

## TUITION: RAISE IT, LOWER IT, OR STAY THE COURSE?

#AItraining



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## LEARNING OUTCOME

### After participating...

...you will be able to make better-informed tuition setting decisions to maximize your institution's enrollment and net tuition revenue goals.



## AGENDA

- Brief Overview of Tuition Pricing and Discounting
- Alternative Pricing Strategies and Associated Risks
- Key Metrics for Setting Tuition
- Institutional Examples
- Making the Case and Aligning Stakeholders

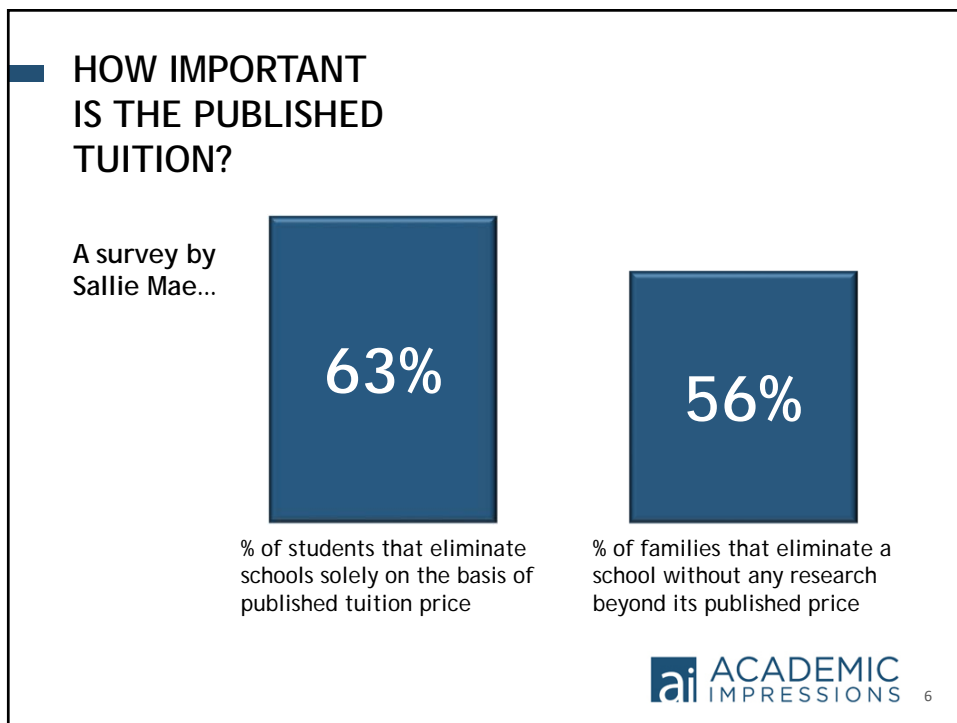
## AN INTRODUCTION THOUGHT

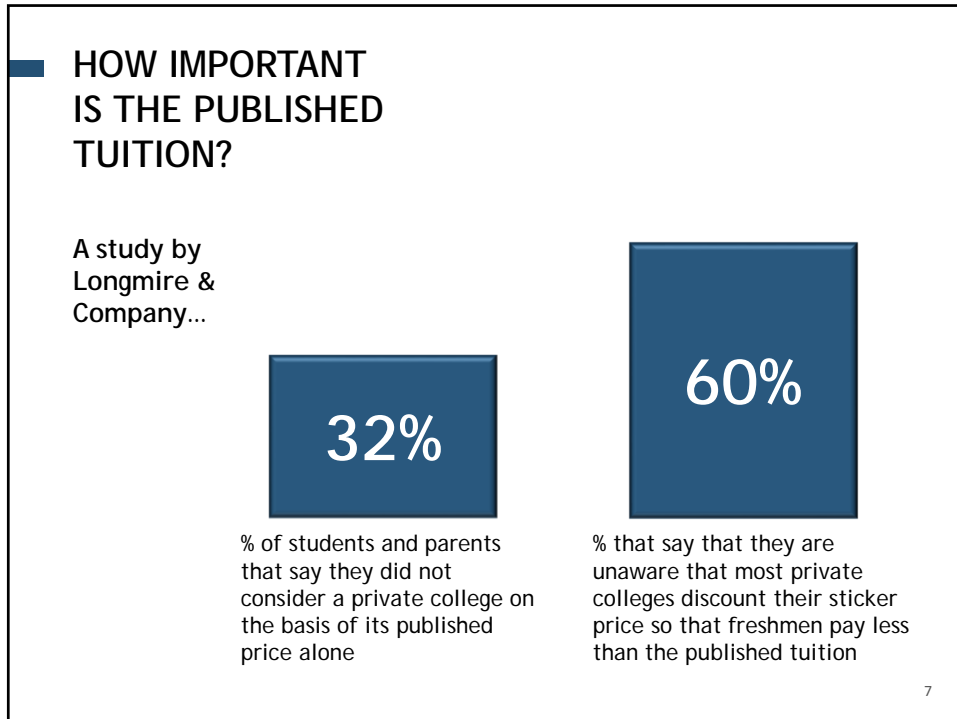


 POLL

## Why are you here?

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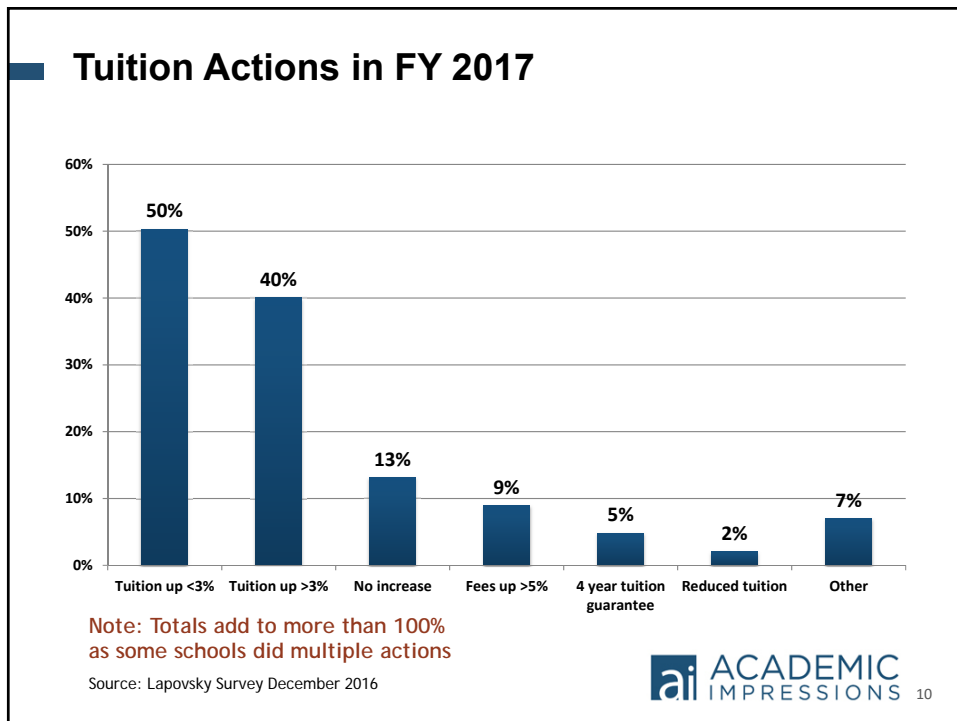
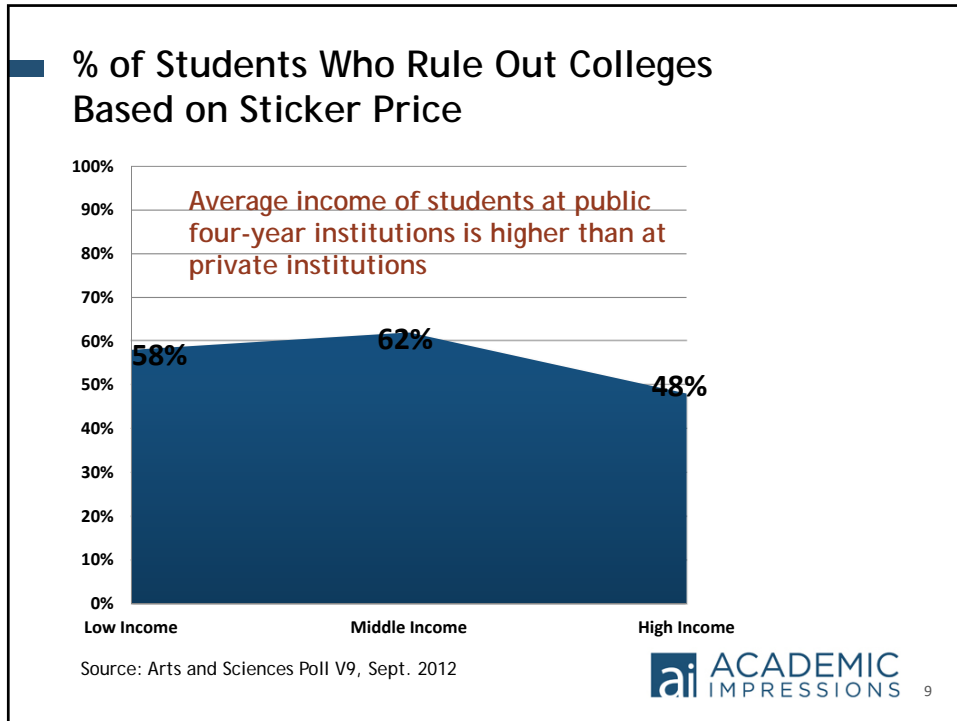


**HOW IMPORTANT IS THE PUBLISHED TUITION?**

- Low-income families are more likely to anchor to a college's sticker price, overestimating how much college will cost to them and preemptively conclude that the college is out of their reach
- Students and parents overestimate college costs by as much as 200%
- Students who over-predict net price of colleges or report not knowing net price at all are significantly less likely to apply to selective colleges


Source: 'Mapping Critical Student Decisions Through College,' [ideas42](#)

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In thinking about tuition for 2017-18, is your institutions considering any of the following?			
