

TUITION REDUCTIONS: A QUANTITATIVE ANALYSIS OF THE PREVALENCE,
CIRCUMSTANCES AND OUTCOMES OF AN EMERGING PRICING STRATEGY IN
HIGHER EDUCATION

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A DISSERTATION IN PRACTICE PROPOSAL

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SECTION ONE: OVERVIEW OF THE DISSERTATION IN PRACTICE PROBLEM

Introduction and Background

The increasing cost of higher education and student debt levels continue to receive national attention. Some universities are undertaking new approaches to address the problem of access and affordability of higher education. These include tuition guarantees, free books, tuition freezes, tuition reductions, accelerated degree programs and elimination of fees. Many administrators and board members are seeking guidance about how their institutions might decrease the tuition burden for their students, while increasing enrollment and remaining solvent with a sustainable financial model.

I have served in the role of the Vice President of Finance and Administrative Services at College of Saint Mary (CSM) for nine years. CSM is a small private non-profit women's Catholic university, which was founded in the tradition of the Sisters of Mercy. After three years of discussion, analysis, and discernment, CSM announced that it is reducing its tuition by \$10,000 or 33% effective fall 2017 (College of Saint Mary, 2016b). I was the lead researcher for this project, which sought to increase student access and affordability in both perception and reality. Throughout the process, I found that little information is available about universities which have reduced tuition. This is likely due to the fact that this pricing approach has been utilized by a small percentage of universities in the last decade. That being said, it appears that tuition reductions as a pricing strategy are an emerging trend. As such, I am focusing this study on gaining understanding about the prevalence of tuition reductions and outcomes of early adopters of this strategy.

Statement of the Problem

The higher education industry has been criticized about the ever rising cost of tuition and student debt levels. Students and their families struggle with understanding what college will cost them, and if it is within their financial reach. Despite this, higher education continues to be valued by society and offer individuals a way to increase their earning potential over their lifetime. Individuals with a bachelor's degree or higher on average earn 1.8 times that of individuals with only a high school diploma (Appendix C).

The industry is composed of four primary sectors: 2-year public, 4-year public, private non-profit, and private for-profit regionally accredited institutions. Each sector has differing pricing strategies, funding sources, scholarship and grant offerings, and student success rates. For example, in 2016/17, the average published tuition rate by sector were as follows: public 2-year institutions \$3,520, public 4-year institutions \$9,650, and private non-profit 4-year institutions \$33,480 (CollegeBoard, 2016a). Limited information is available about tuition trends at private for-profit institutions. Considering this complexity within the industry, it is not surprising that prospective students are confused about price when considering attending college.

Over the last two decades, tuition rates in the public 4-year sector and private non-profit sector have exceeded inflation. Some institutions are taking new approaches to pricing, including tuition freezes, replacing loans with grants, adding fast-track degree programs, offering four year tuition guarantees, or reducing tuition.

This study seeks to contribute to the current knowledge and practice of the higher education industry in the area of tuition reductions. Specifically, it seeks to develop a greater understanding of the prevalence of tuition reductions, the circumstances under which this approach has been taken, and the outcomes of institutions who have made this change. Unless

otherwise specified, within this study tuition is referring to the published rate charged to full-time undergraduate students.

Purpose of the Study

The purpose of this quantitative descriptive and correlational study is to increase understanding of the prevalence and key characteristics of universities which reduced tuition between 2009 and 2015. Key outcome indicators for a sample of these institutions will be analyzed for the three years following the tuition reduction. These indicators will include new student enrollment, retention, net price per student, number of low income students served and financial health.

Research Questions

The research questions for this study are:

1. What degree-granting colleges and universities have reduced their tuition between 2009 and 2015?
 - a) Is this pricing strategy more prevalent in a certain sector (public 4-year, public 2-year, private non-profit, private for-profit)? The public 4-year sector typically charges both an in-state and out-of-state tuition rate. Both of these rates will be analyzed for this sector.
 - b) Is this pricing strategy more prevalent in smaller rather than larger institutions?
 - c) Is this pricing strategy more prevalent in colleges that have stronger or weaker financial health?
 - d) Is this pricing strategy more prevalent in a certain geographic area?
 - e) Is this pricing strategy more prevalent at institutions with a high or low level of tuition dependency?

2. What are the longitudinal outcomes for institutions which have reduced tuition, and do these outcomes differ based on the magnitude of the % reduction in tuition? The time period being analyzed will be the three years following the tuition reduction. The outcomes to be analyzed are:
 - a) New full-time undergraduate enrollment
 - b) Components of the enrollment funnel (number of applicants, acceptance rate, yield rate)
 - c) Student retention from freshmen to sophomore year
 - d) Net price per full-time undergraduate student
 - e) Number of low income students served
 - f) Institutional financial health.

Aim of the Study

The study aims to provide senior leaders and board members of colleges and universities considering a tuition reduction with a comprehensive list of institutions which have undertaken this strategy along with key characteristics and outcome indicators in the three years following the change.

Proposed Methodology

This study will have a quantitative descriptive and correlational design with secondary data analysis. The primary data sources will be the U.S. Department of Education's National Center for Data Statistics and the composite financial index for select institutions as calculated by the public accounting firm of CliftonLarsenAllen.

The first phase of the study will focus on research question 1: What degree-granting colleges and universities have reduced their tuition between 2009 and 2015? This phase will have a quantitative descriptive design, which seeks to determine if tuition reductions are more

prevalent in certain higher education sectors, in smaller rather than larger institutions, in institutions with financial stability or struggles, in certain geographic areas, and/or at institutions with higher or lower tuition dependence.

The second phase of the study will focus on research question 2: What are the longitudinal outcomes of institutions which have reduced tuition, and do these outcomes differ based on the magnitude of the % reduction in tuition? The time period being analyzed will be the three years following the tuition reduction. The outcomes being analyzed have been selected based on the likely motivations for tuition reductions by institutions. This second phase of the study will have a quantitative correlational design with secondary data. It will utilize regression analyses to determine if there is a correlation between the utilization and magnitude of a tuition reduction strategy, with six different outcome indicators. It is seeking to identify if there are patterns or trends in the relationships between these variables. The focus of this analysis is to determine if there is a correlational relationship between these variables and is not intended to prove a causal relationship.

Definition of Relevant Terms

The following terms will be used operationally throughout the proposed dissertation in practice. A general understanding of these terms will be useful for the reader, as these operational definitions are specific to private non-profit higher education.

Higher education sectors: The four primary sectors of the higher education industry are: public 4-year, public 2-year, private non-profit, and private for-profit institutions. Institutions within these sectors have varying missions, populations served, educational modalities, student success rates, funding sources, and financial models. In this study, private for-profit institutions is referring specifically to those which are accredited for degree seeking students.

Stated tuition rate: This is the published tuition rate of a college and university. For purposes of this study, this represents the rate charged to full-time undergraduate students.

Fees: These are additional charges to students and often are related to technology expenses, activities, administrative functions, parking, or certain courses/majors/labs.

Institutional financial aid: This includes scholarships and grants provided by the university. They are often awarded based on academic merit, athletic participation, financial need, or association with a specific academic major or demographic group. Institution financial aid may be funded through cash from a donor or an endowment withdrawal, or may be funded through the general funds of the university; this is often referred to as unfunded aid.

Gross tuition revenue: This is calculated by taking the stated tuition rate multiplied by the number of students in each tuition plan.

Net tuition revenue: This is calculated by taking the gross tuition revenue for a university less the total institutional aid granted to students.

Net tuition revenue per full-time undergraduate student: This is calculated by taking the gross tuition revenue for full-time undergraduate students, less the institutional aid granted, and dividing it by the number of full-time undergraduate students.

Federal and state financial aid: This includes federal and state grants and loans that are awarded directly to the student to support educational costs.

Net price: Net price is what students and/or families are responsible for paying and is calculated by taking the stated tuition rate plus fees, less institutional financial aid, less federal and state grants. This net price is typically paid through a combination of federal loans, alternative loans, outside scholarships, work study wages, and cash payment plans.

Pell eligible: Students who are Pell eligible are able to receive federal Pell grants due to low family income, as measured by the estimated family contribution (EFC) calculation generated by the Free Application for Federal Student Aid (FAFSA).

Composite Financial Index (CFI): CFI is an industry formula used to measure financial health of a university. The Council of Independent Colleges calculates this formula for all private non-profit institutions as part of its Financial Indicator Toolkit.

New full-time undergraduates: These are new students who are taking a full-time credit load (12 or more credits) and are pursuing an undergraduate degree. These students may be directly out of high school (first-time full-time) or transferring from another institution.

Retention from freshmen to sophomore year: This calculation is typically based on the incoming cohort of new first-time full-time students in a given year. It is based on the number of the students in a given year's cohort, who return for their sophomore year to the same institution. It typically excludes transfer students. This calculation is one industry measurement of student success.

High tuition / high aid model: This is a pricing approach which is common in the private non-profit sector of higher education, in which the stated tuition rate is set high, and then discounted with institutional financial aid in the form of generous scholarships and grants. These scholarships and grants serve as a recruitment tool in shaping the incoming freshmen class. This is also a common approach at public 4-year universities in the pricing and recruitment of out-of-state students.

Tuition reduction or reset: This is a tuition setting strategy in which the stated tuition rate is reduced in a given year, rather than incrementally increased. It is typically partnered with a change in the institutional financial aid strategy.

Tuition freeze: A tuition freeze refers to when an institution does not increase its stated tuition rate in a given year.

