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# Tuition Discounting and College Access for Underrepresented Students

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# About NACUBO's TDS

- 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 discounting on net tuition revenue

# NACUBO's Tuition Discount 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 Independent 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 usually want to achieve both *rising undergraduate enrollment* and *increasing net tuition revenue*.

# Two NACUBO Tuition Discount Rates

## Institutional Rate

Total institutional grant dollars as a pct. of gross tuition and fee revenue

Formula:

$$\frac{\text{Total Inst. Grant Dollars Awarded to Undergrads}}{\text{Total Tuition and Fee Revenue}}$$

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

\*Institutional Rate is based on ALL students—grant recipients and non-recipients; Slightly different formula for first-time freshmen

## Student Rate

Average institutional grant award as a pct. of the tuition & fee price

Formula:

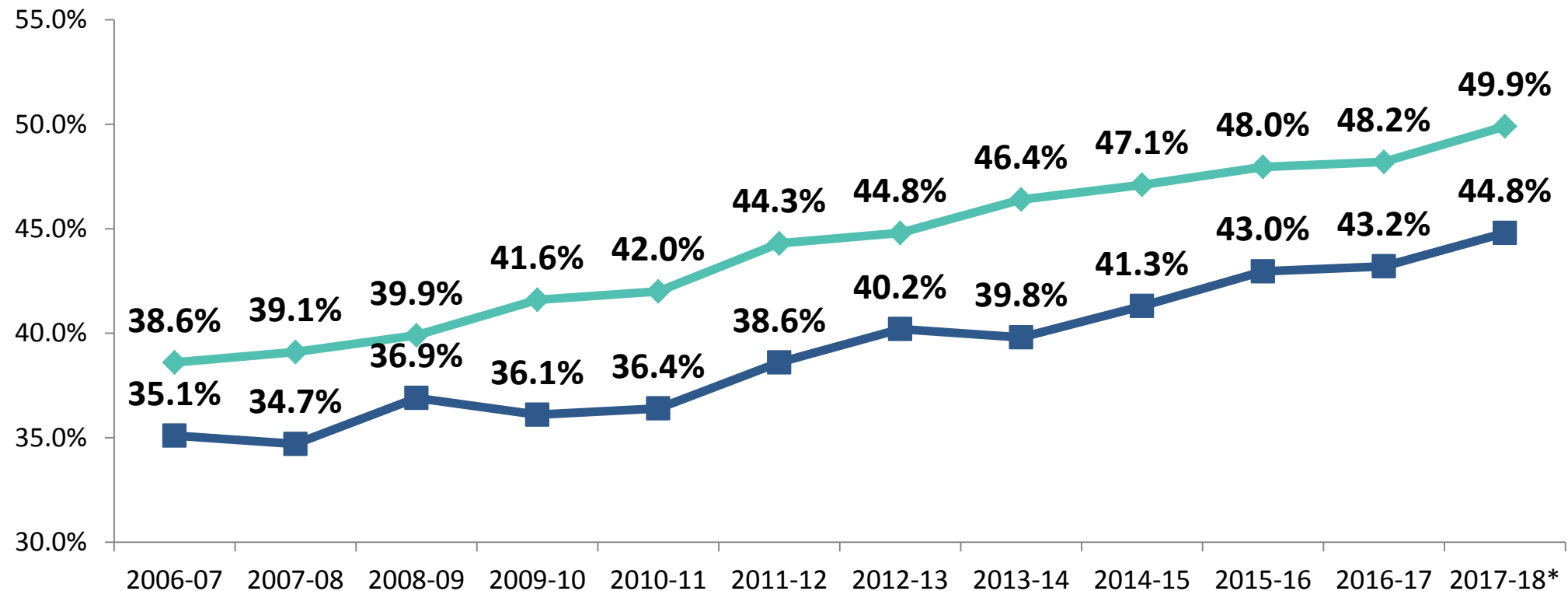
$$\frac{\text{Average Institutional Grant Award}}{\text{Tuition \& Fee Sticker Price}}$$