	Considering very seriously	Some consideration	Not considering
Raising tuition	63%	30%	8%
Lowering tuition	4%	10%	87%
Holding tuition at the prior year's level	16%	46%	39%
Guaranteeing tuition for four years	6%	26%	69%
Guaranteeing net tuition for four years	5%	19%	75%

Source: Lapovsky Survey December 2016

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**HOW IMPORTANT IS THE PUBLISHED TUITION?**

"Tuition is now a useless concept in higher education...it is almost all noise, no signal. Or, we might say, it is sound and fury, signifying next to nothing."

--Danielle Allen, Professor and Director of the Edmond J. Safra Center for Ethics at Harvard., Washington Post, August 19, 2016

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## POLL

Does a higher tuition  
indicate higher quality?

## PRICE VS. SCHOLARSHIPS

In 2007, students offered a choice between a school that cost \$30,000 and provided a \$10,000 scholarship, and one that cost \$20,000, responded:

- \$30,000 with \$10,000 scholarship - 47%
- Indifferent - 36%
- \$20,000 School - 17%

What have we learned - everyone wants a scholarship irrespective of price.

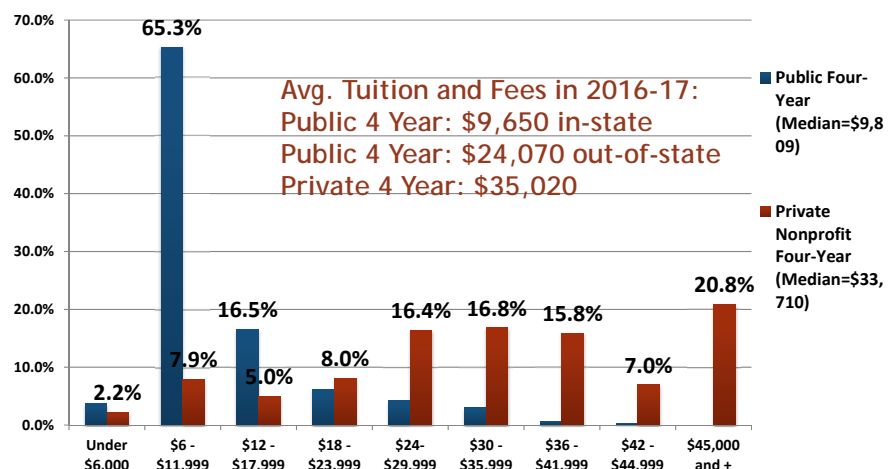
Source: Lapovsky 2008 study

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## NATIONAL DATA ON TUITION AND NET TUITION



### Percent of Students by Tuition and Fee Levels: 2015-16

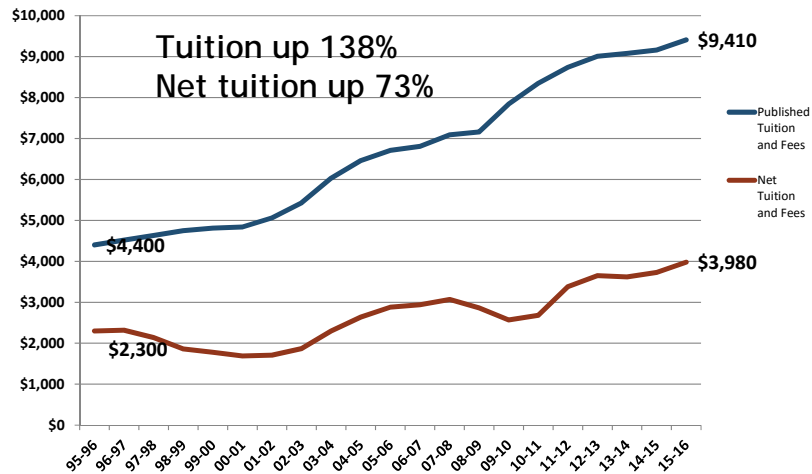


Source: College Board Trends in College Pricing 2015 from Figure 2  
And Trends 2016 Table 2a

