



Tuition Discounting: Results of the 2016 NACUBO Tuition Discounting Study

National Association of College and University
Business Officers (NACUBO)

Today's Session Will Answer These Questions

- What is “tuition discounting”?—NACUBO definition
- Why do schools discount their tuition?
- What are the most recent tuition discount rates?
 - Avg. rates for first-time freshmen vs. all undergraduates
- What criteria are used to award discounts to students?
 - Need-based vs. non-need-based grants
- What effect does discounting have on college and university finances?
 - Net tuition revenue
- What effect does discounting have on enrollments?

About NACUBO's Study

- Conducted annually since 1994
- Includes only private non-profit colleges and universities (also referred to as independent colleges and universities)
- Measures tuition discount rates from the point of view of institutions
- Data include undergraduate students only
- Provides separate discount rates for first-time freshmen and all undergraduates
- Examines the effects of tuition discounting on net tuition revenue

What is a Tuition Discount?—The NACUBO Definition

- Any *institutionally funded* scholarship or grant awarded to an undergraduate student that lowers (or discounts) the student's tuition price
- *Institutionally funded grants* are funded by *institutional resources* AND the institution develops the criteria determining which students receive awards
- “Institutional resources” can include:
 - Endowment earnings
 - Tuition waivers
 - Annual financial gifts from alumni or others
- Institutional resources CANNOT include:
 - Federal or state-funded or administered grants (e.g., Pell Grants, FSEOG)
 - Tuition exchange programs (tuition programs between two or more schools)
 - Tuition remission programs (tuition benefits available only to staff or dependents of college or university employees)

Why Do Private Nonprofit Colleges and Universities Discount Tuition? Two Key Reasons

- To promote college access for students from low- and moderate-income families (“need-based” grants).
- To improve institutional “prestige” by attracting students with high grades, artistic abilities, or other attributes (“merit” or “non-need” grants).
 - Regardless of why schools use discounting, they ultimately want to achieve both ***rising undergraduate enrollment*** and ***increasing net tuition revenue***.

Two NACUBO Tuition Discount Rates

- Institution rate: Total institutional grant dollars as a pct. of gross tuition and fee revenue

Formula:
$$\frac{\text{Total Institutional Grant Dollars Awarded to Undergraduates}}{\text{Total Tuition and Fee Revenue}}$$

Rate is based on ALL students—grant recipients and non-recipients

Slightly different formula for first-time freshmen

This rate answers the question: *How much are schools spending on tuition discounting, relative to gross tuition and free revenue?*

- Student rate: Average institutional grant award as a pct. of the tuition and fee price

Formula:
$$\frac{\text{Average Institutional Grant Award}}{\text{Tuition \& Fee Sticker Price}}$$

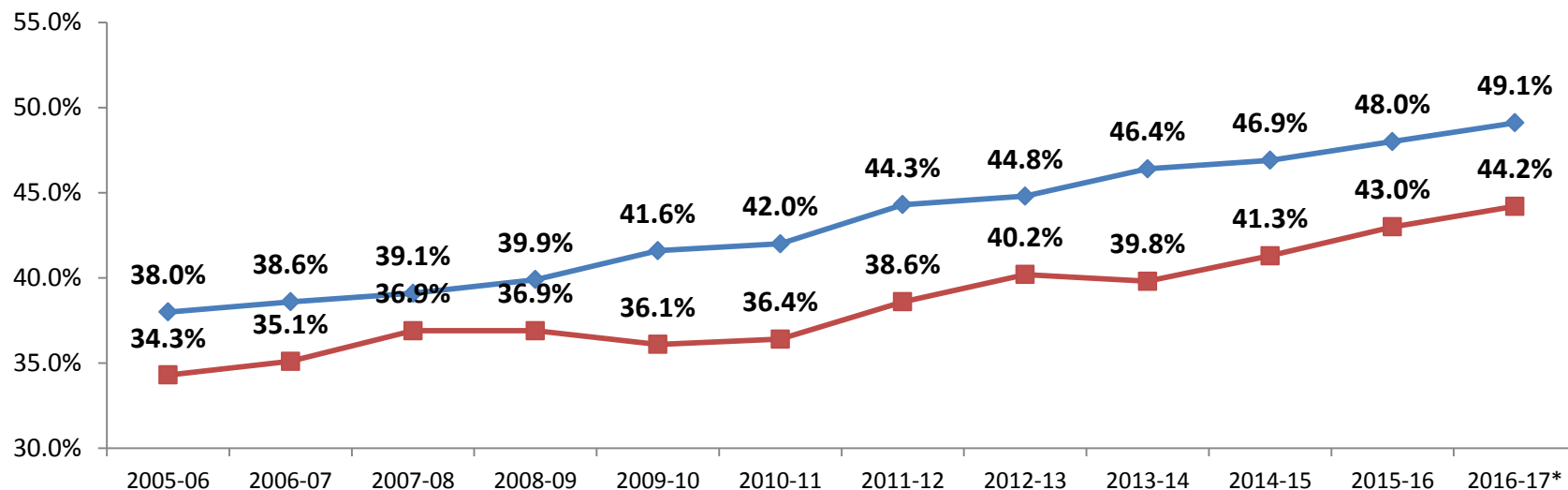
Rate is based on ONLY students who got an institutional grant award