Replacing loans with grants: This strategy would involve providing additional institutional or donor funded grants to students, in order to reduce the student reliance on borrowing.

Fast-track degree programs. Accelerated degree programs can increase student affordability by reducing the number of semesters they are enrolled in college and thus paying tuition. These students have the additional financial advantage of entering the job market sooner, by completing their academic program more quickly.

Four year tuition guarantees. Certain colleges are locking in a tuition rate for four years for students in a specific incoming class.

Four year graduation guarantees. Certain colleges are guaranteeing that students will graduate in four years. Qualifying students who follow all of the requirements of the program and take more than four years to graduate will complete their degree at no additional cost. Some criticize that the fine print requirements are difficult to meet oftentimes disqualify or discourage students from taking advantage of the guarantees. Nonetheless, the strategy could result in increased publicity and new student enrollment (Clark, 2013).

Limitations, Delimitations, and Personal Biases

One of the primary limitations of this study is that it will analyze colleges which have reduced tuition in a specific time period, from 2009 to 2015. The descriptions and outcomes of these institutions may not be indicative of those in other time periods.

Delimitations of this study include that the scope has been narrowed to analyze the characteristics and outcomes of one cohort of universities which have reduced tuition in the same year. Economic, demographic, competitive, and political factors in that given year for these institutions yielded results that may differ for institutions who reduce tuition in another time period or under differing circumstances. Furthermore, the circumstances of an institution, including if they are non-profit, for-profit or publicly funded, their current financial stability, their competitive environment, and their academic program offerings will further make transferability of these findings limited.

As the Chief Financial Officer of a university which has undertaken a tuition reduction strategy, I enter this study with the inherent bias that this pricing approach is a viable option for some institutions to pursue. With little published research on this subject, it is difficult to assess if this bias is accurate. This potential researcher bias is mitigated by my status as a certified public accountant, with extensive financial auditing experience and annual ethics training. In addition to this, I am genuinely curious about possible correlation in outcomes for institutions which have undertaken tuition reductions, and as such have been intentional and conscious to avoid any potential bias in my methodology and approach.

The Role of Leadership in this Study

The primary audience of this study is senior leaders and board members of universities considering a tuition reduction. These individuals have the fiduciary and ethical responsibility to

ensure that their institutions are well run, with business models that are financially sustainable and support the mission. This study seeks to provide additional information to be used by these leaders in the discernment process about if a tuition reduction strategy is appropriate for their institution.

Significance of the Dissertation in Practice Study

This study seeks to fill a gap in the current literature and research about tuition reductions in higher education. It will contribute to the current knowledge and practice of the higher education industry. Increasing the understanding of the prevalence of tuition reductions, as well as the characteristics and outcomes of institutions which have undertaken this change, will assist industry leaders who are considering this emerging pricing strategy for their institutions.

Summary

Leaders in higher education are considering if their business model and pricing strategies are financially sustainable, in light of a changing landscape and public scrutiny of the industry. When considering higher education pricing, much research is available to document the historical trends in tuition rates and institutional aid. There appears to be a void in higher education research, with regard to the prevalence, characteristics, and outcomes of institutions which have reduced tuition in the last decade.

This study has a quantitative descriptive and correlation design with secondary data. This study is significant to the field of higher education as it will contribute to the current knowledge base by providing industry leaders with insights about the prevalence of tuition reductions and outcomes of early adopters of this emerging pricing trend.

SECTION TWO: PRELIMINARY LITERATURE REVIEW

Introduction

The higher education industry has been criticized for increasing tuition rates and student debt levels (Bloomberg News, 2016). Many who are considering college do not understand the difference between the stated tuition rate and net charges paid by students after financial aid (Grotsky & Jones, 2007). These amounts can vary greatly. This disparity between stated tuition rate and what students actually end up paying can lead to misperceptions about whether higher education is within a student's financial reach (StudentPoll, 2012). Some senior leaders and board members of colleges and universities are considering how their institutions might offer education more affordably and attract more students. This literature review seeks to provide context about the higher education sector, trends in its pricing models, and student perceptions of value. It delves into the emerging phenomenon of tuition reductions, including what is known about recent colleges who have taken this strategy, and factors university leaders should consider before reducing tuition.

The Sectors of the Higher Education Industry

The higher education industry is typically painted with one wide brush stroke. Policymakers, reporters, and the public in general oftentimes view and comment on all postsecondary education institutions as one. In reality, the colleges and universities that make up this industry are diverse. According to the U.S. Department of Education National Center on Education Statistics, in fall 2014, there were 4,724 degree-granting postsecondary institutions (2016a), serving 20.4 million students (2016b). The four primary sectors of the industry are: public 4-year, public 2-year, private non-profit, and private for-profit. Appendix A provides the number of institutions and number of students served in these sectors in fall 2014. Within these

sectors, institutions can be further bifurcated by size, by geographic region, and by specialty focus. These differences make understanding the industry challenging, as the missions, populations served, educational modalities, student success rates, funding sources, and financial models vary greatly.

Senior leaders and board members of colleges and universities are working in an industry that is shifting over time, due to changes in demographics, technology, student expectations and the economy. The total number of students attending degree-granting institutions increased 43% from 14.3 million in 1995 to 20.4 million in 2014 (U.S. Department of Education, National Center for Education Statistics, 2016b).

Public 4-year institutions and private non-profit institutions have served a consistent proportion of the market over that time, at approximately 40% and 20% respectively (Appendix A). Meanwhile, over the last two decades, private for-profit institutions have increased their market share from 2% in 1995 to 8% in 2014 (Appendix A), primarily by serving more of the students who previously would have attended public 2-year institutions (community colleges).

Higher Education Price and Cost by Sector

Education is priced and funded differently by sector. Public institutions are heavily subsidized by tax dollars. Private non-profits are typically more tuition dependent, with some having donor funded endowments available to defer a portion of the reliance on tuition from students. Private for-profits are taxable entities which are running their institution as a profit making business, and thus are not typically subsidized directly by tax dollars or endowments. Within these sectors, two year institutions typically charge lower tuition rates, due to larger public subsidies, and lower operating costs. As a result, the various sectors can and do charge tuition in different ways.

According to the “Trends in College Pricing 2016” report, conducted by the CollegeBoard (2016a), on average private non-profit institutions charge more to their students than public and for-profit institutions. The report noted that for-profit sector tuition and fee data is based on a relatively small sample size, thus should be interpreted with caution.

	Public Institutions, 2-year	Public Institutions, 4-year	Private Non- Profit Institutions, 4-year	Private For- Profit Institutions
Published tuition and fees	\$ 3,520	\$ 9,650	\$ 33,480	\$ 16,000
Grant aid and tax benefit per student	(4,020)	(5,880)	(19,290)	*
Net tuition and fees	(500)	3,770	14,190	*
Published room and board	8,060	10,440	11,890	*
Net tuition, fees, room and board	\$ 7,560	\$ 14,210	\$ 26,080	*
* Sample is too small to provide reliable information.				

Table 1. Average published and net prices and total grant aid per full-time undergraduate student for 2016-17 by sector (CollegeBoard, 2016a).

In 2016-17 students attending public two-year colleges (typically community colleges), received an average refund for net tuition and fees of \$500 (Table 1), which they could then apply toward other costs of education (room and board, books, transportation, supplies). During that same year, the average net tuition and fees paid by students at public 4-year institutions and private non-profits was \$3,770 and \$14,190 respectively (Table 1). Students choosing or required to live on campus have the additional costs of room and board.

Grant aid and tax benefits referred to in Table 1 are primarily composed of institutional financial aid, federal and state grants. Institutional financial aid includes scholarships and grants provided by a university. They are awarded based on academic merit, athletic participation, an academic or co-curricular program, financial need, or a student’s association with a specific group which the university is trying to attract (ex: first-generation students). In 2013/14, the

average institutional financial aid at public universities were: \$250 at public associate institutions, \$1,390 at public bachelor's institutions, and \$1,680 at public master's institutions and \$3,330 at public doctoral institutions (CollegeBoard, 2016b). In that same year, the average institutional aid at private non-profit universities was much higher: \$13,840 at private bachelor's institutions, \$13,400 at private master's institutions, and \$16,120 at private doctoral institutions (CollegeBoard, 2016b).

The majority of private non-profit universities utilize what is referred to as the high tuition / high aid model for setting their price. A higher tuition rate can lead to a perception of higher quality. Private non-profits offer a variety of scholarships and grants to students. These include merit scholarships (based on academic ability), need based grants (based on financial need), and awards based on other parameters such as participation on athletic teams, in the performing arts, the sciences, or other specific areas in which the institution seeks attract students. These institutional scholarships and grants may be underwritten by donations or endowment earnings. If they are not underwritten, they are referred to as unfunded, and are basically a coupon off of the stated tuition rate. The institutional discount rate for an institution or individual student is calculated by taking the total amount of institutional grants and scholarships divided by the published tuition and required fee rate.

In 2013/14, the average tuition and fees at private non-profit bachelor's institutions was \$28,450 (CollegeBoard, 2014) while the average institutional grants were \$13,840 (CollegeBoard 2016b), resulting in an average institutional discount rate per full-time undergraduate student was 49%. It is important to keep in mind that this was the average. At any given institution, there likely was a mix of students paying nearly full tuition (with low discount rates) and students receiving high levels of institutional aid (with high discount rates).

At least 84% of first-time full-time undergraduates at private non-profits with a bachelor's Carnegie classification received some form of institutional financial aid in 2013/14 (CollegeBoard, 2016b). Thus it is clear that the stated tuition rate or sticker price is not representative of what the majority of students attending private non-profit universities pay.