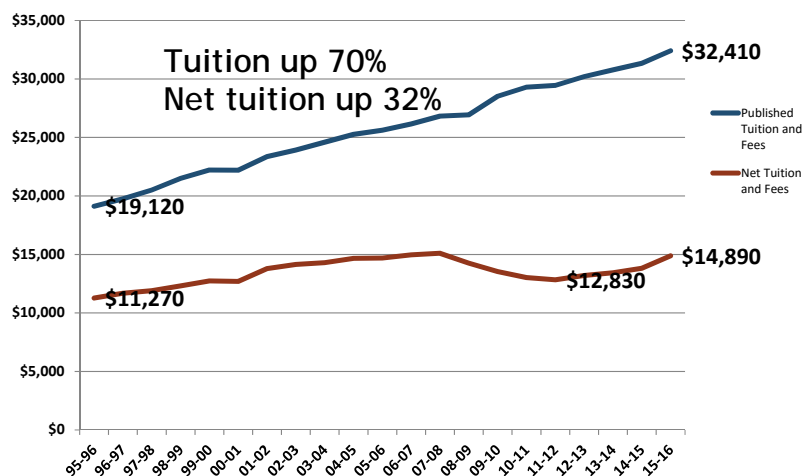




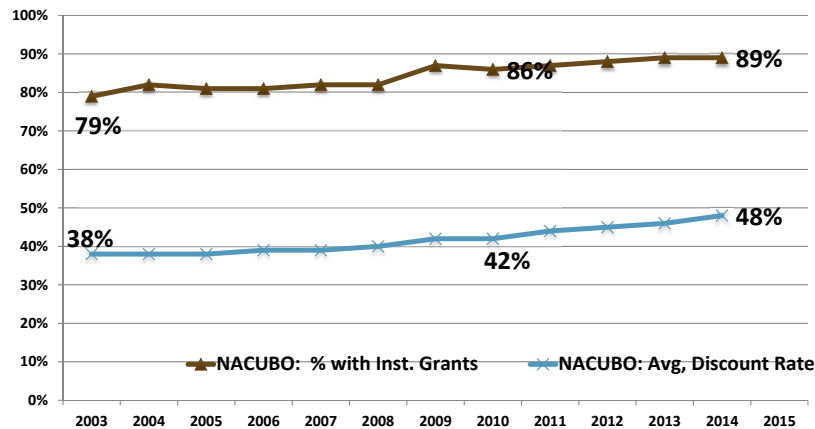
## Tuition and Net Tuition at Public Four-Year Institutions: 1995 - 2015



## Tuition and Net Tuition at Private Four-Year Institutions: 1995 - 2015



### Percentage of Freshmen Receiving Institutional Grants and the Freshman Discount Rate at Private Four Year Institutions: 2003-2015

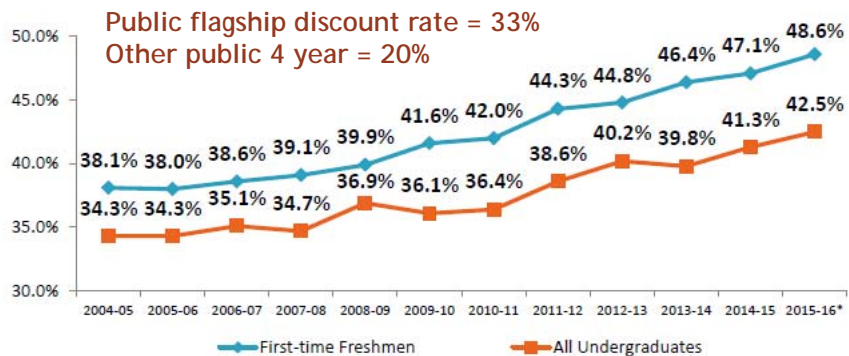


NACUBO small colleges

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### Tuition Discount at Private Colleges and Universities

Figure 1. Average Institutional Tuition Discount Rate, by Student Category<sup>3</sup>



Source: 2015 NACUBO Tuition Discounting Study, various years. Data as of the fall of each academic year.

\*Preliminary estimate.

Source for public institutions: College Board Trends in Student Aid

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### Distribution of Students at Four Year Institutions by Selectivity and Acceptance Rates

Selectivity	Institutions	FTE Undergraduates
Open Admissions (No Application Criteria)	18%	10%
90% or More Accepted	8%	6%
75% to 89.9% Accepted	19%	22%
50% to 74.9% Accepted	38%	43%
25% to 49.9% Accepted	13%	16%
Less than 25% Accepted	3%	4%

Trends in College Pricing - 2015

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## ALTERNATIVE PRICING STRATEGIES AND IMPLICATIONS & RISKS ASSOCIATED

## ■ RATIONALE FOR CHANGING PRICE

- Enrollment and net revenue challenges
- Changes in the external environment
  - Demographics
  - Family income
  - Increased competition
  - Reduced state support
- Reposition the Institution
- Maintain/Increase demand for the institution
  - Appeal to new groups of students
- Change the composition of the student body
- Increase the size of the student body

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## ■ WAYS TO REDUCE COLLEGE COST


- Complete college in three years
- Articulate with community colleges
- Articulate with industry training programs
- Credit for HS: dual credit, AP and IB so you need fewer college credits and can complete college sooner
- Credit for life experience - competency portfolios
- 4 - 5 year bachelor's and master's degrees
- Discounted or free master's degree if you continue at the same university

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## TUITION PRACTICES

### Raise It: Small Increases


- Annual tuition increases are the norm
- You can recapture some of the freshman discount rate as students progress
- Allows you to continue increasing your freshmen scholarships - many people like to get goods on sale
- Continues to turn off more students as the sticker price keeps increasing
- Retention concerns

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## TUITION PRACTICES

### Freeze Tuition

- Keep tuition at last year's level
- No additional revenue from upperclassmen
- How will you finance expense increases?
- How long can you hold the price?
- Can you get enough publicity from this move to get you additional recognition?

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## TUITION PRACTICES

### 4 Year Fixed Price

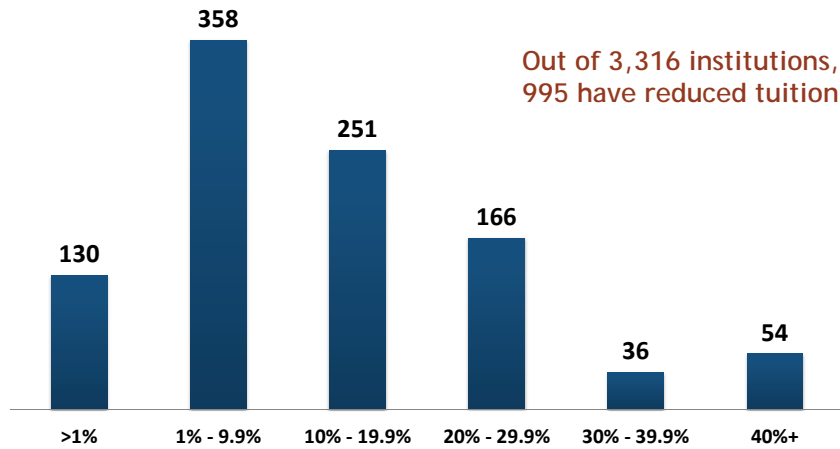
- Large increases required for freshmen
- Keep tuition flat for each class while enrolled
- No additional revenue as students progress
- Can you get enough publicity from this move to get you additional recognition?