This rate answers the question: *What impact does tuition discounting have on recipients?*

How Much Do Independent Colleges and Universities Discount?

“Institution” Tuition Discount Rates Reached an All-time High in 2016-17

Average Institutional Tuition Discount Rate from 2005-06 to 2016-17*, by Student Category



Source: NACUBO Tuition Discounting Study, 2005 to 2016; data are as of the fall of each academic year.

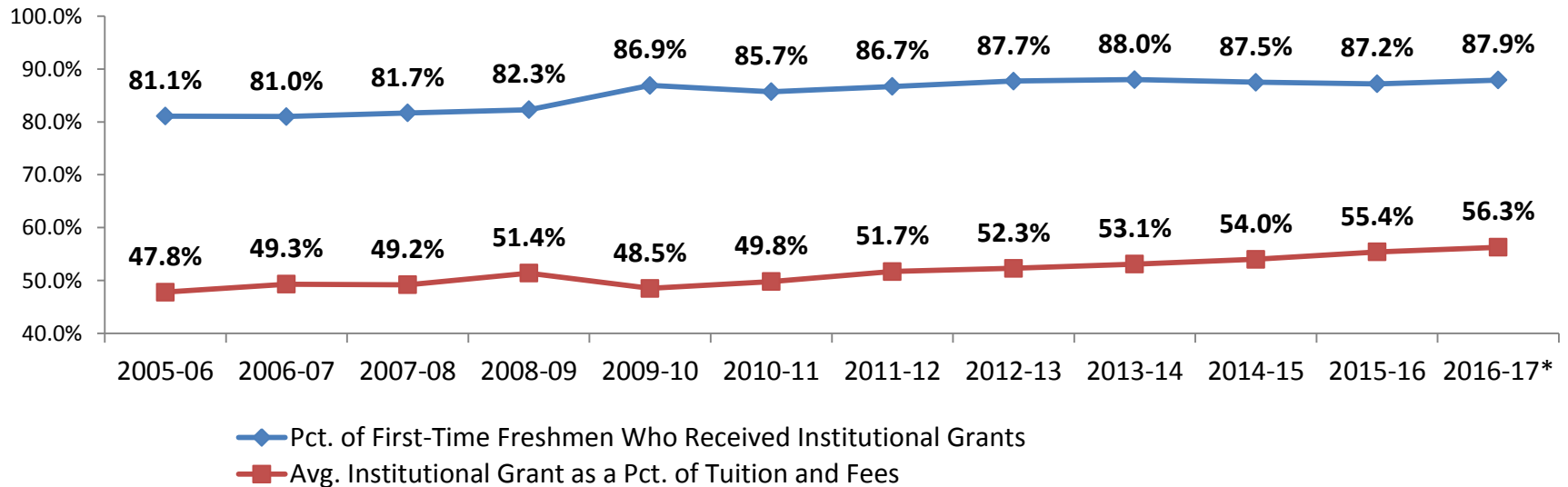
*Preliminary estimate

◆ First-Time, Full-Time Freshmen ■ All Undergraduates

What Impact Does Discounting Have On Students Attending Private Colleges?

