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High-Cost/High-Discount Model of Higher Education

Webinar Presenter: Chris Paasch
Webinar Date: March 7, 2018

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Agenda:

- Personal Introduction
- Learning Outcomes
- High Cost – High Discount Model of Higher Education
- Solutions and Alternatives
- Q & A

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Personal Introduction:

- **Chris Paasch**
- 10+ years in higher education enrollment and services
- **College Raptor**
  - College Enrollment Data Analyst
- **Coe College**
  - Senior Associate Director of Admission for Operations and International Recruitment

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Learning outcomes:

1. Discuss the high-cost/high-discount enrollment strategy used by colleges and universities.
2. Utilize College Raptor's college free match tool to help students get accurate net price estimates at any four-year U.S. institution.
3. Explain how to best guide families to affordable colleges and universities that are currently unknown to them or that they might consider too expensive.

High Cost – High Discount Model | Definition

"A secret about college and university pricing is that the sticker price at 95% of all private institutions is an arbitrary number. Colleges and universities want you to think that a private college education is very expensive to deliver; that's in their financial interest. For years higher education has operated with a philosophy that if it costs more, it must be better or more valuable, and it must also be in short supply. This philosophy has had parents and students buying into the notion that they get a real deal at expensive private colleges."[1]

George Waldner, Retired President, York College of Pennsylvania

High Cost – High Discount Model | Definition

When an institution lists a large price tag but provides substantial "discounts" to the vast majority of students.

Discounts in the form of:

- Need-Based Grants
- Merit-Based Scholarships
- Other institutional aid

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High Cost – High Discount Model | Definition

- Historically, financial aid existed to provide access to families who could not afford tuition.
- In recent years, financial aid has become the largest budget allocation at the many schools.
- In the past decade, financial aid has shifted towards student incentive rather than a tool for access.

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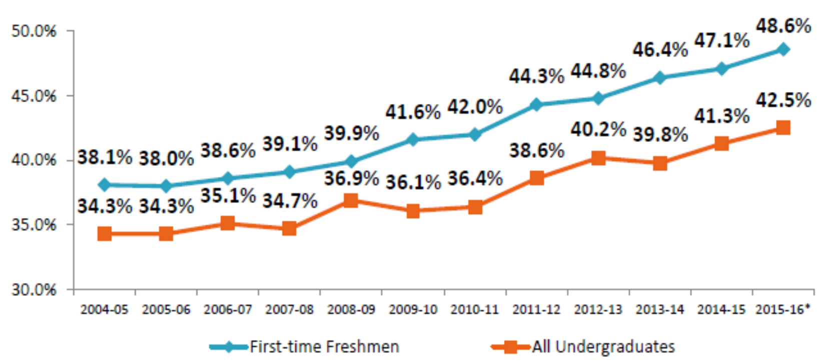
High Cost – High Discount Model | Definition

Figure 1. Average Institutional Tuition Discount Rate, by Student Category[3]



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

2

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High Cost – High Discount Model

WHO

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High Cost – High Discount Model | Who

- Mostly seen at private institutions
- Schools that rely heavily on tuition revenue for their annual budget
- Regional institutions with low(er) brand recognition
- Typically smaller institutions with enrollments of 4,000 or less

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High Cost – High Discount Model

WHY

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High Cost – High Discount Model | Why

Institution Perception:

- Prestige factor among peer institutions
- Price and quality are related
- High costs means things are done right
- Increased flexibility on aid awarding
- Large scholarships leave students feeling wanted

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High Cost – High Discount Model | Why

Survival Mode:

- Steady decline in enrollments

  "More than half of institutions, 51.2 percent, reported a decrease in total undergraduate enrollment, and 53.5 percent said freshman enrollment dropped." [2]

- Steady increase in competition among like institutions and non-like in the region
- More students are needed to meet the same revenue the year before

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High Cost – High Discount Model | Why

Popular Theory: Recession and Stagnant Wages

- Families became more price conscious with less in income and savings
- Increased desire to shop around at different levels of institutions
- Applying to more schools and a larger variety to expand options
- Population trends – more first-generation and low income students

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A S C A W E B I N A R S E R I E S

High Cost – High Discount Model | Definition

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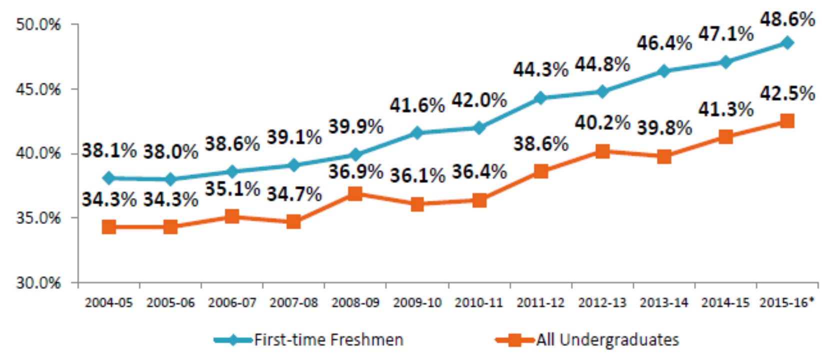

Source: 2015 NACUBO Tuition Discounting Study, various years. Data as of the fall of each academic year. 2
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High Cost – High Discount Model | Why

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High Cost – High Discount Model

HOW

High Cost – High Discount Model | How

Where does the money come from?