## TUITION PRACTICES

### Lower It

- Several schools have done this over the last several years
- Price and net price will be much closer to each other
- The discount rate will be lower
- Should increase the applicant pool
- Should make private institutions more competitive with public institutions

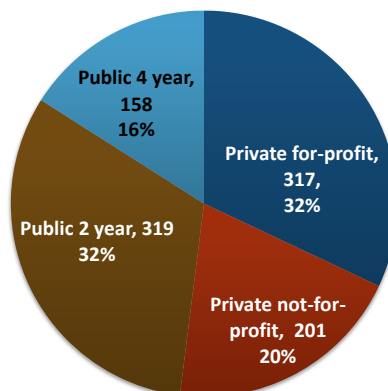
### Number of Colleges that Lowered Tuition by Amount of Reduction: 2007 - 2015



Source: Unpublished paper by Sarah Kottich

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### Number of Institutions with Price Resets by Sector: 2007-2015

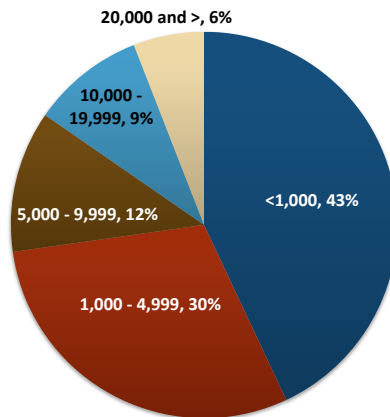


30% of all institutions  
have reduced tuition;  
15% by more than 10%

Source: Unpublished paper by Sarah Kottich

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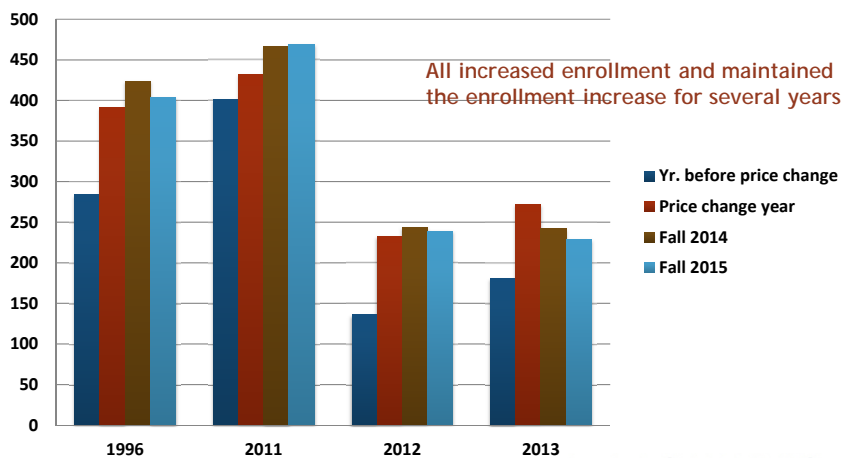
### Distribution of Institutions that Reduced Tuition by Enrollment



Small institutions are  
much more likely to  
reduce tuition than  
large institutions

Source: Unpublished paper by Sarah Kottich

### New Student Enrollment at Four Private four- Year Schools that Reduced Tuition by Year of Tuition Reduction



All increased enrollment and maintained  
the enrollment increase for several years

Lapovsky 2015 Tuition Reset Paper



## TUITION PRACTICES

### Lower It (cont.)

- Concern about the relationship between price and quality i.e. high price is assumed to equal high quality
- Concern about being viewed as desperate
- How can you reduce the price and not lower your expenditures? Difficult to explain
- Difficult to forecast because of lack of historical data
- Less money available for discounting
- More students interested because of the lower price
- Price will start to rise again after a reset

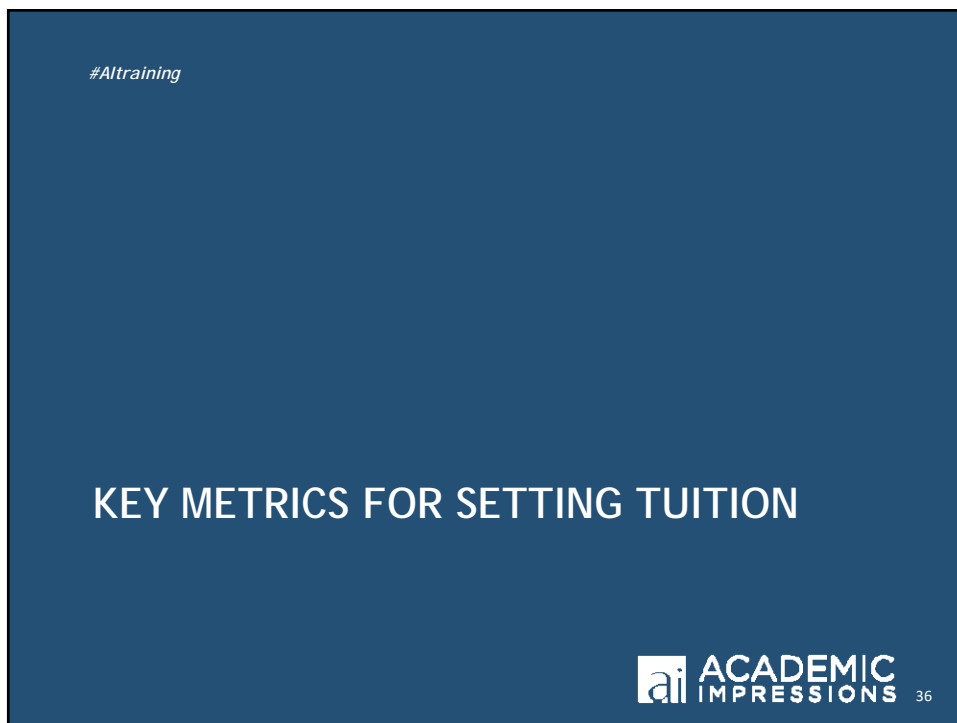
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## TUITION PRACTICES

### Other

- Charge different prices for different programs
- Charge different prices for different student levels
- Use of fees vs. tuition
- Relative charge for tuition vs. room and board
- Tuition waivers for certain groups of students – seniors, war veterans, child of deceased first responders, etc.
- Provide discounts to certain types of students up front – alums, high test scorers, 529 savers, etc.
- Subsidize loans after graduation