Answers the question: *What impact does tuition discounting have on recipients?*

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

# How Much Do Independent Colleges and Universities Discount?

## Average Institutional Tuition Discount Rate from 2006-07 to 2017-18\*, by Student Category

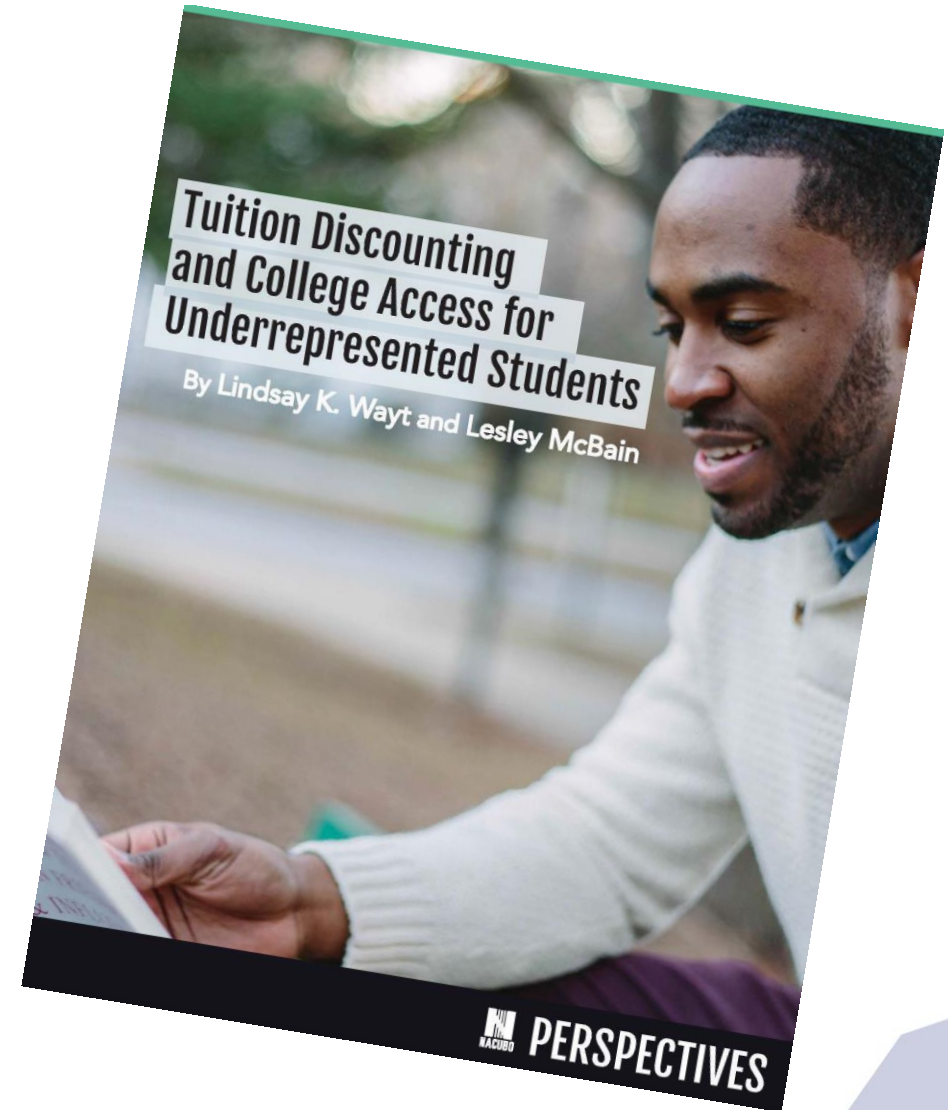


Source: NACUBO Tuition Discounting Study, 2006 to 2017; data are as of the fall of each academic year.

\*Preliminary estimate

# But What Question Is Missing?

- Is there a relationship between increases in tuition discount rates and changes in enrollment of underrepresented minority undergraduates?





# Data Sources

- Tuition Discounting Study (TDS)
  - 200 four-year independent colleges & universities participated in TDS for five consecutive years, 2012-2016
  - Final data for AY 2010-11 to 2015-16
- Integrated Postsecondary Education Data Systems (IPEDS)
  - Corresponding years of institutions' race/ethnicity enrollment data
  - Calculated underrepresented minority (URM) students as portion of their cohorts
    - Includes: U.S. citizens and permanent residents who are American Indian or Alaska Native, Black or African American, Hispanic, Native Hawaiian or Other Pacific Islander, and Two or More Races



# Groups: Change in Institutional Freshmen Tuition Discount Rate

	Percentage Point Change in Average Tuition Discount Rate From 2011-12 and 2015-16	Range of Changes in Tuition Discount Rates From 2011-12 and 2015-16
Quartile 1	-5.2	-30.3 to 0.2
Quartile 2	2.3	0.3 to 4.1
Quartile 3	6.2	4.2 to 8.6
Quartile 4	16.1	8.7 to 51.9

Sources: NACUBO Tuition Discounting Studies, 2012 to 2016.