The amounts shown in Table 1 are averages by sector, however tuition rates, fees, room and board vary by institution. Financial aid in the form of grants and scholarships awarded to students differs from college to college based on a college's priorities, and can depend on academic ability, financial need of the family, and planned student participation in sports, the arts, or other activities. This results in an individualized pricing model, meaning that student net charges after institutional financial aid at a university typically vary on a student by student basis. It is no wonder that prospective students and their families are confused about what college costs and how much they will have to pay to attain higher education.

Historical Pricing Trends

Published tuition rates have been on the rise over the last several decades for both public and private non-profit universities. Figures depicting the trends over the last two decades for these sectors can be found in Appendix B. It is important to note that the historical pricing trends included in this section have been adjusted for inflation to 2016 dollars.

Public 2-year universities. The average published tuition and fees for full-time undergraduates at public 2-year institutions has increased from \$2,250 in 1996/97 to \$3,520 in 2016/17 (CollegeBoard, 2016a), a 56% or \$1,270 increase in twenty years.

Public 4-year universities. The average published tuition and fees for full-time undergraduates at public 4-year institutions has increased from \$4,560 in 1996/97 to \$9,650 in 2016/17 (CollegeBoard, 2016a), a 111% or \$5,090 increase in twenty years. While the published

tuition rates have been increasing in this sector of the industry, the level of grant aid and tax benefit has been on the rise as well. Over that same twenty year period, the net tuition and fees (published tuition and fees less grant aid and tax benefit) increased more gradually at 61% (or \$1,430) from \$2,340 in 1996/97 to \$3,770 in 2016/17 (CollegeBoard, 2016a).

Private non-profit universities. The average published tuition and fees for full-time undergraduates at private non-profit four-year institutions has increased from \$19,920 in 1996/97 to \$33,480 in 2016/17 (CollegeBoard, 2016a), a 68% or \$13,560 increase in twenty years. The level of grant aid and tax benefit has also increased during this period, resulting in a more moderate increase in the average net tuition and fees. Over that same twenty year period, the net tuition and fees (published tuition and fees less grant aid and tax benefit) increased 20% (or \$2,390) from \$11,800 in 1996/97 to \$14,190 in 2016/17 (CollegeBoard, 2016a).

Private for-profit universities. Limited information is available regarding private for-profit university pricing trends. The CollegeBoard “Trends in Pricing” report does not have longitudinal data about private for-profit pricing trends. According to the U.S. Department of Education’s National Center for Data Statistics, the price of attending an undergraduate private for-profit institution decreased to \$21,000 in 2013/14 from \$22,000 in 2012/13 (2016a).

Forecasted Trend in Net Tuition Revenue

The financial outlook for the higher education industry reflects that pricing will continue to impact both the public and private sectors. According to Moody’s analyst Erin Ortiz, “In the new normal of an affordability-centric higher education environment, tuition increases are more than likely to remain modest, tracking closely to the higher education price index (HEPI) or inflation (2016).” Moody’s Investor Services (2016) reported that public universities are forecasted to have a median net tuition revenue increase of 2% in 2017 compared to 8% in 2012.

Moody's attributes this to state policies such as required tuition rate freezes or limitations impacting public universities' ability to increase tuition rates.

Private universities are forecasted to see net tuition revenue growth of only 2.5% in 2017, due to the high level of competition in the sector and affordability continuing to be a focus of the market (Moody's, 2016). This rationale aligns with the perceptions of chief business officers of private non-profit universities surveyed in 2015. Of the 401 participants surveyed, 53.5% reported a decrease in freshmen enrollment between fall 2014 and fall 2015 (National Association of College and University Business Officers, 2016). Those who experienced declines shared their perceptions on the reasons for lower freshmen enrollment. These included: price sensitivity of students (62%), increased competition (60%), and changing demographics (51%) (National Association of College and University Business Officers, 2016).

The Value of Higher Education

Earning Potential

The pursuit of higher education continues to provide a good return on investment. According to the Bureau of Labor Statistics (2015), in 2014 individuals with a bachelor's degree or higher earned 1.8 times that of individuals with just a high school diploma (Appendix C).

Over time, this differential can have a substantial impact on an individual's and family's long term earning potential. Extrapolating the differential in the 2014 amounts in Appendix C over 40 years of employment results in over \$1 million more wages earned by individuals with a bachelor's degree or higher compared to those with only a high school diploma. While college tuition may be one of the biggest investments one makes in their life, the long term returns through increased lifetime earning support that pursuing higher education remains of value.

Likelihood of Degree Completion

In higher education, one of the primary measurements of student success is completion of the academic degree. As illustrated in Appendix D, student completion rates after six years varied depending on the type of institution the student initially enrolled in during 2010.

Private non-profit 4-year colleges typically have higher published tuition and fees and net tuition and fees than the other sectors, however they also have the highest completion rate at 74% (Shapiro, Dunbar, Wakhungu, Yuan, Nathan, & Hwang, 2016). Both public 2-year and private for-profit 4-year institutions have much lower completion rates at 39% and 37%, respectively (Shapiro, et al, 2016). Considering that private for-profit 4-year institutions typically cost significantly more than public 2-year colleges, these institutions appear to offer the lowest likelihood of success and return on investment of the four sectors.

Perception of Cost

The cost of higher education and financial aid available are very important factors in the college selection process for prospective students and their families (Noel-Levitz, 2012). This is complicated by the fact that the pricing structure of the higher education industry is complex and not transparent. In a study analyzing parents' accuracy in estimating college costs, it was found that of 2,346 sampled, parents on average estimated tuition and fees at 175% of their true price (Grodsky & Jones, 2007). These misperceptions about cost can result in families perceiving that college is not accessible, when after factoring in financial aid their preferred university may be within their financial reach.

Perception of Value and Affordability

The general public has become skeptical of the higher education industry. In 2015, Gallup (2016) conducted a poll of 1,616 U.S. adults in partnership with the Lumina Foundation.

Participants were asked questions about the value, quality, and cost of higher education.

Highlights of the report included:

- 70% of respondents believe that in the future it will be even more important to have a professional certificate or degree in order to have a good job
- 59% of respondents believe post-high school education is available to everyone in the U.S. who needs it
- 24% of respondents believe post-high school education is affordable to everyone in the U.S. who needs it
- 78% agree or strongly agree that higher education institutions need to change in order to better meet the needs of students
- 43% agree or strongly agree that higher education institutions actually are changing in order to better meet the needs of students (Gallup, Inc., 2016).

Thus while the majority of those polled believe that higher education is important, only 24% believe that it is affordable to all who need it. This survey also reflects that the public expects universities to change to better meet student needs.

Impact of Family Income on College Attendance

The economic divide of the citizens of United States is significant. 84% of the wealth of the country is owned by the top 20% earners, while only 0.3% of the wealth is owned by the bottom 40% of earners (Fitz, 2015). This economic inequality leads to differences in attitudes about and levels of pursuit of higher education. In 2014, the percentage of students who attended college immediately after completing high school was 81% for students from high income families (top 20% of all family incomes), 64% for those from middle income families (middle 60% of all family incomes) and 52% for those from low income families (bottom 20% of all family incomes) (U.S. Department of Education, 2016c). Thus only half of high school graduates from low income families are attending college compared to eight out of ten graduates from high income families.

Higher Education Pricing Strategies

Universities in the non-profit sector, typically utilize a high tuition / high aid strategy. This is a pricing structure in which a published or stated tuition rate is set higher than most students actually pay. Discounts are then offered in the form of scholarships and grants which lower the net tuition paid by students, and are used as a recruitment tool to attract students to an institution. Typically these institutions increase tuition at a rate between 2% and 5% (CollegeBoard, 2016a).

Yanikoski (1989) offers several aspects of post-secondary education's pricing model which differ from many other industries. Student demand rarely increases the price a university is able to charge. Additionally, universities with excess capacity rarely decrease their price to encourage higher sales. Published tuition rates only loosely correlate with the actual cost to deliver the education or the actual amounts students and families pay. Competition in the market typically drives up prices rather than decreasing them (Kennedy, 2016). Finally, increasing tuition rates do not necessarily translate into corresponding increases in net tuition revenue, as the institutional financial aid often increases as well. Considering all of this, it is understandable that many board members of universities, who work in other fields, find the higher education pricing model perplexing and counterintuitive.

Emerging Strategies

The value proposition and escalating cost of higher education have been reported on extensively. As such, several universities have undertaken changes in their tuition setting strategy in order to address affordability, differentiate themselves in the market, and garner publicity (which can translate in increased inquiries in the year of the change). What remains to be seen is if this increase in enrollment will be sustained over time.

Strategies pursued by universities have included tuition reduction, tuition freeze, tuition elimination, fixed tuition guarantee, replacing loans with grants, public university price matching, fast-track degree programs, job guarantees and four-year graduation guarantees. Between 2008/09 and 2013/14, 208 private institutions implemented or announced affordability measures being undertaken (Hanover Research, 2013). The five most prevalent approaches were: a) tuition freeze (54 institutions), replacing loans with grants (39 institutions), fast-track degree programs (25 institutions), four year graduation guarantees (23 institutions) and tuition reductions (21 institutions) (Hanover Research, 2013).