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## KEY METRICS: ENROLLMENT FUNNEL

- Inquiries
- Applicants
- Admits
- Enrolled
- Discount Rate

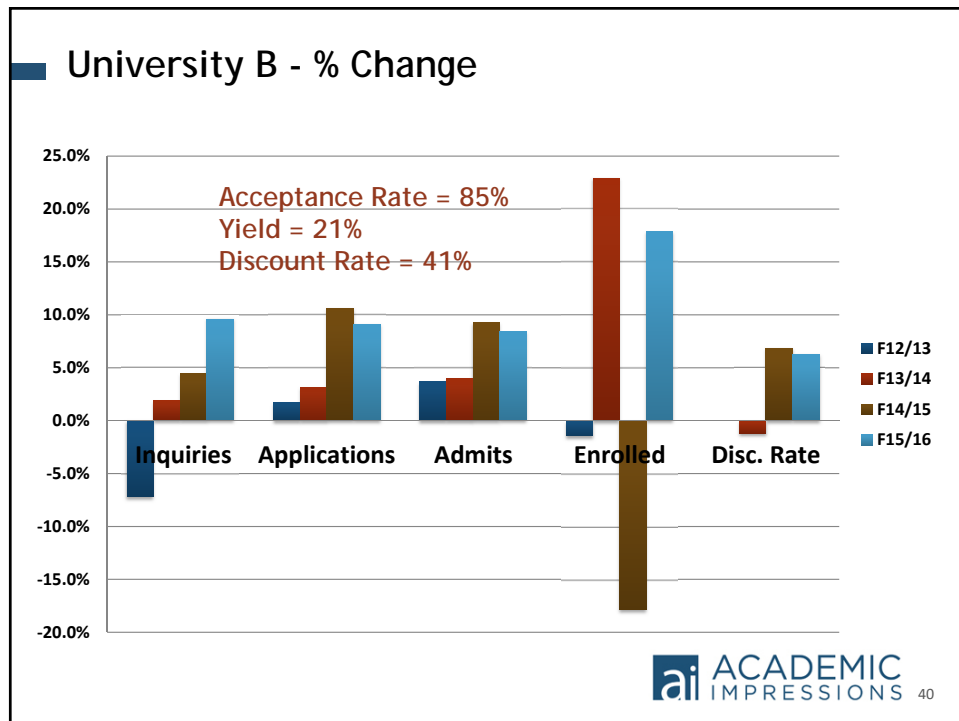
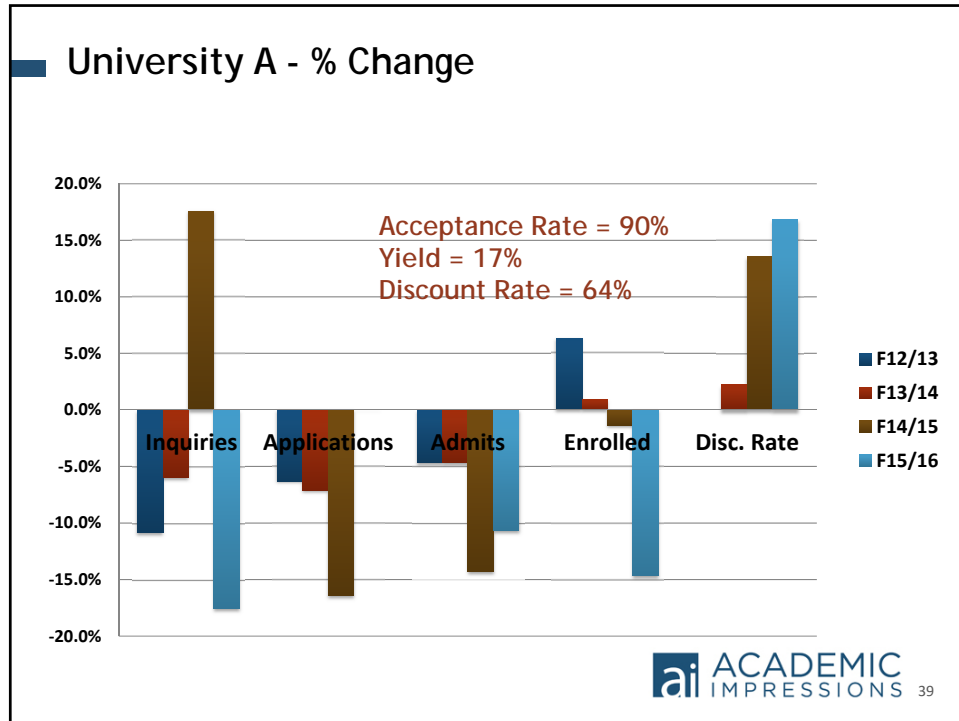
**What impacts each of these metrics? How should they be reviewed?**

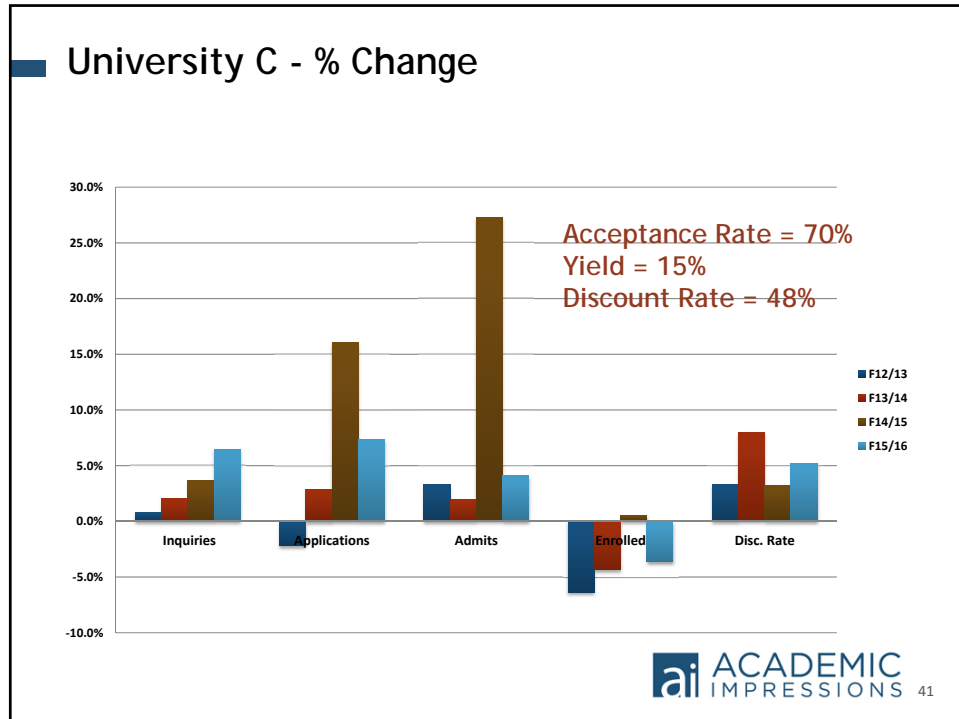
- To trends over time
- To institutional goals
- To peer/competitor/aspirational institutions
- Value Proposition

