

Tuition Discounting – Informing Your Senior Team and Board



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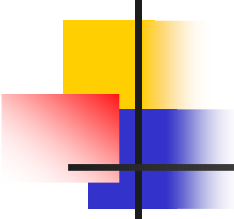
The Challenge – Finding the Right Balance

- Too much information -- can be overwhelming or lead to micro-managing.
- Too little information -- Without the necessary context, the decision makers could focus on the wrong thing.



Data and Process Perspectives

- We will approach this information challenge from two directions:
 - First, data to share in support of senior management and Board level decision making
 - Second, processes to share to build confidence in the strategy and directions being recommended



Data Sharing: Discussing Trends in the Overall Discount Rate is Not Enough

- Developing an understanding of some of the key drivers is also critical:
 - Freshman versus transfer versus overall discount rate
 - Competitive position
 - Changes in family ability to pay
 - Changes in family willingness to pay
 - Changes in federal or state policy
 - Institutional goals for quality and diversity



Freshman Versus Transfer Versus Overall Discount Rate

- The overall rate is primarily influenced by past policies. While that is an important rate to track, only the new student rates can be effectively influenced in the short term.
- The freshman rate is the one on which national and institution-specific benchmarking data are available.
- The freshman rate best reflects the current market's price sensitivity.



Discount Rate Calculations

- NACUBO

All institutional gift aid (excluding tuition benefits)

Tuition and fee revenue

- Alternative calculations for internal use
 - Use tuition, fees, room and board revenue as denominator
 - Use only unfunded aid as numerator
 - Calculate rates excluding certain populations (e.g., funded athletes, international, etc.)



Competitive Position (Peer/Comparison Group)

- Pick the right institutions
 - SAT/ACT score report overlap
 - Cancelled student surveys
 - National Student Clearinghouse data
 - Beware of using aspirant or target institutions
- Compare not just sticker price, but also discount and prestige