The Average “Student” Discount Rate Also Reached Record Highs

Percentage of First-time Freshmen Who Received Institutional Grants and the Average Institutional Grant as a Percentage of Tuition and Fees, 2005-06 to 2016-17*



*Preliminary data

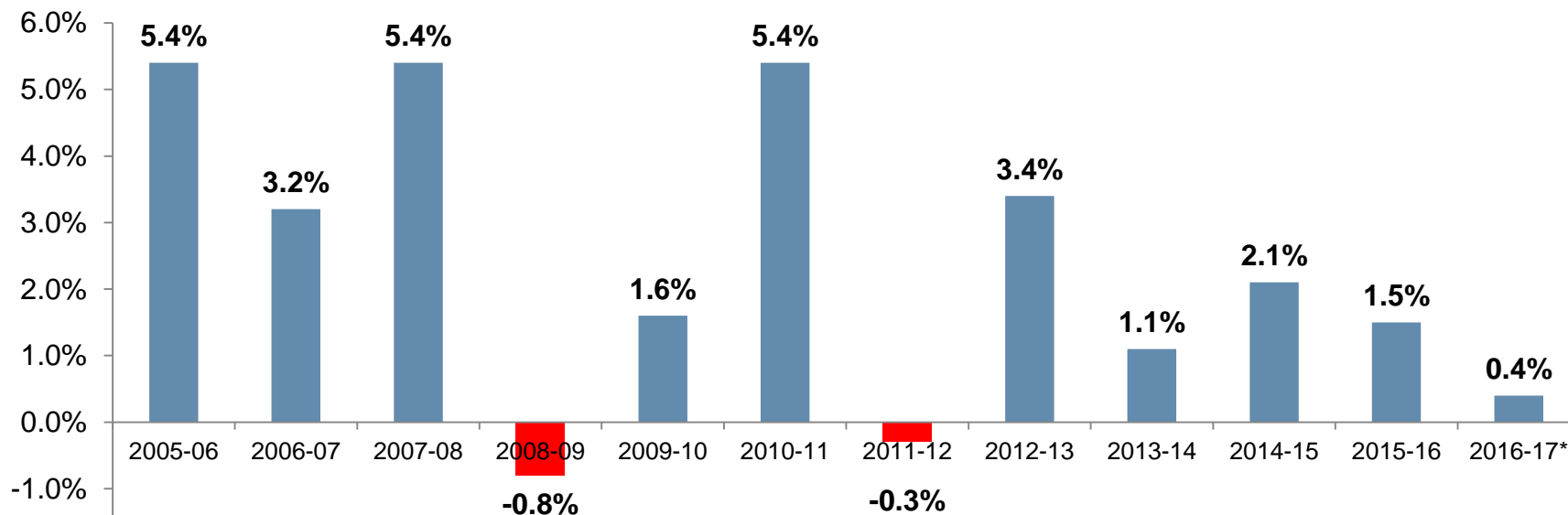
Source: NACUBO 2016 Tuition Discounting Study, May 2017. Data as of the fall of each academic year.

*Preliminary estimate.

What Effect Does Tuition Discounting Have On Institutional Finances?

Higher Discount Rates Have Led to Much Slower Growth in Tuition Revenue

Average Annual Percentage Change in
Net Tuition Revenue per Full-Time Freshman in Current Dollars, 2005-06 to 2016-17*



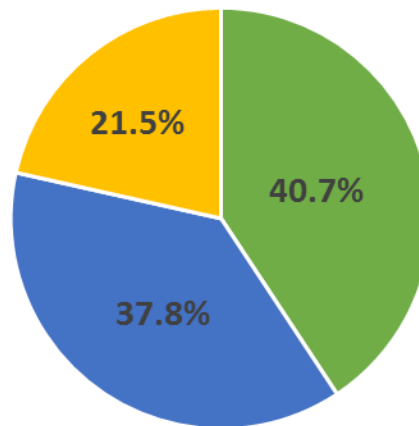
*Preliminary estimate

Source: NACUBO Tuition Discounting Study, 2005 to 2016. Data are as of the fall of each academic year. Annual percentage changes are not adjusted for inflation.