Tuition Reductions

Published Research on Tuition Reductions

Tuition reductions are a relatively recent phenomenon. As such, there is limited published research regarding the nature of circumstances for universities which have undertaken tuition reductions and their outcomes. Two researchers, Dr. Lucie Lapovsky and Dr. Laura Casamento, have performed case studies of private non-profit universities which have reduced tuition in recent years. The names of the universities studied were omitted in both reports. That being said, it appears that there is overlap of three institutions studied, based upon the year in which the reduction occurred and the % of tuition reduced. Thus it appears that there currently is case study research available on nine discrete anonymous universities between Lapovsky's and Casamento's research.

Lapovsky study of eight universities. Dr. Lucie Lapovsky, former college president and higher education consultant, published a report titled "Tuition Reset: An Analysis of Eight Colleges that Addressed the Escalating Price of Higher Education" (2015). In it, she documents

research performed on eight institutions which had reduced tuition. Below are highlights from the report:

- All eight institutions analyzed cited increasing enrollment as one of the primary drivers for the tuition reduction. Other changes that some of these universities also made included: rebranding, guaranteeing the tuition rate for 4 years, guaranteeing a 4 year graduation timeframe, adding new academic programs, going co-educational, and changing the mission statement.
- Many of the institutions hired outside consultants in the areas of tuition discounting, enrollment management, and marketing.
- In several cases, the reset generated substantial publicity which may have led to increased interest from prospective students.
- Seven of the eight institutions had increased freshmen enrollment in the year of the tuition reset, ranging from an increase of 1% to 50%. The eighth institution had a 42% decrease in enrollment, attributed to poor execution of the tuition reset strategy.
- Three of seven institutions had increased net tuition revenue per student, while four saw a decrease.
- Five of seven institutions had increased total net tuition revenue, oftentimes related to increased new student enrollment in the year of the reduction.
- Four of the institutions studied had tuition reductions three or more years ago. Over those three years, all institutions remained at higher freshman enrollment levels than the year prior to the pricing reduction.

- Three of the eight institutions froze their tuition rate in the year immediately following the tuition reset. The remaining five institutions all returned to an incremental tuition increase approach.
- The number of applicants increased at all of the colleges studied. At four of the institutions, the increase was 20% or greater, and at four the increase was 10% or less.
- At four of seven colleges, the percentage of Pell students fell in the year of the reset, at one it remained constant, and at two it increased.
- All but one institution reduced the published tuition rate for continuing students. They then went through the time consuming task of repackaging each continuing student's financial aid award, to ensure that following the tuition reset the student was not paying more than they had the year before. Relatively few complaints were received, however one institution which was Division II shared that some athletes complained that it was no longer worth playing with the reduced athletic award.
- All but one of the colleges announced the tuition reset change in the fall of the year prior to the reset, after continuing students had already returned to campus. Some capitalized on the change, making announcements at press conferences and one even on the steps of the state house.
- All of the colleges referred to the change as a tuition reset rather than a tuition reduction. Most cited affordability as the reason for the change. Many also referred to aligning their pricing with the public universities who were their competition. Many also talked about this being "the right thing to do". All shared that the reduction in the sticker price would in no way diminish the quality of the education.

- Most of the leaders of these institutions shared that they thought concern about the relationship between quality and price are overblown. They think that comparative pricing to their competitors is important to prospective students in deciding which college to attend.

Casamento study of four universities. Dr. Laura Casamento (2016) published a comparative case study focused on the tuition reductions at four tuition-dependent private non-profit universities. Dr. Casamento is currently the President of Utica College, which reduced its tuition in fall 2016 by 46% (Zillman, 2015) Figure 1 summarizes some of the key comparative points of the study.

	East College	West College	North College	South College
Year of tuition reduction	2012	2014	2013	2014
% of reduction	22%	34%	34%	43%
Financial Stability prior to change	Struggling	Struggling	Stable to strong	“Stable with concerns about the future”
Discernment process performed by	Primarily president and CFO	Price point committee, analysis by assistant director of financial aid	Board was very involved, led by president and members of cabinet.	Price sensitivity and affordability task force.
Level of planning	Limited, described as a rushed process	Described as rushed, 8 month process	Extensive, over 2 years	Extensive planning, but rushed marketing.
Motivation for change	Increase enrollment	Increase enrollment	Increase enrollment and affordability	Increase enrollment and affordability
Part of larger strategic plan?	No	No	Yes	Yes
Level of risk assessment	Limited	Limited	High	High
Market analysis?	No	No	Yes, by Noel-Levitz.	Yes, internal and by Noel-Levitz.
Utilization of marketing consultants?	No	No	Yes, by Lawlor Group.	Yes, by Lawlor Group.

Increase in advertising?	No	No	Yes	Yes, but “probably not enough”
Impact on continuing students	No change in their tuition rate. Aid adjusted so that net tuition did not exceed new student tuition rate.	Reduced tuition rate and aid packages. Increased net price per student intentionally.	Reduced tuition rate and aid packages. Informed of new net tuition on day of announcement.	Reduced tuition rate and aid packages. Ensured at least \$1000 net savings per student.
Recruitment of new first-time full-time (FTFT) and transfer students	Slight decreases in new FTFT. Transfers increased.	Decrease in FTFT in years 1 and 2. Increase in transfers in year 1, decrease in year 2.	Not disclosed. Overall traditional undergraduate enrollment increased 17% from 2012 to 2015.	Improved from 233 (2013) to 268 (2014) and 245 (2015).
Retention of freshmen to sophomores	Decreased from 70% (2011) to 66% (2012) and 61% (2013).	Improved from 73% (2013) to 77% (2014) to 75% (2015).	Decreased from 73% (2012) to 70% (2015).	Not reported. Overall retention increased 88% (2013) to 91% (2014).

Figure 1. Highlights of comparative case study of four less selective tuition-dependent institutions approached an undergraduate tuition reduction (Casamento, 2016).

Lapovsky survey of chief financial officers. In 2016, Lapovsky surveyed chief financial officers at private four-year non-profit universities about tuition setting strategies. Of the 153 respondents (a 10.4% response rate) asked if they considered lowering tuition for 2016, 4% shared they considered it seriously, 19% shared that they gave it some consideration, and 76% gave it no consideration (2016c). When these same individuals were asked if they are considering lowering tuition for 2017, 4% shared they are considering it seriously, 10% shared that they are giving it some consideration, and 87% are giving it no consideration (2016c).

Assuming these percentages are representative of the entire population of private non-profit four-year colleges surveyed, it can be extrapolated that approximately 64 universities are seriously considering a tuition reduction for 2017 (4% of 1,591 institutions) and 159 are giving

some consideration to a tuition reduction (10% of 1,591 institutions). As such, it appears there is considerable interest in the emerging phenomenon of tuition reductions by chief financial officers of the private non-profit sector.

Ideal Institutional Factors for Reducing Tuition

While the published research and literature in the area of tuition reductions is limited due to the fact that this is a relatively new phenomenon, certain themes are emerging as key factors in the successful implementation of a tuition reduction strategy.

- Financial strength – Institutions who approach a tuition reduction from a position of financial strength appear to have greater success (Cassamento, 2016; Lawlor, 2016; Supiano & DeFrancesco, 2015).
- Market research – It is important to understand the price sensitivity of an institution's prospective students when discerning if a tuition reduction will be an effective strategy (Cassamento, 2016; Supiano & DeFrancesco, 2015).
- Business Model – A clear understanding of the current and planned business model, specifically the level of revenue diversification, is needed for institutional leaders to make an informed decision about changes to the pricing model.
- Strategic Planning – Tuition reductions have a higher likelihood of success when they are part of a broader long-term strategic plan, which includes revenue diversification strategies (Cassamento, 2016; Supiano & DeFrancesco, 2015).
- Marketing – Publicity garnered from the tuition reduction assists in increasing new student recruitment. Institutions can maximize the impact in this area by increasing their investment in advertising and utilizing outside marketing consultants (Cassamento, 2016).

Advantages of Reducing Tuition

The potential advantages of reducing tuition include increased transparency, increased perception of affordability, lowering the financial burden on students, engaging students in a conversation about value and net cost of education, and increased publicity.

Greater transparency. Colleges who reset their tuition are presenting a more realistic picture to students about what an institution will cost them, enabling them to make better informed decisions (Educated Quest, n.d.).

Increase perception of affordability. Lower tuition may give prospective students the impression that an institution is more financially feasible for their family. This is especially true for private not-for-profit universities who are competing with lower cost public universities and community colleges.

Students and families considering attending private non-profit colleges and universities are oftentimes shocked by the sticker price. According to a 2012 survey of 1,461 high school seniors planning to go to college, the majority of students and their families limit the institutions they are considering based on “sticker price” rather than the net cost including financial aid (StudentPoll, 2012). The study found that 58% of low-income students, 62% of middle-income students, and 48% of students from affluent families ruled out institutions based solely on their “sticker price” (StudentPoll, 2012).

This study aligns with another survey of 799 undergraduate students aged 18 to 24 and their parents from 2016 (1,593 total participants) (Sallie Mae & Ipsos, 2016). 57% of the students and 35% of the parents who participated in the survey shared that they eliminated institutions based on cost prior to applying to the institution (Sallie Mae & Ipsos, 2016). Based on these surveys, over half of prospective undergraduate student are ruling out certain

universities as a possibility purely based on the published tuition rate. Thus universities that abandon the high tuition / high aid pricing model very well may attract a new population of prospective students who previously had not considered them, purely on the basis of their stated tuition rate.

Lower financial burden for students. Typically a reduction in tuition is partnered with changes to the institutional financial aid offerings of the university. This provides an opportunity for universities to restructure their scholarships and grants, to lower the financial burden on students. College of Saint Mary in Omaha, NE identified increasing access and affordability in both perception (through the reduced tuition rate) and reality (through more generous institutional aid packages for low income students (2016a). They went so far as to assure all continuing full-time undergraduate that they would save at least \$1,000 in net tuition in 2017/18 compared to the prior year (College of Saint Mary, 2016b).