Sample Benchmarking Chart

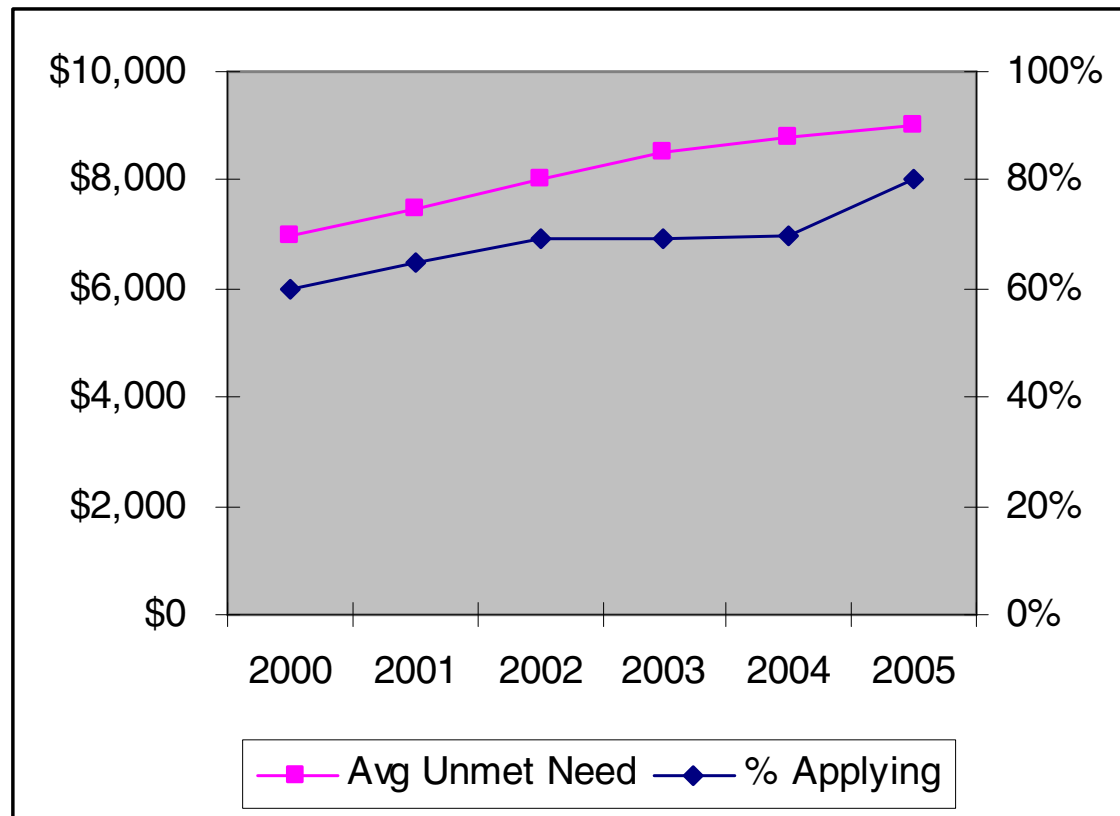
# shared SAT scores	Tuition & Fees 2005-06	Discount Rate 2003-04	Est. Net Tuition & Fees 2005-06	Accept Rate 2005-06	Middle 50% SAT 2005-06	US News Ranking
116	\$9,952	n/a		41%	1152-1378	Comp Coll Bach (North) #5
	\$14,226	25%	\$10,670	91%	890-1100	Univ. Master's (North) 3rd tier
69	\$14,540	37%	\$9,160	78%	n/a	Univ. Master's (North) 3rd tier
166	\$16,020	21%	\$12,656	81%	920-1130	Univ. Master's (North) 4th tier
125	\$16,382	32%	\$11,140	69%	840-1070	Univ. Master's (North) 4th tier
86	\$16,460	37%	\$10,370	57%	860-1080	Univ. Master's (North) 3rd tier
86	\$16,590	37%	\$10,452	60%	970-1210	Univ Master's (North) 3rd tier
98	\$17,500	45%	\$9,625	84%	940-1160	Univ Master's (North) #45
75	\$18,801	36%	\$12,033	77%	990-1180	Comp Coll Bach (North) #12
411	\$20,360	37%	\$12,827	84%	1020-1220	Nat'l Univ. 3rd tier
104	\$24,620	38%	\$15,264	40%	1030-1240	Lib Arts Coll #83



Changes in Ability to Pay

- Trends in the percent of enrollees demonstrating financial need and in the level of need
- Trends in unmet need
- Net price as a percentage of average family income in primary market area
(See Nathan Dickmeyer, "10 Questions About Tuition and Financial Aid", Trusteeship, January/February 2004.)