What Criteria Are Used to Award Institutional Grants/Tuition Discounts?

The plurality of grants/discounts are awarded based on students' demonstrated financial need ("need-based" grants)

Average Percentage of Total Undergraduate Institutional Grant Dollars Awarded in Fall 2015, by Aid Category



■ Need-Based Aid ■ Merit Aid Used to Meet Need ■ Merit Aid Not Used to Meet Need

On average, 78.5% of total institutional grant aid awarded in 2015-16 was used to meet students' financial need (need-based aid combined with merit aid used to meet need).

Source: NACUBO 2016 Tuition Discounting Survey, May 2017. Data are as of the fall of 2015-16.

How Much of the Funding for Institutional Grants Comes from College and University Endowments?

For independent colleges and universities, endowment earnings provide only a portion of support for institutional grant expenditures.

Percentage of Total Undergraduate Institutional Grant Aid Funded by Endowment Funds, by Endowment Level, Academic Year 2010-11 to 2015-16

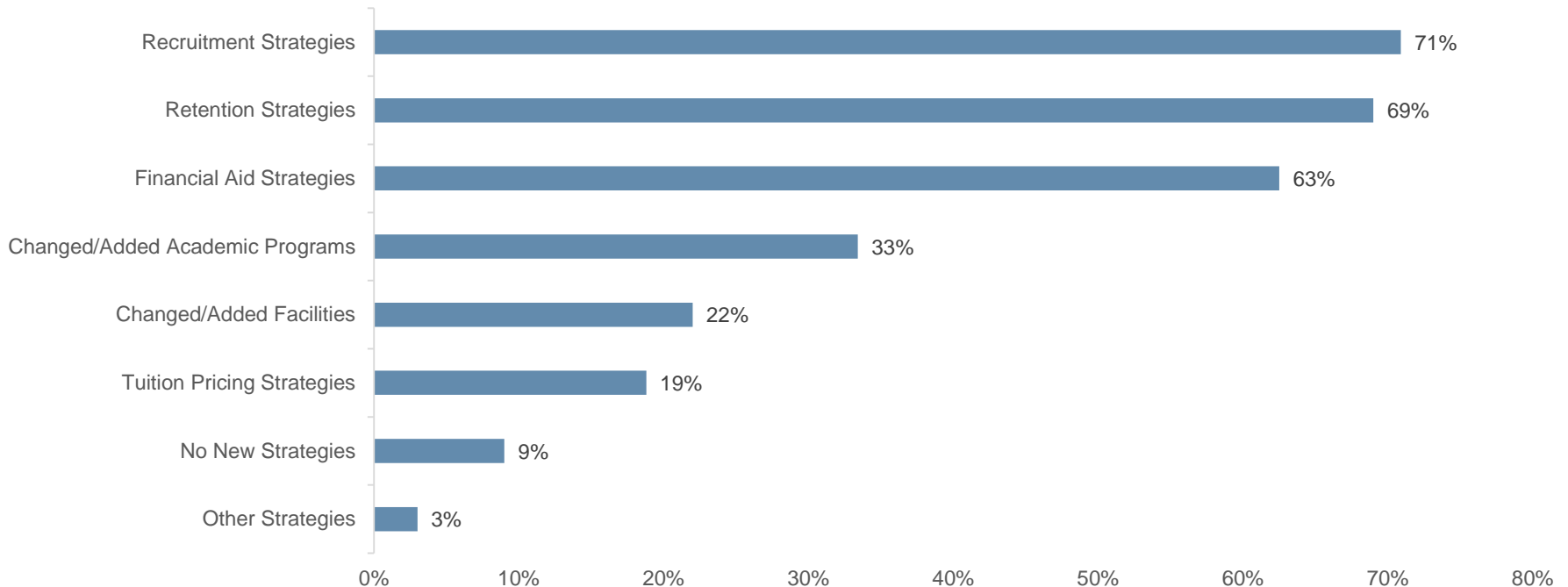
Endowment Level	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Over \$1 billion	33.9%	32.5%	28.9%	32.3%	32.1%	35.3%
\$500 million to \$1 billion	23.2%	21.6%	18.5%	22.9%	13.9%	16.9%
\$100 million to \$500 billion	13.0%	9.8%	11.0%	10.6%	10.9%	11.4%
\$50 million to \$100 million	7.8%	9.0%	9.3%	6.7%	9.6%	10.4%
\$25 million to \$50 million	9.4%	7.0%	6.0%	7.1%	7.1%	5.9%
\$25 million or less	3.8%	6.2%	6.8%	6.5%	6.9%	5.8%
Unknown Endowment	5.5%	-	-	-	20.0%	10.9%
All Institutions	10.6%	10.4%	10.5%	10.8%	11.3%	12.4%