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## CASE STUDIES: THREE UNIVERSITIES

- All have the same tuition
- All have been increasing tuition moderately each year for the last several years
- All want new student enrollment at the F12/13 level or higher
- Look at the % change in inquiries, applicants, admits, enrolled and discount rates over the last four years

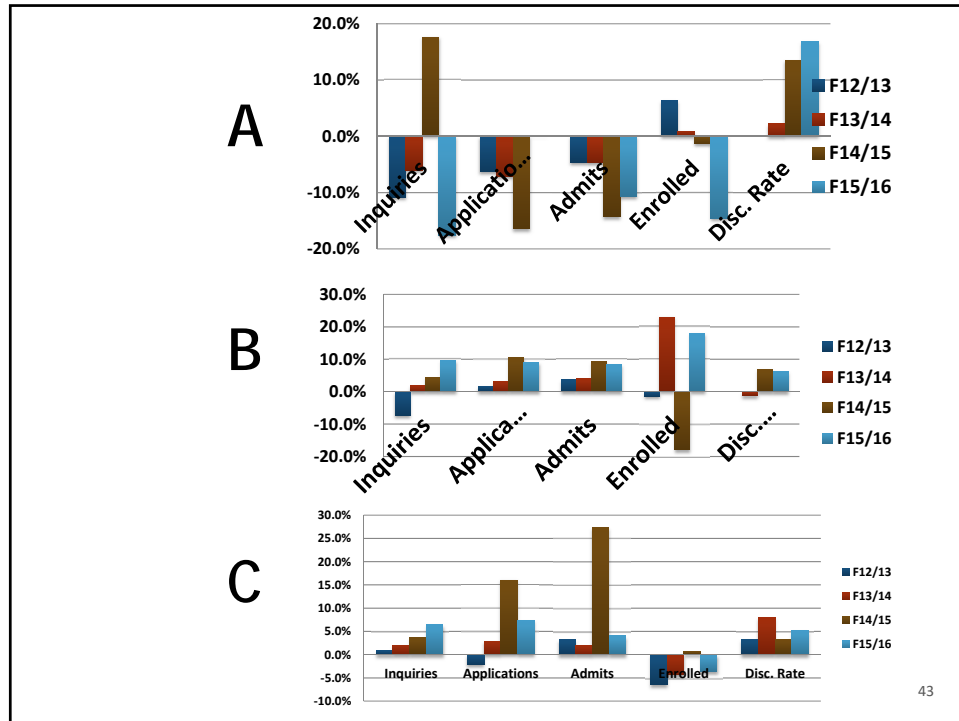




**POLL**

1. Which school can continue increasing tuition?
2. Which school should consider a significant change in its tuition?
3. Which school should look to fine-tune what it is doing?

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## ANALYSIS OF CASES

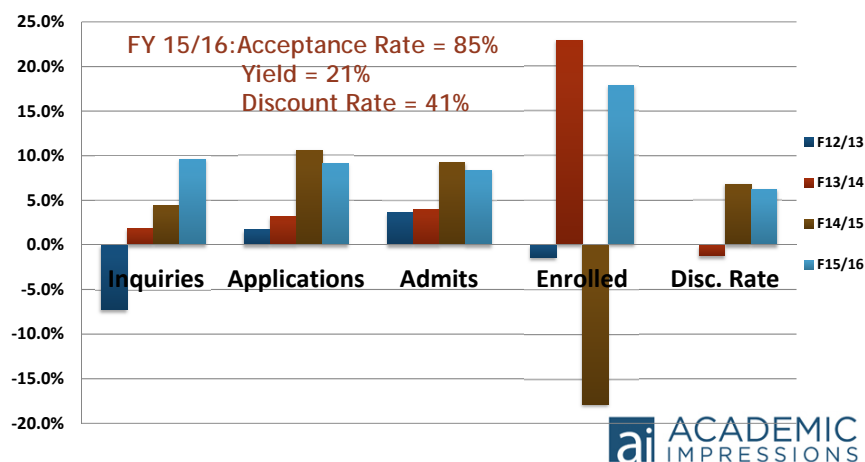
- **University A** - Downward trend in all variables except the discount rate; high discount rate
- **University B** - Upward trend in all variables except enrollment in F14/15 - relatively low discount rate
- **University C** - Everything is up except enrollment; operating at the average discount rate for private colleges

## PROPOSED SOLUTIONS

- **University A** - Consider lowering tuition and giving much smaller scholarships - you need to increase the applicant pool
- **University B** - Consider continuing with modest tuition increases and assess what went wrong with enrollment in fall 2015
- **University C** - Why is yield down? Look at the value proposition. Look at how the discounting is being done.

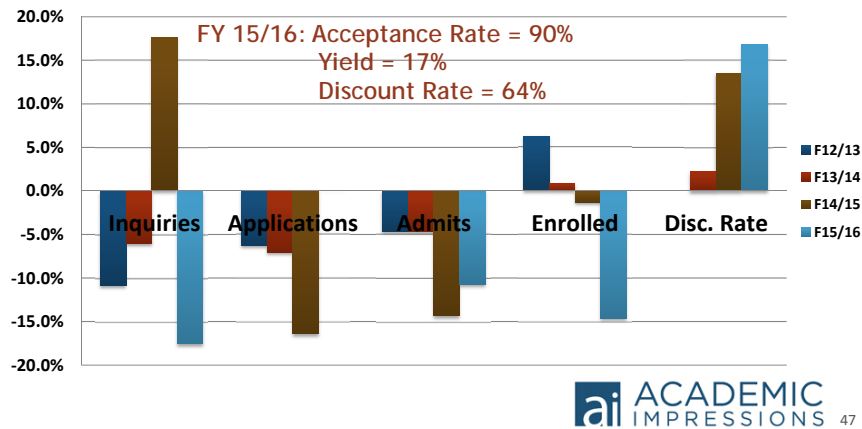
## REVISED CASE

- University graph B represents freshmen at the University
- Assume the University enrolled 350 freshmen in FY 15/16



## REVISED CASE

- University graph A represents transfer students at the University
- Assume the University enrolled 200 transfer students in FY 15/16



## CHAT

How would you now analyze  
the situation? What would  
you recommend?