"Among colleges and universities with more than $1 billion in endowed funds, survey respondents said nearly a third of their total undergraduate institutional grant aid came from endowment funds in 2014-15. Institutions with endowments under $25 million said endowments provided only about 7 percent of institutional grant funds." [2]

- 54 cents of every $1 charged to tuition [2]
- Net tuition revenue has generally stayed stagnant although published costs have increased

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High Cost – High Discount Model

EFFECTS

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High Cost – High Discount Model | Effects

- Perception that schools are out of financial reach to low and middle-income families
- Difficult to estimate the actual cost of a college despite Federal Net Price Calculator Regulation
- Inaccurately sets student expectations
- Inflating application volume due to comparison shopping
- Price war among comparable institutions

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High Cost – High Discount Model

SOLUTIONS

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High Cost – High Discount Model | Solutions

Data collected by the National Association of Independent Colleges and Universities (NAICU) [3]

- Tuition Freezes are most common
- Tuition guarantees for a predictable set of fees
- Tuition eliminations for high-need students
- Replacing loans with institutional grants for high and middle-need students

High Cost – High Discount Model | Solutions

Tuition Reset: Low Cost – Low Discount

- Drastically reduce tuition levels
- Drastically reduce scholarship levels
- Flips the paradigm
- Increased transparency
- Sticker price is closer to actual net price
- Decreases financial aid flexibility

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High Cost – High Discount Model | Solutions

Tuition Reset: Low Cost – Low Discount

Institution	Base Tuition	Reset Tuition	% Reduction
Utica College	$34,446	$19,996	42%
Avila University	$29,700	$19,900	33%
Birmingham Southern College	$34,670	$17,650	51%
Drew University	$48,335	$38,668	20%
Mills College	$44,495	$28,765	36%
Sweet briar College	$50,000	$34,000	32%
Rosemont College	$32,620	$18,500	43%
Concordia University of St. Paul	$29,700	$19,700	33%

High Cost – High Discount Model | Solutions

www.collegeraptor.com

www.collegeraptor.com

- Free college discovery platform for students, parents, and counselors
- Brings transparency to the true cost of higher education
- College matches consider academic, cultural, and most importantly financial fit
- Estimate Net Price at any institution in the U.S.
- Calculate loan burden and starting salary

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GPA: 3.8 ACT: 27 SAT: 1420 EFC: $15,000

Suggested	College Name	Overall Match	Match Category	Sticker Price	Your Est. Net Price	Total Debt	Median Pay (Starting Salary)
★	University of Missouri-Columbia (In-state)	81.5	Safety	[illegible]	[illegible]	[illegible]	[illegible]
★	Occidental College	70.5	Match	[illegible]	[illegible]	[illegible]	[illegible]
★	Whitman College	[illegible]	Match	[illegible]	[illegible]	[illegible]	[illegible]
★	Pomona College	77.4	Huge Reach	[illegible]	[illegible]	[illegible]	
★	Coe College	72.7	Safety	[illegible]	[illegible]	[illegible]	[illegible]
★	Rockhurst University	77.5	Safety	[illegible]	[illegible]	[illegible]	[illegible]
★	Augustana University	71.7	Safety	[illegible]	[illegible]	[illegible]	[illegible]
★	Claremont McKenna College	64.7	Huge Reach	[illegible]	[illegible]	[illegible]	
★	Cornell College	67.1	Safety	[illegible]	[illegible]	[illegible]	[illegible]
★	The University of Texas at Austin	[illegible]	Match	[illegible]	[illegible]	[illegible]	[illegible]

- Estimated Net Price includes federal, state, and institutional aid.
- Total debt and median starting salary helps students see future repayment obligations

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- Institutional data is pulled from public sources like IPEDs
- Wide range of information helps students evaluate academic, cultural, and financial fit.

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- Match Score is the DEGREE to which the student fits within the institution's current enrollment…not just a yes you match or no, you do not.

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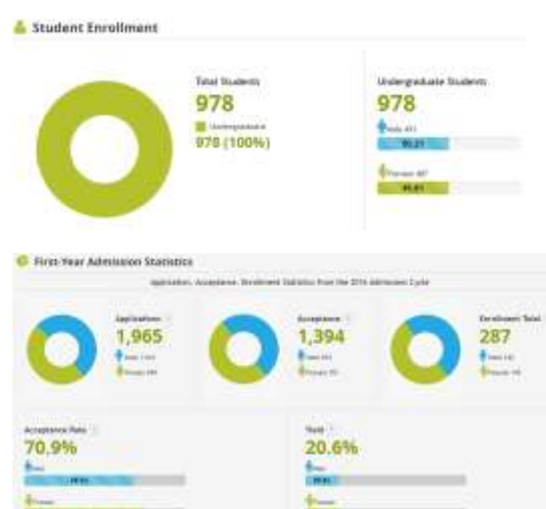
- Essential campus data helps students learn more about the student body.

- Overall admission statistics are presented in addition to the student's individual acceptance odds.



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- Financial aid data is specific to the student's situation.
- Estimated aid includes federal, state, and institutional aid sources

Q & A

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Resources

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3. *Analysis of Tuition Pricing Strategies*. (2014, June 16). Retrieved from http://www.hanoverresearch.com/2014/06/16/analysis-of-tuition-pricing-strategies/
4. Seltzer, R. (2017, September 25). *The Tuition-Reset Strategy*. Retrieved from https://www.insidehighered.com/news/2017/09/25/trustees-and-new-presidents-lead-push-tuition-resets-despite-debate-over-practices