Source: NACUBO Tuition Discounting Survey, 2011 to 2016.

Note: Endowment level data come from the 2016 NACUBO-Commonfund Study of Endowments (NCSE) and the 2016 Integrated Postsecondary Education Data System (IPEDS) Finance Survey (for institutions that did not respond to the NCSE).

What Strategies Did Independent Institutions Use or Implement in Fiscal Year 2016 to Increase Net Tuition Revenue?

Percentage* of Institutions that Used or Implemented Strategies to Increase Net Tuition Revenue in Fiscal Year 2016, by Strategy Type



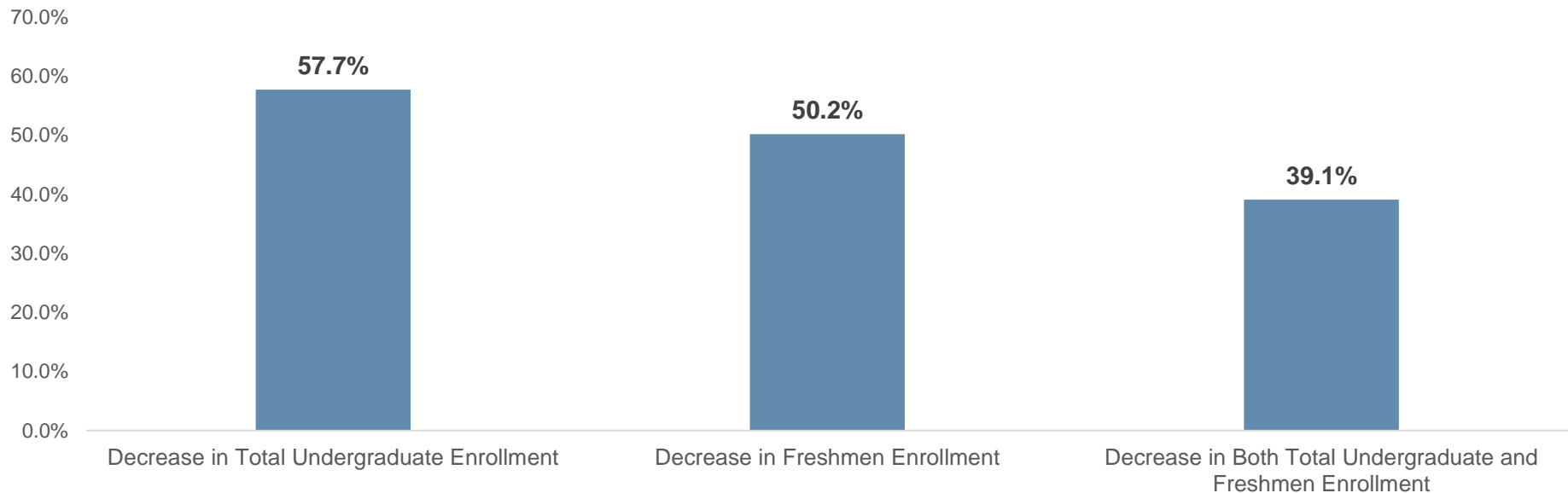
Source: 2016 NACUBO Tuition Discounting Study

*Total may not equal 100% because institutions may have implemented multiple types of strategies.

What Effect Does Discounting Have on Undergraduate Enrollments?