## PROPOSED SOLUTIONS

- Things are going well for freshmen and poorly for transfers
- Consider small increase in published tuition rate
- Consider announcing scholarships for all transfer students so that they understand they have a lower price before they even apply
- Implement direct strategies with transfer feeder schools
- Review your transcript evaluation policies and time-frame
  - How generous are you with granting credit for courses taken at the previous institutions?
  - How many credits to transfers typically lose?
  - How long does it take you to do a transfer credit evaluation?
  - Other issues

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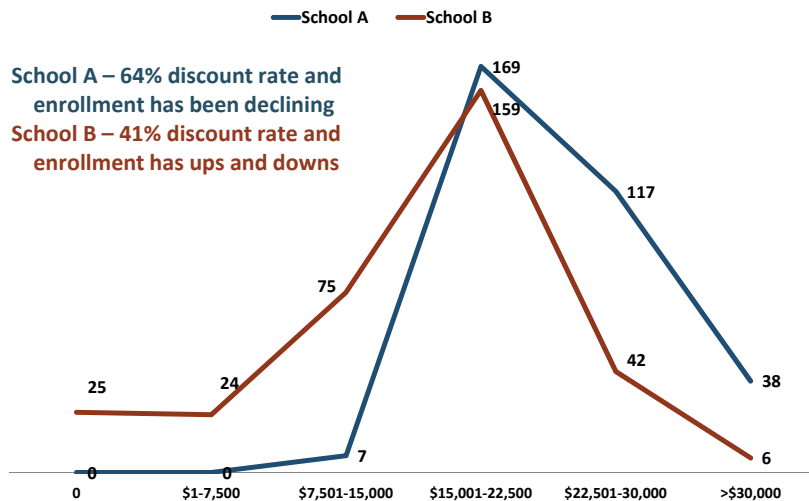
## FURTHER CONSIDERATIONS: DISTRIBUTION OF FINANCIAL AID

- How many full-pays (no financial aid) do you have?
- How many students have full scholarships?
- How does your aid vary by ability?
- How well do you meet student need?
- How many students have loans?
- What are the average level of indebtedness upon graduation?

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## Distribution of Institutional Aid by # of Students and Avg. Amount of Award

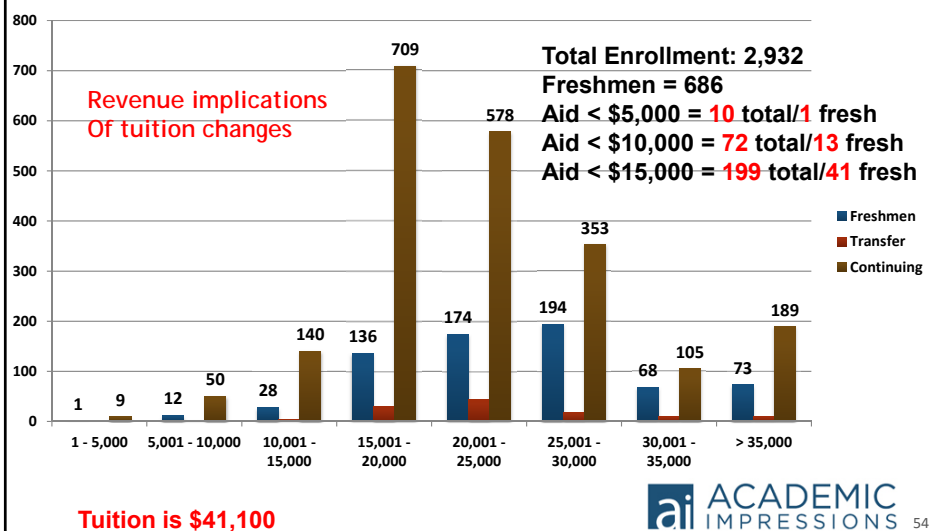


Tuition at both schools is \$33,500

### ADDITIONAL CONSIDERATIONS: IMPLICATIONS FOR TUITION CHANGES

- Number of full pay students:
  - School A - **0**
  - School B - **25**
- Number of students with awards less than \$15,000:
  - School A - **7**
  - School B - **124**
- Which school could lower tuition without losing much revenue?

### College Z - Distribution of Aid by Student Status and Amount



### College Z - Tuition at Top 10 Overlap Institutions and % Who Choose Your Institution

Public Institutions	Private Institutions
1. School A- \$13,596-\$20,958 (4%)	2. School F- \$40,580 (8%)
4. School B- \$9,144 (18%)	3. School G- \$49, 235 (12%)
5. School C- \$17,514 (8%)	6. School H- \$33,778 (17%)
7. School D- \$12,520/\$31,420 (9%)	8. School I- \$18,240 (3%)
9. School E - \$9,763 (14%)	10. School J - \$41,334 (12%)

Your tuition = \$41,100  
Net freshman tuition is approximately \$16,000,  
which represents a 60% discount rate



## QUESTIONS

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## INSTITUTIONAL EXAMPLES



### ■ FREEZE TUITION

- Purdue - 6th year
- U. of Illinois
- Goucher College
- University of North Carolina - Chapel Hill
- Indiana University



## REDUCE TUITION / TUITION RESET

- Utica  
<http://www.utica.edu/news/stories/utica-college-is-leading-boldly/>
- La Salle  
<http://www.lasalle.edu/tuitionreset/>
- University of Washington and Washington State  
<http://www.seattletimes.com/seattle-news/education/historic-tuition-cut-sets-state-apart-from-rest-of-us/>
- Rosemont College  
<http://www.rosemont.edu/admissions/tuition-and-aid/our-tuition-promise/media-coverage.php>



## PROMISE PROGRAMS

**Promise Programs** are place-based scholarship programs that make college tuition free for at least one college. While all require residency and a high school diploma, some have additional eligibility criteria - such as a minimum GPA or income requirements.

Promise communities have grown from one - Kalamazoo, Michigan - in 2005 to over 50, plus statewide programs in Tennessee and Oregon. They range in size from Northport, MI - population 526 - to Pittsburgh, PA - population 305,842, to - NY State -population 20 million. The programs are delivering what they promised -- more college attendance and completion, plus a talented workforce that helps to grow the economy.

[http://www.freecollegenow.org/making\\_free\\_college\\_tuition\\_a\\_reality](http://www.freecollegenow.org/making_free_college_tuition_a_reality)



## TUITION GUARANTEES

- Many community colleges
- University of Arizona
- University of Illinois - legislative mandate
- University of Colorado - Boulder
- Drake University
- George Washington University
- University of Texas
- Ohio University - tuition, room and board

Keep tuition flat - at rate charged when  
student entered




**BAYLOR**  
UNIVERSITY

Guaranteed Tuition option - Students can  
choose either a rate that is guaranteed for  
four years or one that can increase each year.

- 2016-17 Tuition Rates
- Regular rate: \$37,996
- Guaranteed Rate: \$39,496


<http://www.baylor.edu/sfs/index.php?id=936927>




AUSTIN  
COLLEGE

- With a SAT score of 1100 or an ACT of 24, or if you finish in the top 15% of your high school class, you can qualify for at least \$17,000 in scholarships annually.
- Last year, Austin College awarded 24 million dollars in scholarships or grants, with over 90% of our students receiving financial assistance.

<https://www.austincollege.edu/admission/international-students/scholarships-financial-assistance>

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TUITION DIFFERENTIALS  
FOR OUT-OF-STATE  
STUDENTS

- Western Illinois and Southern Illinois - eliminating the tuition differential for out-of-state students in the face of state funding cuts in the hope of increasing enrollment. They do charge international students a higher rate.
- Many Universities in other states are raising both their in-state and out-of-state tuitions in the face of state funding cuts hoping to maintain enrollment and gain additional revenue.