Engaging a discussion. The publicity which can be garnered by a tuition reduction can entice prospective students who previously perceived a private college to be too expensive, to reconsider the institution as a possibility. Concordia University of Saint Paul (CUSP) reduced its tuition by 33% or \$10,000 in fall 2013 (Lewin, 2013). According to Dr. Eric LaMott, Senior Vice President and Chief Operating Officer, the University has focused its messaging with prospective students away from stated tuition rate, and toward the value of a CUSP education and what their out-of-pocket costs will be (Personal Communication, 10/14/14).

Increase publicity. When leveraged through marketing, tuition reductions tend to gain publicity and have been known to increase the inquiry pool for institutions who undertake them. Today's prospective students value results, thus institutions must convey both affordability and prestige while focusing on outcomes (Lawlor, 2014).

Risks of Reducing Tuition

Risks of undertaking a tuition reduction strategy include reputational, strategy, stakeholder satisfaction and financial risks.

Reputational risk. Announcing a tuition reduction oftentimes generates publicity. It is important to be strategic in sharing the motivation and details behind the change in order to help make sense of the reduction to others. If not, individuals may make assumptions about lower quality, that this is a marketing ploy, or that the university is desperate.

Lower price equals lower quality. The Chivas Regal effect refers to the perception that price equals quality. Thus the perception that the higher the tuition rate of a university, the better the education it offers. If a university reduces its tuition rate, the perception by the market may be that the quality of the education it offers is of lower quality.

Is this just a marketing gimmick? If a university simply reduces its tuition and its institutional financial aid by the same amount, the actual out-of-pocket expense to students will not change. The only families likely to see reductions in the net cost they pay out-of-pocket are those with little financial assistance through scholarships and academic need based grants (Dysart, 2014). Thus the students who potentially will benefit are those who can afford to pay, who are currently paying close to full tuition, and under a reset would pay less. In this scenario, institutional leadership will struggle with explaining the validity of the pricing change with constituencies and the press (Lawlor Group, 2015).

Desperation. Universities who choose to make a tuition reduction can be perceived as being financially desperate (Dysart, 2014).

Strategy Risks. For tuition dependent universities, changing the pricing model goes straight to the heart of a fundamental aspect of the business strategy. It is important to assess how a reduction in not only the price, but the scholarships of a university will be received by prospective students.

Loss of the Lure of Big Scholarships. Students and their families take great pride in the scholarships they receive for academics and athletics. When comparing institutions, students may perceive that one institution values them more than another based on the size of the scholarships being offered.

According to President Donald Farish of Roger Williams University, his Board originally planned on a tuition and financial aid reduction, however after consulting with experts they decided against it. The consultants shared that the University would be “committing financial suicide because people were used to getting discounts and things on sale”. A tuition rate of \$36,000 with \$13,000 in financial aid awards is more likely to be accepted than a tuition rate of \$26,000 with no financial aid (Berman, 2013).

Louisiana State’s president F. King Alexander describes a “let’s make a deal” mentality. “Parents come to me and say so-and-so school charges \$40,000 but is giving me \$15,000 in scholarships so it seems they want my student more than you do” (Berman, 2013). Thus a risk of reducing tuition is that it limits the dollar size of the scholarships and grants an institution can offer students while maintaining the long term viability of its financial model. When comparing financial aid packages of multiple institutions, prospective students and their parents may perceive that the higher cost, higher aid college must value them more than the lower cost, lower aid college.

In Casamento's case study of four universities which reduced tuition, the institution referred to as "South College" shared that continuing student athletes in particular struggled with the reduction in their athletic awards. The vice president of enrollment management stated, "Now students are comparing their academic worth, their athletic worth, and not gaining a clear understanding of why their \$20,000 scholarship was just reduced to \$8,500" (Casamento, 2016, p.81). This supports the thought that the size of financial aid awards, especially for student athletes, is important in not only college selection, but also continuing student satisfaction.

Incorrectly predicting how your target market will react. JC Penney is an example of a retail business who dramatically changed their pricing model with negative results. In 2011, Ron Johnson joined JC Penney as its new Chief Executive Officer, following success as a marketer at Apple. Johnson tried to reinvent the JC Penney brand by doing away with a high retail / high discount model and replacing it with an "everyday low prices model". The change was an abject failure. Sales dropped 26% producing an annual loss for the company of \$1 billion (Connor, 2013). Prior to reducing tuition, university leaders should ensure that they understand their target market and how those individuals may react to a pricing strategy change. Advice on how to avoid the mistake made by Johnson are included in Appendix I.

Stakeholder satisfaction risk. One must consider how prospective and current students may perceive a change in tuition and financial aid (Carlson & Thomason, 2013). At Ashland University, the announcement of a \$10,000 tuition reduction was initially welcomed by current students (Lemon, 2013). Once they received letters detailing their new tuition rate, and revised financial aid, many were disappointed to find the actual decrease they could expect was only \$600.

Other stakeholders may question a tuition reduction as well. Faculty and staff may wonder how the university can afford the change, and if it will result in employee cut backs or budget reductions. Alums may wonder if the lowering of the price will in turn lower the value of their degree. They may also resent that new students will pay less than they did, especially if they have taken out loans which they are continuing to make payments on following graduation. Finally donors may wonder if this means that the college no longer needs their donations, because the institution can afford to reduce the tuition. On the other hand, the counter reaction may be true as well. One institution which reduced tuition found that its alums were so pleased with the university's efforts to increase affordability that they actually increased their level of giving following the tuition reset (Lapovsky, 2015).

Financial risk. Creating a multi-year financial plan to support a tuition reduction is key. Tuition dependent institutions reducing their tuition rate should carefully consider contingency plans if their financial modeling relies on an increase in enrollment volume to offset a reduction in net tuition revenue per student. Roger Williams University was considering a tuition reduction and enlisted the assistance of an outside consultant to assess the pricing preferences of their prospective students. The consultant found that “twice as many families preferred the high-cost, high-discount approach, and...warned that cutting tuition would cut the freshman class in half” (Lewin, 2013). Instead of reducing tuition, Roger Williams University rolled out a fixed tuition rate guarantee for its freshman class. If their consultant's assessment would have proved accurate, and they had reduced tuition, the financial shortfall from the reduced freshmen enrollment could have created a significant financial challenge for the institution.

Advice to Those Considering a Tuition Reduction

I, the author of this study, have had experience in leading the tuition reduction discernment process and implementation at College of Saint Mary in Omaha, NE. This section is a combination of lessons learned through my personal experience as well as from other sources who have been cited.

Develop a steering committee. Universities considering a tuition reduction should develop a steering committee of key individuals to review the process. This could include the president, chief financial officer, financial aid director, marketing director and recruitment director (Casamento, 2016). Engaging board members in this process can be very beneficial, as this group is typically the financial decision maker about tuition strategy. It is important to identify a leader who understands the business model to champion the change (Connor 2013). The purpose, scope and timeline of the committee should be clear. One of the outcomes should be a presentation and/or report to the board of directors, to ensure they are well informed prior to making a decision about the tuition strategy. External industry consultants can also be helpful in this process (Lapovsky, 2015; Casamento, 2016).

Start with a common level of understanding. The members of the steering committee likely will be coming to the project with different areas of expertise and levels of knowledge about the university's business model, recruitment model, and the industry as a whole. Discussing these areas for one's institution, as well as educating the group about what is known about tuition reductions at other universities will help the group ask informed questions and make researched recommendations. A listing of resources which I have compiled in my research are included in Appendix H to assist university leaders considering tuition reductions at their institutions.

Discern if a tuition reduction is an appropriate strategy for your institution. When thinking through if a tuition reduction should be pursued, the steering committee should consider the target market, historical applicant pool, and competition of the university.

The correct tuition strategy is dependent on an institution's target market (Berman, 2013). The target market may be the same type of students you currently recruit, only you want to recruit them in greater numbers. In this case, a thorough analysis of the institution's historical applicant pool can be useful (Carlson & Thomason, 2013). One might find that groups of prospective students may have differing preferences on pricing strategies. For example, high school students and parents may be compelled by impressive scholarships, which would indicate a high tuition / high aid model is appropriate. Perhaps the university has a large population of transfer students who are more familiar with tuition and scholarships, and thus are more focused on the bottom line amount they are responsible for. Market research can be helpful in understanding the specific preferences of the target market which the university is aiming to attract.

It is important to understand who your competition is, and what pricing strategy they utilize (Berman, 2013). While this may seem like a simple question, it can actually be quite nuanced. It is not necessarily as simple as listing all of the other universities in the same higher education sector within the geographic region. For example, a non-profit university may find that prospective students are not only considering competing private colleges, but also area community colleges, public universities, and for-profits. A university may find that they have different competitors for different academic programs. Perhaps the modality of the programs creates a different pool of competitors. For example online programs expand the list of competitors outside of the geographic region. Tools available to assess one's competition

include the Admitted Student Questionnaire offered by the CollegeBoard (n.d.), and the College Navigator Tool offered by the U.S. Department of Education, National Center for Education Statistics (n.d.).

During this process, confidentiality is of the utmost importance (personal interview with Eric LaMott, Senior Vice President and Chief Operating Officer at Concordia Saint Paul University, 10/14/14). If individuals on campus become aware that a tuition reduction is being considered, and the university does not pursue this strategy, the results could be frustrated and disappointed students.