Trends in Ability to Pay – Sample Chart

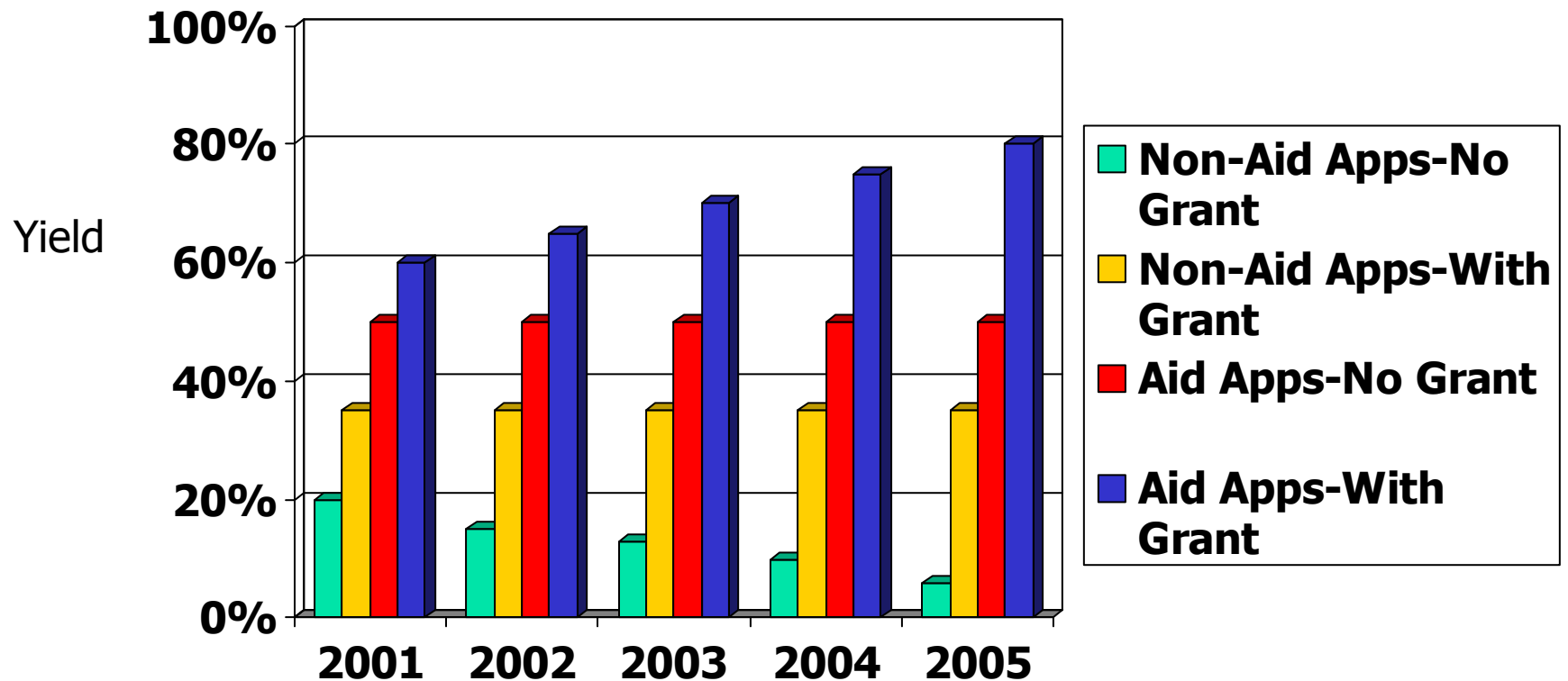




Changes in Willingness to Pay

- Trends in applications and yields on non-aided students versus those receiving institutional aid
- Yield trends among highly desirable students
 - Low need
 - High quality
 - Etc.

Trends in Willingness to Pay – Sample Chart





Changes in Federal or State Programs

- How dependent is your total aid program on federal and state sources?
- How will your institution be affected by proposed changes in those programs?
 - New calculations for Pell eligibility
 - Changes in allocation formulas for campus-based aid
 - Changes in state aid funding (CA, TN, IL)

Sample External Grant "Dependency" Chart

Types of Grant Aid	Fall 2004 Freshmen		Fall 2004 Transfers	
	Sum	Percentage	Sum	Percentage
Institutional Need-Based	\$1,890,434	12.3%	\$223,044	7.0%
Institutional Merit Based	\$1,872,050	12.2%	\$119,350	3.7%
Institutional Entitlements	\$751,948	4.9%	\$196,378	6.2%
Institutional Athletics	\$704,790	4.6%	\$29,228	0.9%
Institutional Other	\$493,054	3.2%	\$45,006	1.4%
Federal Grants	\$6,484,496	42.2%	\$1,952,872	61.2%
State Grants	\$1,611,430	10.5%	\$389,374	12.2%
Outside Grants	\$1,573,666	10.2%	\$234,130	7.3%
Total Grant Assistance	\$15,381,868	100.0%	\$3,189,382	100.0%



Institutional Goals

- Goals for “shaping” the class often need a NTR reality check.
- The groups considered most desirable are often the least willing/able to pay the full price, and consequently generate the least net tuition revenue.

