flat tuition rate is welcome news for Lisa Fuggetta, a 19-year-old sophomore at Pace. For her, the relief comes in knowing that she won't have to borrow more to cover tuition increases.

"Even if I save \$2,000 to \$3,000 on loans" it's a good thing, she said. "Because I'm going to have to pay [those loans] back one day."

Indeed, tuition at private and public colleges has continued to outpace inflation. For the 2002-03 academic year, average private four-year college tuition and fees rose 5.8%, or \$1,001, to \$18,273, from \$17,272 the year before, while average costs at four-year public colleges rose 9.6% to \$4,081 from \$3,725, according to the College Board.

Under a flat-tuition-rate plan, students pay more of the tuition when they start school.

At New York Law, for instance, tuition will jump 13% to \$31,960 from \$28,400 this fall. But that jump -- spread out over the three years the student is in school -- works out to two annual

increases of 6%, below the school's average 7.45% increases in recent years.

"The students get a lower cost overall," said Richard Matasar, dean of New York Law. "If they're borrowing money, that [savings] compounds for the rest of their life."

Both Pace and New York Law say they were able to offer the tuition guarantee because they have a stable enrollment rate that allows them to predict their revenue streams more accurately.

Next year's Pace freshmen will lock in a \$20,540 tuition -- an increase of 15% from current tuition of \$17,800 -- for the next five years. The flat-rate plan also will apply to existing students, although the rates will be prorated based on their class. For instance, current freshman will pay \$19,480 next year and that tuition will be guaranteed for four years.

Students should review any plan carefully and compare the tuition with rates at similar schools. "It isn't clear whether this is resulting in any net savings for the students, but it does give students peace of mind," said Mark Kantrowitz, publisher of Finaid.com ([www.finaid.com](http://www.finaid.com)<sup>1</sup>), a financial-aid Web site. "It's the same thing that draws people to prepaid tuition plans."

**Write to Jane J. Kim at [jane.kim@dowjones.com](mailto:jane.kim@dowjones.com)**<sup>2</sup>

**URL for this article:**

<http://online.wsj.com/article/0,,SB104811474362267600,00.html>

**Hyperlinks in this Article:**

(1) <http://www.finaid.com>

(2) <mailto:jane.kim@dowjones.com>

*Updated March 20, 2003*

**Copyright 2003 Dow Jones & Company, Inc. All Rights Reserved**

**Printing, distribution, and use of this material is governed by your Subscription agreement and Copyright laws.**

**For information about subscribing go to <http://www.wsj.com>**