Articulate your motivation for change. Be clear about why your institution is undertaking a tuition reduction (Lapovsky, 2016a). Is it to increase affordability for students, to grow enrollment, to maintain market share, to improve financial stability, or to respond to external expectations? Whatever the motivating factors, it is important to clarify and articulate them early in the process, as they will inform and influence the planning process.

Consider alternates to a tuition reduction. Alternate strategies which could increase affordability and attract students include tuition guarantees, a tuition freeze, eliminating fees, and developing accelerated degree programs. In an article titled “Considering a Reduction in the Price of Tuition?”, John Dysart offers additional tactics for university leaders to consider rather than a tuition reduction (2014). These can be found in Appendix M.

In fall 2016, Ben Kennedy presented in a webinar hosted by the National Association of College and University Business Officer titled “Rethinking Tuition Discounting Strategies”. In it, he shared that universities should consider focusing on differentiating themselves from their competitors rather than engaging in pricing and discounting wars. Tactics offered included offering academic areas of excellence, unique co-curricular experiences, leveraging relationship

based recruiting, simplifying and streamlining the recruitment process, and offering specific scholarships to recruit groups of students targeted for factors relevant to the university. Finally, he shared that improving the recruitment, marketing and student services strategies can be more effective in increasing enrollment than changing the institution's pricing strategy.

Develop plans. A tuition reduction is not a silver bullet (Berman, 2013; Kennedy, 2016). Ideally, it should be considered one piece of an overall larger institutional strategy or strategic plan. The strategic plan should be supported by a multi-year financial plan. Universities should consider diversification of tuition revenue streams (personal interview with Eric LaMott, Senior Vice President and Chief Operating Officer at Concordia Saint Paul University, 10/14/14). This could include adding or expanding online, graduate, or degree completion programs. This will help mitigate the financial risk of changing the undergraduate tuition and financial aid strategy.

A detailed pricing plan will need to be developed as a component of the financial plan. This will include the proposed tuition reduction, planned tuition rate increases in future years, and revisions to the institutional financial aid model.

Finally, a comprehensive marketing and communication plan, is needed in order to capitalize on the publicity of the change and to ensure that stakeholders feel informed. This is an area where external experts can be of great service.

Measure and assess results. Along with clarifying the motivation for a tuition reduction, a university should determine how they will define success with the strategy. They should then measure and assess these outcomes, in order to provide the opportunity for course corrections along the way. Lapovsky offers a variety of possible indicators of success, including increased net tuition revenue, increased enrollment, increased net tuition revenue per student, attracting a new population of students, and increased diversity (2016a).

Literature Gap

There appears to be a void in the literature, with regard to a comprehensive listing of institutions which have reduced tuition. Appendices E, F and G provide partial listings which have been published. A comprehensive list of institutions which have reduced tuition would be helpful to industry researchers studying tuition pricing strategies as well as university leadership considering a tuition reduction for their institution.

Two research studies have been performed on a selection of private non-profit universities which have reduced tuition from the years 2011 to 2014 (in addition to one from 1996) with tuition reductions ranging from 8% to 43% (Casamento, 2016; Lapovsky, 2015). These case studies provide useful insights into the circumstances leading up to and outcomes of nine institutions which have reduced tuition. These existing studies do not address the prevalence of a tuition reduction pricing strategy either within or outside of the private non-profit sector. Understanding how many institutions in the industry by sector have reduced tuition, as well as their characteristics and longitudinal outcomes, is a void in the current literature. Research in these areas would provide additional insights for the industry and its pricing decision makers.

Conclusion

The higher education industry has been scrutinized for tuition rate increases and student debt burdens. Despite this, higher education is still valued by the public due to how it increases an individual's earning potential. The industry itself is composed of four primary sectors: 2-year public, 4-year public, private non-profit and private for-profit institutions. Each of these sectors has different average tuition rates, degree completion rates, historical pricing trends, and pricing strategies.

University leaders are in a position to consider how to address the trend of increasing tuition, and if their current pricing strategy is sustainable. In the private non-profit sector, a high tuition / high aid model is prevalent. Institutions typically increase their tuition by 2-5% per year, oftentimes increasing institutional aid offered along the way as well. Certain institutions have undertaken alternate pricing strategies including tuition freezes, replacing loans with grants, adding fast track degree programs, offering four year graduation guarantees, and reducing tuition.

The focus of this study is on the phenomenon of tuition reductions. Currently, there is not a comprehensive list of universities which have reduced tuition. Limited research has been published about the outcomes of institutions which have reduced tuition. There is some published guidance offered by industry experts, for those considering a tuition reduction strategy. There are certainly advantages and risks to making this move. Leaders considering a tuition reduction should develop a steering committee to explore this possibility, weighing the possible risks and rewards of this change for their particular circumstances.

SECTION THREE: PROJECT METHODOLOGY

Introduction

This study is designed to analyze the phenomenon of tuition reductions in higher education at a macro level. The data analysis will be performed in two phases, each centering on one research question. Phase one will address the prevalence of tuition reductions in the industry from 2009 to 2015. The results of this analysis will include a comprehensive list of degree-granting institutions which reduced tuition during this time period, including descriptive information including their sector, enrollment size, and the magnitude and year of the tuition reduction. It will also include summary data about if tuition reductions are more prevalent in certain sectors, at smaller or larger institutions, at financially stable or struggling universities, in certain geographic areas, and/or at institutions with higher or lower levels of tuition dependency.

Phase two seeks to determine if there are patterns or trends in relationships between the magnitude of the tuition reductions and key outcomes variables in the three years following the pricing change. These outcome variables include new student enrollment and retention, net price per student, the number of low income students served, and institutional financial health. These outcomes were selected because institutions which have reduced tuition have cited enrollment growth and increasing affordability as two motivations for change (Lapovsky, 2016; Casamento, 2016). Institutional financial health was chosen because the efficacy of a tuition reduction strategy is dependent upon it being a component of a sustainable long-term financial strategy.

Research Questions

The research questions for this study are:

1. What degree-granting colleges and universities have reduced their tuition between 2009 and 2015?

- a) Is this pricing strategy more prevalent in a certain sector (public 4-year, public 2-year, private non-profit, private for-profit)? The public 4-year sector typically charges both an in-state and out-of-state tuition rate. Both of these rates will be analyzed for this sector.
 - b) Is this pricing strategy more prevalent in smaller rather than larger institutions?
 - c) Is this pricing strategy more prevalent in colleges that have stronger or weaker financial health?
 - d) Is this pricing strategy more prevalent in a certain geographic area?
 - e) Is this pricing strategy more prevalent at institutions with a high or low level of tuition dependency?
2. What are the longitudinal outcomes of institutions which have reduced tuition, and do these outcomes differ based on the magnitude of the % reduction in tuition? The time period being analyzed will be the three years following the tuition reduction. The outcomes to be analyzed are:
- a) New full-time undergraduate enrollment
 - b) Components of the enrollment funnel (number of applicants, acceptance rate, yield rate)
 - c) Student retention from freshmen to sophomore year
 - d) Net price per full-time undergraduate student
 - e) Number of low income students served
 - f) Institutional financial health

Proposed Research Design

This quantitative study will utilize both a descriptive and a correlational design with secondary analysis, during the two phases of research.

Phase One Research Design

The first phase of the study will focus on research question 1: What degree-granting colleges and universities have reduced their tuition between 2009 and 2015? This phase will have a quantitative descriptive design, which seeks to determine if tuition reductions are more prevalent in certain higher education sectors, in smaller rather than larger institutions, in institutions with financial stability or struggles, in certain geographic areas, and/or in institutions with higher or lower levels of tuition dependency.

Phase Two Research Design

Phase two of the study will have a quantitative correlational design with secondary data. It will focus on research question 2: What are the longitudinal outcomes of institutions which have reduced tuition, and do these outcomes differ based on the magnitude of the % reduction in tuition? The time period being analyzed will be the three years following the tuition reduction. The outcomes being analyzed have been selected based on the likely motivations for tuition reductions by institutions.

It will utilize regression analyses to determine if there is a correlational relationship between the utilization and magnitude of a tuition reduction strategy, with six different outcome indicators. It is seeking to identify if there are patterns or trends in the relationships between these variables. The focus of this analysis is to determine if there is a correlational relationship between these variables and is not intended to prove a causal relationship.

Rationale for Selection of Outcome Variables. Many institutions site enrollment growth as a reason for reducing tuition (Lapovsky, 2015; Casamento, 2016). In order to measure the success of this goal, the following outcome indicators will be analyzed: a) New full-time undergraduate enrollment, and b) Student retention from freshmen to sophomore year.

Institutions who have reduced tuition have also shared that they made the change because it was the right thing to do in an effort to increase student affordability (Lapovsky, 2015; Casamento, 2016). In order to measure the success of this goal, the following outcomes will be analyzed: a) Net price per full-time undergraduate student, and b) Number of low income (Pell eligible) students served.

Finally, the efficacy of a tuition reduction is dependent on it being part of a sustainable long term business approach. In order to measure the success of this goal, the financial health as measured by the composite financial index will be analyzed. It is important to note that the composite financial index is influenced by both internal and external environmental factors. These include operational net revenue or loss, endowment size, fundraising results and debt levels. Certain external factors, including annual investment market performance, impact the composite financial indexes of all universities with endowment holdings. In order to mitigate the financial impact of fluctuations in the investment market from this analysis, the difference from the industry average for a given year will be utilized in the analysis.