Sample Net Tuition Revenue Table -- Tuition \$21,000

EFC	Non Filers	> 30k	20-30k	15-20k	10-15k	5-10k	0-5k	Average
Quality								
Highest	12,511	12,304	11,975	9,056	5,609	4,960	4,866	8,382
High	17,254	17,237	14,543	10,772	7,888	7,423	7,018	11,270
Medium	18,737	18,997	16,075	10,926	9,128	8,082	8,134	13,178
Lower	20,023	20,104	15,614	11,730	9,740	9,479	9,066	14,018
Lowest	20,044	20,049	16,433	11,651	10,798	10,355	9,684	14,633
Average	18,896	18,071	13,243	10,974	8,813	8,161	7,734	12,665



Institutional Goals (cont'd)

- Econometric modeling can help an institution assess the tradeoffs between institutional enrollment goals by:
 - Providing information on the price sensitivity of different subpopulations
 - Assessing the maximum NTR that can be generated with the current applicant pool
 - Simulating how much NTR would need to be forgone in order to achieve institutional goals for quality, diversity, program mix, etc.

Sample Simulation Summary Table

	Total			Avg.		Avg.
	Enroll	Minority	Engineers	SAT	NTR	NTR
Actual Class	656	45	96	1043	6.9m	\$10,457
Optimization (NTR)	675	46	81	1033	7.6m	\$11,299
Increased Diversity	664	64	88	1040	6.9m	\$10,443
More Engineering Students	666	43	109	1045	6.9m	\$10,308
Maximum enrollment	725	45	95	1045	6.6m	\$9,057
Maximum quality	647	40	87	1047	7.1m	\$10,926



Institutional Goals (cont'd)

- Finally, the senior team and Board need to be clear on the issues of capacity and the marginal cost of adding students.
 - If at capacity, the focus should be on tradeoffs between goals and discount rate.
 - If not at capacity, the focus should be on maximizing net tuition revenue, as long as the NTR per student exceeds the marginal cost of educating them.



Data Sharing In Summary

- Leadership needs to know more than just the trends in the discount rate.
- They also need to understand the key factors driving that discount rate including market position, willingness to pay, ability to pay, and tradeoffs between the discount and other enrollment goals -- especially theirs.



Process Sharing

- Although the data sharing discussed earlier is critical to understanding the institution's market challenges, it is equally important to build especially Board confidence in the campus team's ability to address these challenges.
- The approach described below is adapted from one that has been used successfully at Gettysburg College.



Board Committee

Agendas/Topics: Key Questions

- Are we structured for a successful dynamic enrollment management program?
- Do we have a data-driven culture in our enrollment area?



Are We Structured for a Successful Enrollment Management Program?

- Does the formal organization for enrollment management include the most critical players (e.g., admissions, financial aid, registrar)?
- Is there a committee structure that ensures the existence of informal strong linkages with other important areas (e.g., finance, IR, academics ...)?



Is the Enrollment Management Team Focused on the Right Issues?

- Admissions/recruitment strategies
- Tuition and fees recommendations
- Financial aid packaging strategies
- Setting realistic targets for enrollment, NTR, and discount rate
- Maintain and review data at every stage of the admissions cycle
- Retention strategies



Is the Enrollment Management Committee Structure Well Conceived?

- Include broad representation from key campus constituencies to serve as ambassadors/educators to the rest of the campus.
- CFO is a partner and part of the decision-making at all stages.
- Different viewpoints (admissions vs. financial) provide a better final product



Do We Have a Data-Driven Culture in Enrollment Management?

- Are key performance indicators for enrollment area established and routinely monitored?
- Are those indicators regularly benchmarked against peer/competitor colleges?
- Does the enrollment team have analytical support available to it?



Goal of Process Sharing

Leadership understands:

- The level of planning taking place in enrollment
- The importance of collaboration on enrollment and finance issues
- Confidence that the hard questions are being asked and answered by staff and by the Board



Process Sharing in Summary

- Educate leadership and decision makers on enrollment management with the right balance of information
- Share the data and modeling tools you use to manage enrollments to build understanding, confidence and support
- Focus on tuition discounting as one critical part of the entire enrollment challenge
- Build confidence -- the details are yours!



Discussion

- How do you work with your senior team and Board on enrollment management issues?
- What data have you found most helpful to share?
- What processes do you have in place to ensure the right players are involved and working on the right issues?