Despite rising discount rates, well over half the schools in the 2016 TDS reported *lower* total undergraduate enrollments

Percentage of Participating Institutions* that Experienced a Decline or Maintained Enrollment from Fall 2013 to Fall 2016



Source: NACUBO Tuition Discounting Survey, 2016.

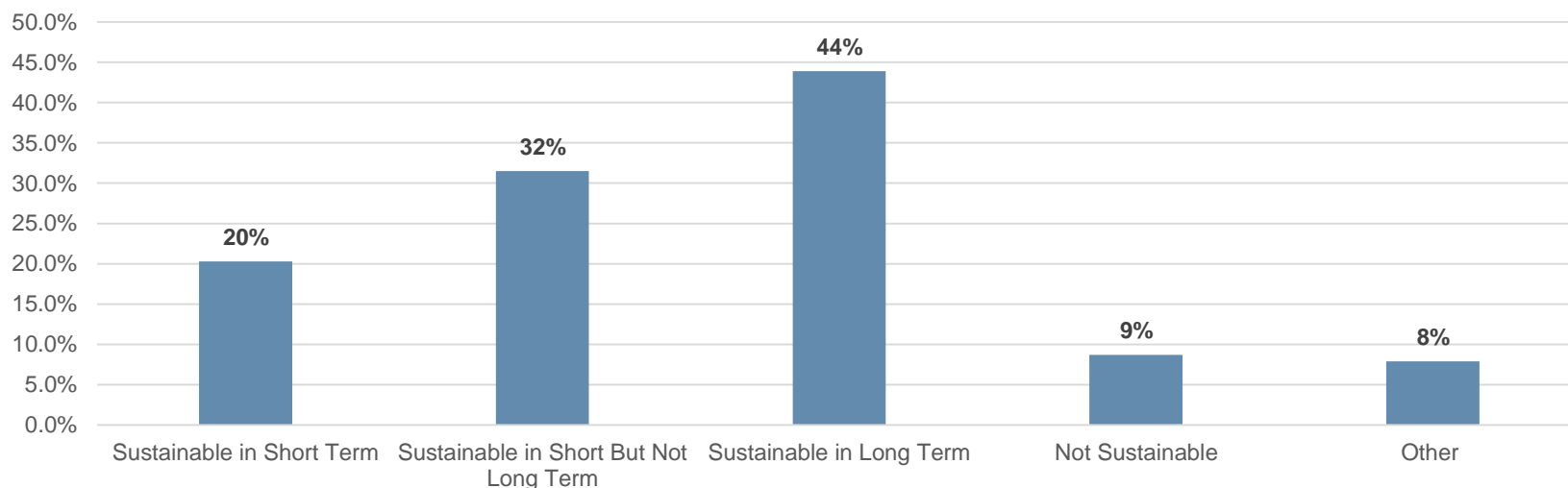
Decrease in Enrollment includes institutions that had no change in freshmen or total undergraduate enrollment.

*Data include only the TDS participating institutions that reported enrollment data for 2013 to 2016.

Do Institutions Think Tuition Discounting Is Sustainable?

Despite rising rates, over 40 percent of respondents thought their institutions' discounting practices were sustainable in the long term

TDS Survey Participants' Perceptions of Tuition Discounting Sustainability



Source: NACUBO Tuition Discounting Survey, 2016.

Conclusions

- Discount rates at private nonprofit colleges and universities have risen annually since 2008.
- More undergraduates have received higher discounts/institutional grant awards.
 - Most of the grants were awarded to students with financial need.
- Rising discounts have led to much lower growth in net tuition revenue.
- Large institutional endowments play a positive role in efforts to fund institutional scholarship and grant programs.
- Schools have employed various methods to increase net tuition revenue such as recruitment, retention, and financial aid strategies.
- Despite increasing discount rates, many schools saw declines in their undergraduate enrollments.

Some Other Questions to Consider

- How sustainable are current levels of tuition discounting?
- Will independent colleges have to try new strategies, such as cutting their listed tuition and fee prices, rather than raising their institutional grant expenditures?
- What other strategies should colleges try in order to address declining enrollments?

Contact Information

- Lindsay Wayt
lwayt@nacubo.org