Data Sources, Collection Tools, and Procedures

The primary data source will be external publicly available data from the U.S. Department of Education's National Center for Data Statistics Integrated Postsecondary Education Data System (IPEDS).

The composite financial index is an industry formula used to measure financial health of a university. The Council of Independent Colleges (CIC) calculates the national average composite financial index of its member institutions annually as part of their Financial Indicators Toolkit. The individual university calculations are not publicly available from CIC. That being said, CIC provides the calculation utilized and the sources of data used in the calculation, which

include the IPEDS system and the university's 990 tax return. The public accounting firm of CliftonLarsenAllen has agreed to calculate the composite financial index for all non-profit 4-year universities which have reduced tuition from 2009 through 2015 for use in this study

Ethical Considerations

This study will analyze college and university data at a macro level. It will not involve analysis of individual student or employee data. As such, there is a low level of risk of harm to any humans.

Phase one of the study will result in a list of universities which have reduced tuition, with some basic publicly available characteristics, including industry sector, enrollment size, year and magnitude of the tuition reduction. The results of phase one pose a low level risk of harm to the institutions.

Phase two of the study will result in a correlation analysis of the magnitude of a tuition reduction with certain outcome indicators for a cohort of institutions within the non-profit 4-year sector. The data which included in the correlation analysis will all be publicly available, or able to be calculated based on publicly available data. That being said, publishing the specific outcomes of individual institutions does pose the risk of causing reputation harm to individual institutions. As such, the results of the outcomes portion of phase two of the study will not include any specific results for specific institutions in order to protect their identity.

Finally, this dissertation in practice proposal will be submitted to Creighton's Institutional Review Board (IRB) for consideration to ensure that it is meeting the University's expectations for ethical research.

Data Analysis Plan

Phase One Data Analysis

In phase one, a data query will be performed in the Integrated Postsecondary Education Data System (IPEDS) of the U.S. Department of Education's National Center for Data Statistics. The query will request the published in-state tuition rate for all institutions for the years 2008/09 through 2015/16, and will include the Unit IDs of each institution. In order to ensure that this study can be replicated or repeated by other researchers, the steps take to access this data will be included within the final report's appendices.

The data set will be reviewed for completeness. Any institutions which do not have published tuition rates for all eight years of data queried will be removed from the data set. I will then calculate the tuition change (\$ and %) by year for all institutions in the data set. Utilizing pivot tables in excel, I will develop a listing of universities which have reduced tuition between 2009 and 2015, which is sorted by year and by % of reduction. Summary analytics will be performed to provide the prevalence of tuition reductions on a macro level, by year, by magnitude of reduction, by enrollment size, and by financial strength (as indicated by the composite financial index).

Phase Two Data Analysis

The results of phase one will be analyzed to identify a cohort of universities for further analysis regarding longitudinal outcomes. The cohort will be selected based on the specific year with the highest number of tuition reductions between 2009 and 2012 in the non-profit 4-year sector. This time period is being chosen as these are the only cohort years for which three years of longitudinal data following the tuition reduction are available in IPEDS. The cohort which meets this criteria will become the sample set for phase two of the data analysis.

A comparative regression analysis will be performed on the data set. The independent variable will be the magnitude of the tuition reduction (ie: 0% -9.99%, 10.00% - 19.99%, 20.0% - 29.99%, 30.00% or greater). The dependent variables will be the change in the following outcome indicators from the year prior to the tuition reduction as compared to the average for the three years following the tuition reduction: a) new full-time undergraduate enrollment, b) student retention from freshmen to sophomore year, c) net price per full-time undergraduate student, d) number of low income (Pell eligible) students served, and e) institutional financial health as indicated by its composite financial index. Scatterplot diagrams will be developed for each dependent variable with its correlation to the independent variable, to identify if any patterns or trends exist.

Timeline for the Study

The proposed timeline of this study is as follows:

- January 26, 2017: Present dissertation proposal
- February 2017: Request Institutional Review Board approval from Creighton University
- March 2017: Collect and analyze data
- March 15, 2017: Apply to walk in May 2017 graduation ceremony with an August 2017 degree conferral date
- April 2017: Write final chapters of dissertation
- May 1, 2017: Send committee members dissertation to review
- June 15, 2017: Defend dissertation
- August 2017: Degree conferral.

Reflections of the Researcher

I have been focusing on the phenomenon of tuition reductions through my role at my employer for the last three years. It has been both educationally and professionally beneficial for me to be able to focus my doctoral research on a topic that is important in my industry and my employer. I am excited about the prospect of contributing new and useful knowledge about the prevalence and outcomes of tuition reductions to the field of higher education. A study such as this would have been extremely helpful to our senior leadership team and board of directors when we began seriously considering a tuition reduction several years ago.

Summary

The aim of this study is to provide senior leaders and board members of colleges and universities, which are considering a tuition reduction, with information to assist in the discernment process. The results of the study will include a comprehensive listing of institutions which have reduced tuition from 2009 to 2015, based on U.S. Department of Education Data from IPEDS, and a correlation analysis of the magnitude of tuition reduction with key outcomes, including new student enrollment, retention, level of Pell eligible students, and financial stability.

The tuition reduction strategy has been pursued by a small percentage of higher education institutions, and as such there is limited research and literature available about it. Currently there are two research studies which take a case study approach to analyze the phenomenon at nine institutions. These studies are helpful in understanding the processes, circumstances and outcomes of individual institutions. The significance of my proposed study is that it will shed light on tuition reductions from a macro perspective, with regard to its prevalence, and the outcomes of early adopters of this emerging trend.

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[Tuition%20Resets%20Considerations%20for%20Presidents%20Based%20on%20Case%20Examples.pdf#search=tuition%20reset](https://www.cic.edu/r/cp/CICConferencePresentations/2016%20Presidents%20Institute/20160105-Tuition%20Resets%20Considerations%20for%20Presidents%20Based%20on%20Case%20Examples.pdf#search=tuition%20reset)

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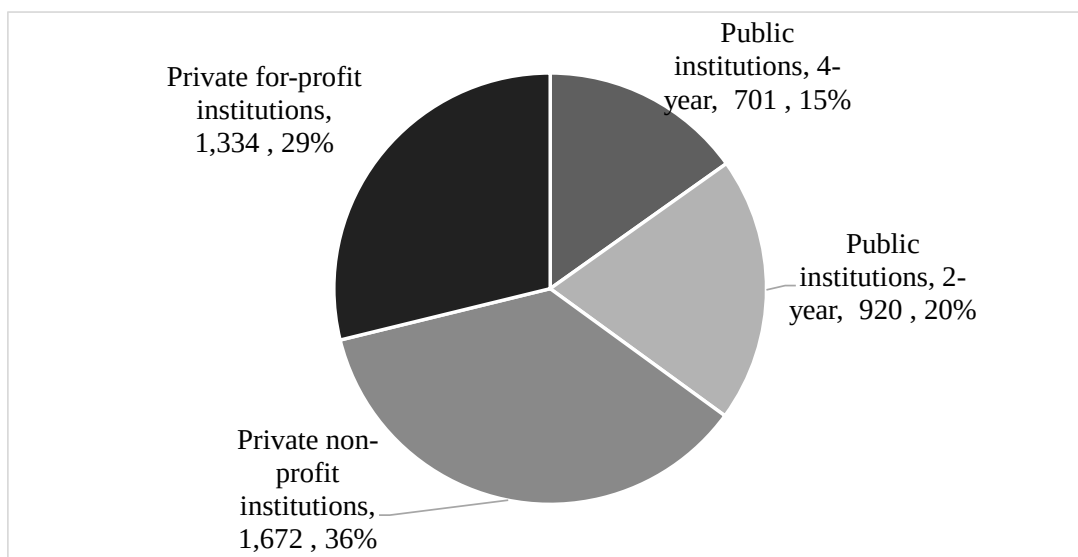
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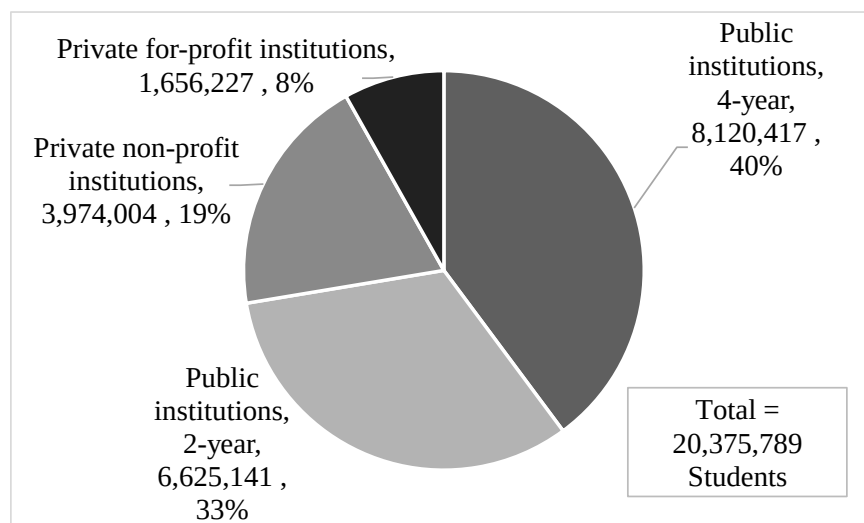
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Appendix A