# Tuition Discounting and Freshmen URM Enrollment

## Average Percentage of First-time Freshmen URM Students within a Cohort, by Tuition Discount Rate Change Quartiles

	2011-12	2012-13	2013-14	2014-15	2015-16	Difference from 2011-12 to 2015-16
<b>Quartile 1</b>	18.4%	18.1%	19.4%	19.6%	19.6%	1.2 percentage points
<b>Quartile 2</b>	17.0%	17.9%	18.6%	18.8%	19.5%	2.5 percentage points
<b>Quartile 3</b>	21.4%	23.0%	24.4%	25.0%	25.5%	4.1 percentage points
<b>Quartile 4</b>	18.1%	20.0%	21.5%	23.6%	23.5%	5.4 percentage points
<b>All sample institutions</b>	18.7%	19.8%	21.0%	21.7%	22.0%	3.3 percentage points

Sources: NACUBO Tuition Discounting Studies, 2012 to 2016, and the National Center for Education Statistics (NCES) Integrated Postsecondary Education Data System (IPEDS).

# Tuition Discounting and Undergraduate URM Enrollment

## Average Percentage of Undergraduate URM Students within a Cohort, by Tuition Discount Rate Change Quartiles

	2011-12	2012-13	2013-14	2014-15	2015-16	Difference from 2011-12 to 2015-16
<b>Quartile 1</b>	17.3%	17.9%	18.4%	19.1%	19.3%	2.0 percentage points
<b>Quartile 2</b>	15.0%	16.1%	17.0%	17.5%	18.2%	3.2 percentage points
<b>Quartile 3</b>	19.9%	20.6%	21.9%	22.8%	23.5%	3.6 percentage points
<b>Quartile 4</b>	17.1%	17.4%	18.7%	19.8%	20.9%	3.8 percentage points
<b>All sample institutions</b>	17.3%	18.0%	19.0%	19.8%	20.5%	3.2 percentage points

# Student Perspective: First-time Freshmen

## Percentage Who Received Institutional Grants, by Tuition Discount Rate Change Quartiles

	2011-12	2012-13	2013-14	2014-15	2015-16	Difference from 2011-12 to 2015-16
Quartile 1	85.3%	84.9%	84.3%	84.5%	82.5%	-2.8 percentage points
Quartile 2	83.2%	85.0%	86.0%	86.6%	85.6%	2.4 percentage points
Quartile 3	86.7%	87.0%	88.3%	88.4%	89.9%	3.3 percentage points
Quartile 4	87.7%	91.2%	91.2%	94.2%	<b>91.9%</b>	4.1 percentage points
All sample institutions	85.7%	87.0%	87.4%	88.4%	87.5%	1.7 percentage points

## Average FTF Institutional Grant as a Percentage of Tuition & Fees, by Tuition Discount Rate Change Quartiles

	2011-12	2012-13	2013-14	2014-15	2015-16	Difference from 2011-12 to 2015-16
Quartile 1	59.3%	56.7%	56.5%	56.4%	56.9%	-4.0 percentage points
Quartile 2	55.9%	56.1%	55.9%	57.2%	56.9%	1.0 percentage points
Quartile 3	50.5%	52.1%	53.6%	55.8%	55.6%	5.0 percentage points
Quartile 4	46.4%	48.9%	53.5%	55.6%	<b>61.8%</b>	15.5 percentage points
All sample institutions	53.0%	53.5%	54.9%	56.3%	57.4%	4.4 percentage points

# Student Perspective: All Undergraduates

## Percentage Who Received Institutional Grants, by Tuition Discount Rate Change Quartiles

	2011-12	2012-13	2013-14	2014-15	2015-16	Difference from 2011-12 to 2015-16
Quartile 1	74.8%	75.4%	75.5%	75.0%	76.1%	1.4 percentage points
Quartile 2	76.8%	77.2%	78.0%	78.9%	79.2%	2.4 percentage points
Quartile 3	77.0%	77.3%	78.6%	77.3%	78.6%	1.6 percentage points
Quartile 4	78.2%	78.9%	80.2%	81.8%	<b>83.9%</b>	5.7 percentage points
All sample institutions	76.7%	77.2%	78.1%	78.2%	79.5%	2.7 percentage points