Tuition decision depends on relationship of tuition revenue to costs.

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## DePaul: Differential Tuition for Upper Division Students by College

Colleges of Business, Computing and Health	
Class entering 2014	\$37,035
Junior or Senior standing who entered in 2014	\$38,035
Class entering 2015	\$37,485
Junior or Senior standing who entered in 2015	\$38,485
Class entering 2016	\$37,945
Junior or Senior who entered in 2016	\$38,945
Class entering 2017	\$38,410
Junior or Senior standing who entered in 2017	\$39,410
Colleges of Communications, Education and Liberal Arts	
Class entering 2014	\$37,035
Class entering 2015	\$37,485
Class entering 2016	\$37,945
Class entering 2017	\$38,410

<https://www.depaul.edu/university-catalog/academic-handbooks/undergraduate/university-information/Pages/tuition-and-fees.aspx>




You can take advantage of NY's lowest private tuition rate. International students pay the same tuition rate as their American peers.

- **Tuition and Fees per term**
  - Full time (12 credits or more): **\$8,886.00**
- **Program Fees per term**
  - Computer Arts + Design: **\$800.00**
  - Music Industry and Technology: **\$800.00**
  - Occupational Therapy Assistant - 2nd year students: **\$100.00**
  - Nursing Program - First year students: **\$375.00 per term**
  - Nursing Program - Upper level students: **\$300.00 per term**
  - Clinical Lab Science Program: **\$100.00 per term**
  - Clinical Lab Science - 4th Year students: **\$250.00 per term**



<https://www.mercy.edu/admissions/financial-aid/tuition-and-fees>

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UMaine is pleased to offer the Flagship Match Program for out-of-state students entering in Fall 2017. The Flagship Match Program is a competitive scholarship program that guarantees academically qualified, first-year students from several states will pay the same tuition and fee rate as their home state's flagship institution. All other students entering Fall 2017 will receive a significant and competitive grant that will offset the cost of non-resident tuition and fees at UMaine.


<https://go.umaine.edu/apply/scholarships/flagship-match/>



- New Saver's Scholarship Launched
- *August 29, 2016*
- The new program will match the amount that families and students contribute from a 529 or ESA, up to \$2,500 per year.

<http://www.washcoll.edu/offices/student-financial-aid/scholarships/savers-scholarship/>







YOUR FINAL SEMESTER'S TUITION IS FREE.


- At UB, you'll get the personalized, hands-on education you typically find at expensive private colleges for a fraction of the cost
- Finish4Free program provides a tuition-free final semester for students who are on track to graduate in four years. Incoming freshmen are also automatically considered for up to \$28,000 in merit-based scholarships for four years of enrollment.

<http://www.ubalt.edu/admission/freshmen/finish4free.cfm>

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 **FOUR-YEAR  
GRADUATION  
GUARANTEE**

- University of Nebraska
- Ripon College
- University of Wisconsin-Stout
- Baldwin Wallace
- Doane University
- Kentucky Wesleyan
- University of the Pacific

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### Help with Loan Repayments

Adrian College has taken one more step towards making a liberal arts education more valuable and affordable to its students, while alleviating the financial burden of college loans. **AdrianPlus**, a new loan repayment assistance initiative, offers to pay all or part of its students' loans if they are unable to secure a well-paying job post graduation.



### ***"MARYMOUNT CALIFORNIA WHEELS OUT CAR INCENTIVE"***



- New program for Fall 2016 for freshmen: "My Marymount Mini"
- Designed to incentivize students to graduate in 4 years
- Encouraged to buy a new mini when they enroll
- Students are responsible for making four years of car payments
- If they graduate in four years, the university will make their 5<sup>th</sup> year of payments for them

<https://www.insidehighered.com/quicktakes/2016/10/06/marymount-california-wheels-out-car-incentive>



## STATE MANDATED TUITION POLICIES

- Limits/freezes on tuition increases at Public 4 year institutions
  - Illinois -no increase since 2012
  - ND - 2.5%
  - MD - 3 year average of median income changes
  - WA - related to the median wage
  - Non-resident tuition policies vary significantly by state but many require significantly higher rates than in-state tuition

Source: NCHEMS



## COMPETENCY- BASED DEGREES

- **Western Governor's University** - about \$3,000 a term and you can take as many courses as you want each term
- **University of Wisconsin Flex Option** - \$2,250 each three months and you can earn as many competencies as you want
- **Brandman My Path**- \$2,700 per term



## CONFLICTS & CHALLENGES

- Most programs apply to full-time students
- Success and access
- Filling the class with the necessary number of students and with the desired attributes
- Who should be subsidized?
- Appropriate debt levels
- Diversifying types of enrollment and programs
- Other revenue diversification strategies
- Tuition and discounting policies
- Achieving financial equilibrium



## QUESTIONS



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## MAKING THE CASE AND ALIGNING STAKEHOLDERS



### MARKETING YOUR TUITION

#### Communicating

- The Annual Tuition Letter (is it still annual?)
  - The value proposition
  - What improvements have been made at the institution
  - If tuition is increasing, why and what will the additional revenue be used for?
  - If tuition is decreasing, how can you do this and preserve quality?
  - Other considerations



## MARKETING YOUR TUITION

- Strategic plan needed for the tuition change if it is significant
- Educational work with all stakeholders to explain the change and what it will accomplish
- Discuss affordability and investment returns
- Explain how the quality will remain the same or be increased
- Explain the rationale for the tuition change
- Explain how access will be maintained and perhaps even increased
- Other considerations

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## ADJUSTMENTS FOR THE NEXT CYCLE

- Did we make the enrollment goals?
- Do we have the class we want?
- Did we make the revenue goal?
- If we didn't hit all of our benchmarks, why?
- Were our tactics poor?
- Did our peers act differently from expectations?
- Were there changes in the environment?



## ■ GETTING RESULTS

- Tuition is only one tool at your disposal
- Even if you change tuition significantly, you will not get the desired results unless you:
  - Market Differently
  - Recruit Differently
  - Discount Differently
- Doing what you have always done in all areas except tuition setting will not lead to different results
- Even if you reduce your tuition, you should still discount to most students

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## ■ NET PRICE CALCULATOR

- What impact does this have?
- Are your students using it?
- How complex is your calculator?
- How close to reality is it?
- Does it estimate both need-based and characteristic based awards?
- Can it be used to benchmark peers?
- Visible or hidden?



## TAKEAWAYS

- Tuition decisions are complex
- Tuition price needs to be related to discounting strategy and marketed effectively
- Relationship between the published price and the net price needs to be explained
- Impact of different tuition and discounting strategies on size and composition of enrollment needs to be considered



## QUESTIONS



## EVALUATION

# Thank you!

Please remember to complete the event evaluation.  
Your comments will help us continually improve the  
quality of our programs.

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