



## Legislative Fiscal Bureau

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TO: Members  
Special Committee on Review of Higher Education Financial Aid Programs

FROM: Emily Pope, Fiscal Analyst

SUBJECT: Potential Cost Savings of Three-Year Degree Programs

At your request, I am providing information related to potential cost savings of three-year bachelor's degree programs.

Students who choose to graduate in three years as opposed to the more traditional four years may reduce the net cost of their degrees by paying less in tuition and fees and increasing their earnings. (For the purpose of this analysis, it is assumed that students who graduate in three years would not experience any savings due to reduced room and board costs.) The amount of this reduction in net cost will vary depending on a variety of factors including: (1) institution attended; (2) enrollment patterns; (3) credits earned prior to enrollment; (4) post-graduation salary; and (5) employment while enrolled. Based on information provided below, it is estimated that a student who graduates in three years may reduce the net cost of their degree by approximately \$25,000. However, the actual amount of this reduction in net cost will vary widely by student.

**Reduction in Tuition and Fees:** In most cases, students who complete a bachelor's degree program in three years will pay less in tuition and segregated fees than students who complete the same program in the traditional four years. The table below shows the estimated amount of tuition and segregated fees a student who first enrolled during the 2010-11 academic year would pay over the course of a three-year or four-year program at UW-Madison, UW-Milwaukee, UW-Parkside, and UW-Stout. For the purpose of this analysis, it is assumed that tuition and segregated fees would increase by 5.5% annually. In addition, it is assumed that the students who graduate in three years will take 18 credits in each fall and spring semester and 6 credits during each of two summer semesters. It is also assumed that students graduating in four years enroll only during the fall and spring semesters.

**Estimated Tuition and Segregated Fees Charged to Students Completing a Bachelor's Degree in Three or Four Years at Selected UW System Institution**

	Enrolled 2010-11 through 2012-13 (3 years)	Enrolled 2010-11 through 2013-14 (4 years)	Difference
UW-Madison	\$33,646	\$40,104	\$6,457
UW-Milwaukee	29,838	35,178	5,340
UW-Parkside	24,370	28,741	4,371
UW-Stout	29,952	30,874	922

The estimated tuition and segregated fees savings resulting from completing a bachelor's degree in three years rather than four ranges from close \$6,500 at UW-Madison to less than \$1,000 at UW-Stout. UW-Stout is the only institution in the UW System that charges tuition on a per credit basis rather than using the plateau system. Under the plateau system, students enrolled for 12 to 18 credits all pay the same rate. As a result, students enrolling for 18 credits per semester, perhaps with the intention of graduating in three years, are charged the same tuition and fees as students enrolled for 15 credits, which is more typical for students planning on graduating in four years. At UW-Stout, where tuition is charged per credit, a student enrolled for 18 credits would pay 20% more in tuition and fees than a student enrolled for 15 credits. The UW-Stout student graduating in three years pays less in tuition and segregated fees than the student graduating in four years because he or she does not pay the amount of the 2013-14 tuition increase.

The figures above assume that a student would need to take 120 credits worth of courses in order to graduate. Certain students may begin college with some number of credits, either from high school advanced placement courses or from courses taken at an institution of higher education while still enrolled in high school. These students may be able to earn a degree by taking fewer than 120 credits which could lead to additional tuition and fee savings.

**Increased Earnings:** Financially, the largest benefit of graduating in three years comes from being able to begin full-time employment one year earlier. According to a survey conducted by the National Association of Colleges and Employers, the average new college graduate was offered a starting salary of \$47,673 in 2010. However, salaries vary greatly across professions and geographic regions. As a result, the increase in earnings for a student graduating in three rather than four years will also vary greatly.

At the same time, by enrolling in summer sessions and taking heavier course loads during the fall and spring semesters, students may limit their ability to earn money while in college. For example, a student who works 10 hours less per week during the fall and spring semesters and 20 hours less per week during the summer semesters would earn \$17,600 less at a job paying \$10 an hour over the course of three years of enrollment than a student who was able to work those hours. Additionally, many students would have some earnings during their fourth year of enrollment. A

student who works for \$10 per hour 10 hours per week during the fall and spring semester and 40 hours per week when not enrolled during the summer could earn \$11,200 during his or her fourth year of enrollment.

These forgone wages would offset in part the post-graduation salary earned by the student who graduates in three years. When a student's earnings while enrolled are taken into account, the net gain in earnings from graduating a year early could be \$18,873 based on the average starting salary for new graduates and the example above. Of course, just as post-graduation earnings vary widely, so do earnings while enrolled. Many students work more than 10 hours per week during the traditional semesters while other work less. In addition, students may earn more or less than \$10 per hour. The net effect of graduating one year early on earnings will vary depending on the amount the student works while enrolled, the hourly rate paid to the student, and the student's salary post-graduation.

### **Impacts on UW System Institutions**

An increase in the number of students who attempt to complete a bachelor's degree program in three years would increase demand for courses during the fall and spring semesters and increase demand for courses during the summer. The increase in demand for courses during the fall and spring semesters would be relatively small and could potentially be accommodated within existing course offerings. Depending on the number of students who opt to pursue a degree in three years, the increase in demand for summer courses may not be met through existing course offerings and may require the addition of summer courses. Where formal three-year degree programs have been established, certain courses would have to be offered during the summer to allow for graduation. An increase in the number of courses offered in the summer would result in an increase in staff costs. However, an increase in summer session enrollments would have the benefit of more fully utilizing existing institutional infrastructure. By encouraging more students to enroll year-round, there is the possibility that institutions could serve more students within existing spaces.

In addition, students in formal three-year degree programs may require additional counseling and advisement to ensure that they enroll in the appropriate courses. This may increase costs related to counseling and advisement.

### **Existing Three Year Programs and Limitations**

Some number of highly motivated students has been able to graduate in three years without participating in a specific program or accessing additional counseling or advisement services. To facilitate additional students wanting to graduate in three years, UW System institutions have begun to create formal three-year degree programs in certain disciplines. In spring, 2010, UW-Stout began offering three-year bachelor's degree tracks in business, psychology, and tourism management. Similarly, in fall, 2010, UW-Superior began offering a three-year degree in business administration. According to UW System staff, UW-Eau Claire, UW-La Crosse, and UW-Stevens Point are in the process of developing three-year degree programs in certain disciplines.

While completing a bachelor's degree in three years may appeal to students and families interested in reducing the overall cost of a degree, there are certain drawbacks and limitations that should be considered. Students who have heavier workloads during the fall and spring semesters may not be able to participate in extracurricular activities such as student government and athletics. By enrolling during the summer months, these students may be unable to pursue internships that may be valuable in terms of professional development. It is also unlikely that these students would be able to participate in study abroad programs. Students hoping to graduate in three years would have to declare a major at the time of enrollment. This may inhibit valuable academic exploration. Some students depend on their own earnings to pay for college. For these students, reducing work hours during the school year and summer months may not be an option. Finally, some disciplines require students to take courses in a particular sequence, require students to complete an internship or apprenticeship, or require more than 120 credits to be earned for graduation. Students seeking degrees in these disciplines may not be able to complete a degree in three years.

I hope this information is helpful. Please contact me if you have additional questions.

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