## Average Undergraduate Institutional Grant as a Percentage of Tuition & Fees, by Tuition Discount Rate Change Quartiles

	2011-12	2012-13	2013-14	2014-15	2015-16	Difference from 2011-12 to 2015-16
Quartile 1	53.4%	51.7%	51.9%	52.7%	52.0%	-1.4 percentage points
Quartile 2	51.2%	51.8%	51.8%	52.6%	53.2%	2.0 percentage points
Quartile 3	45.9%	47.0%	46.9%	49.4%	50.4%	4.5 percentage points
Quartile 4	42.5%	45.0%	47.9%	49.9%	<b>53.5%</b>	10.9 percentage points
All sample institutions	48.2%	48.9%	49.6%	51.2%	52.3%	4.1 percentage points

# Consideration of Income

## Total Number of Pell Grant Recipients, by Tuition Discount Rate Change Quartiles

	2011-12	2012-13	2013-14	2014-15	2015-16	Difference from 2011-12 to 2015-16
<b>Quartile 1</b>	48,310	47,463	46,960	45,768	43,325	-10.3%
<b>Quartile 2</b>	43,488	42,440	42,088	41,222	39,831	-8.4%
<b>Quartile 3</b>	44,289	43,188	42,858	42,561	41,499	-6.3%
<b>Quartile 4</b>	43,397	42,522	41,983	41,360	40,276	-7.2%
<b>All sample institutions</b>	179,484	175,613	173,889	170,911	164,931	-8.1%

Sources: NACUBO Tuition Discounting Study, 2012 to 2016; and the Federal Student Aid (FSA) Data Center.

# Impact on Net Tuition Revenue

**Average Net Tuition Revenue per First-time, Full-time First-Year Student in 2015 (Inflation- adjusted) Dollars from 2011-12 to 20116, by Tuition Discount Rate Change Quartiles**

	2011-12	2012-13	2013-14	2014-15	2015-16	Difference from 2011-12 to 2015-16
<b>Quartile 1</b>	\$17,918	\$19,149	\$19,819	\$19,771	\$20,809	16.1%
<b>Quartile 2</b>	\$19,774	\$19,939	\$20,030	\$19,670	\$20,269	2.5%
<b>Quartile 3</b>	\$19,347	\$19,006	\$18,748	\$18,739	\$18,262	-5.6%
<b>Quartile 4</b>	\$19,515	\$18,667	\$17,952	\$16,528	\$15,389	<b>-21.1%</b>
<b>All sample institutions</b>	\$19,139	\$19,198	\$19,143	\$18,672	\$18,682	-2.4%

**Average Net Tuition Revenue per Undergraduate in 2015 (Inflation-adjusted) Dollars from 2011-12 to 2015-16, by Tuition Discount Rate Change Quartiles**

	2011-12	2012-13	2013-14	2014-15	2015-16	Difference from 2011-12 to 2015-16
<b>Quartile 1</b>	\$21,039	\$22,013	\$22,585	\$22,221	\$22,702	7.9%
<b>Quartile 2</b>	\$21,813	\$22,229	\$22,556	\$22,521	\$22,443	2.9%
<b>Quartile 3</b>	\$21,818	\$21,777	\$22,250	\$21,995	\$21,820	0.01%
<b>Quartile 4</b>	\$21,580	\$21,329	\$20,798	\$20,023	\$19,057	<b>-11.7%</b>
<b>All sample institutions</b>	\$21,562	\$21,840	\$22,047	\$21,687	\$21,506	-0.3%

Sources (both tables): NACUBO Tuition Discounting Studies, 2012 to 2016.



# Conclusions

- Colleges and universities that increased their first-time freshmen institutional discount rate the most:
  - Saw the largest increase in the proportions of their *entering* classes that were underrepresented minority students
  - Had students who, on average, were most likely to receive institutional aid that covered a larger percentage of their tuition and fees
  - Experienced the smallest declines in the number of Pell Grant recipients
  - Realized these outcomes, despite the “cost” of declining net tuition revenue





# Moving the Conversation Forward

- Diversity and inclusion benefit higher education overall
- Historically, some groups of students have been underserved
- This study addressed the relationship between institutional aid trends and enrollment of URM students
- Still more to consider:
  - Financial aid addresses some, but not all, barriers to access
  - Completion also important when assessing progress
  - “Best practices” research important

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# Contact Information

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