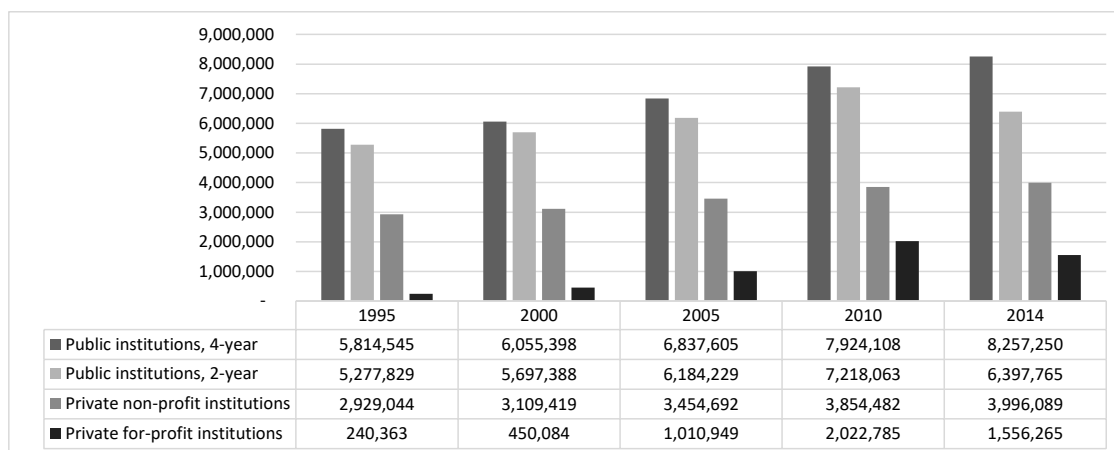
Number and Percentage of Students at Degree-Granting Postsecondary Institutions



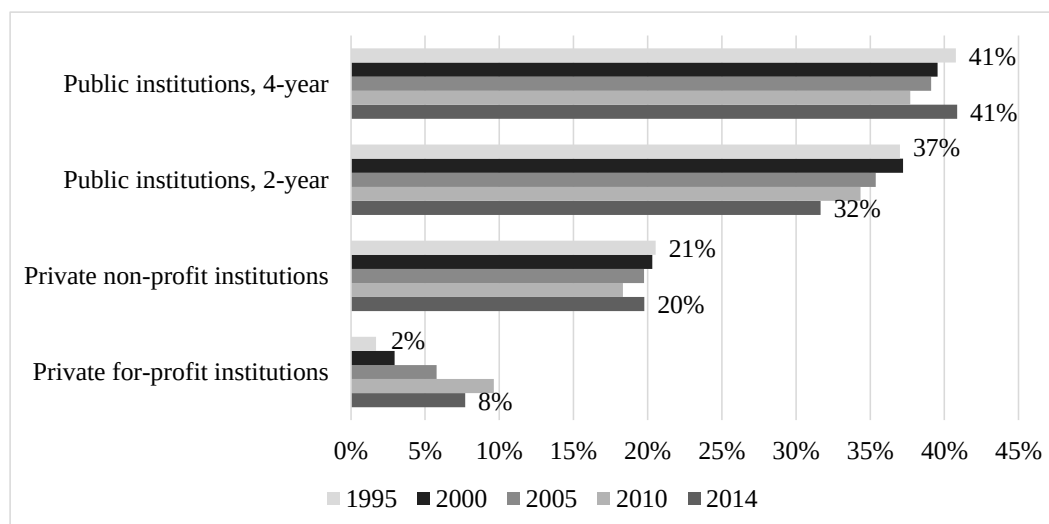
Number of degree-granting postsecondary institutions by sector, fall 2014 (U.S. Department of Education, National Center for Education Statistics, 2016a)



Number of students at degree-granting postsecondary institutions by sector, fall 2014 (U.S. Department of Education, National Center for Education Statistics, 2016b)



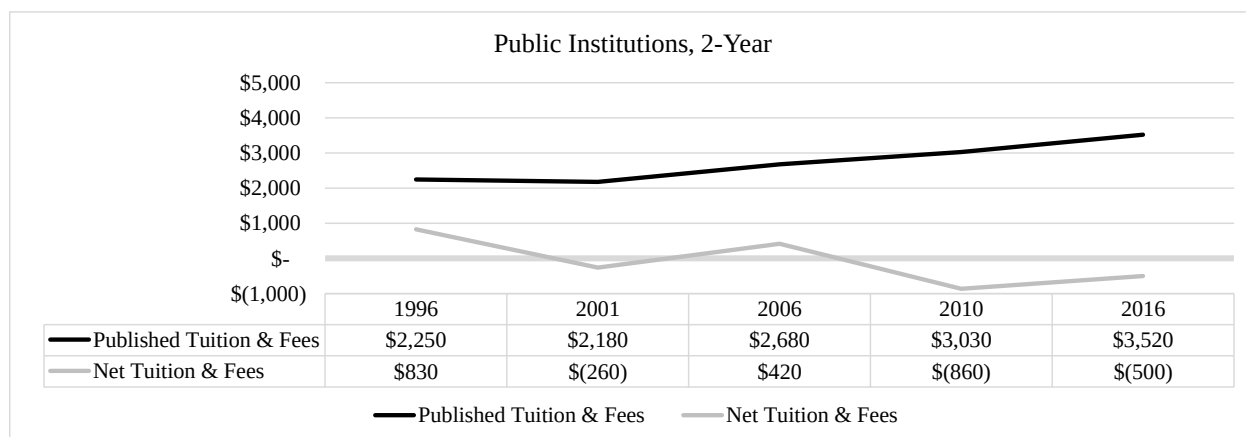
Number of students at degree-granting postsecondary institutions by sector, fall 1995, 2000, 2005, 2010, and 2014 (U.S. Department of Education, National Center for Education Statistics, 2016b)



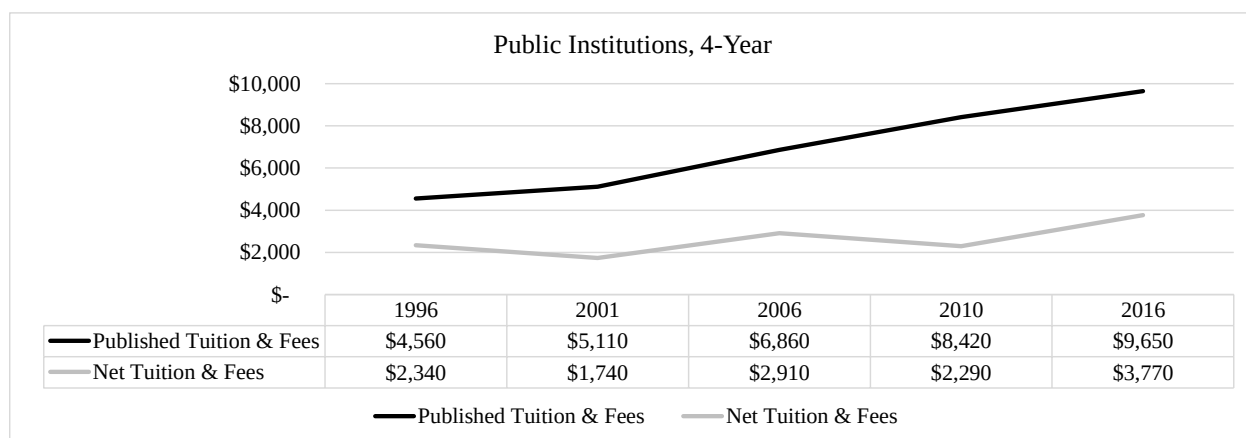
Percentage of students at degree-granting postsecondary institutions by sector, Fall 1995, 2000, 2005, 2010, and 2014 (U.S. Department of Education, National Center for Education Statistics, 2016b)

Appendix B

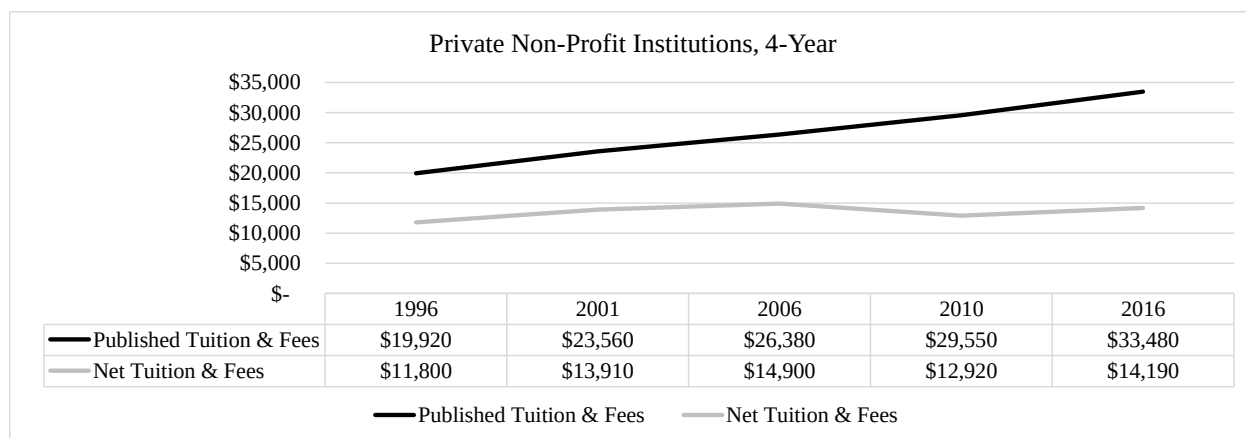
Historical Pricing Trends from 1996 to 2016 by Sector



Average published and net prices net tuition and fees at public 2-year institutions in 1996, 2001, 2006, 2010 and 2016 (CollegeBoard, 2016a).



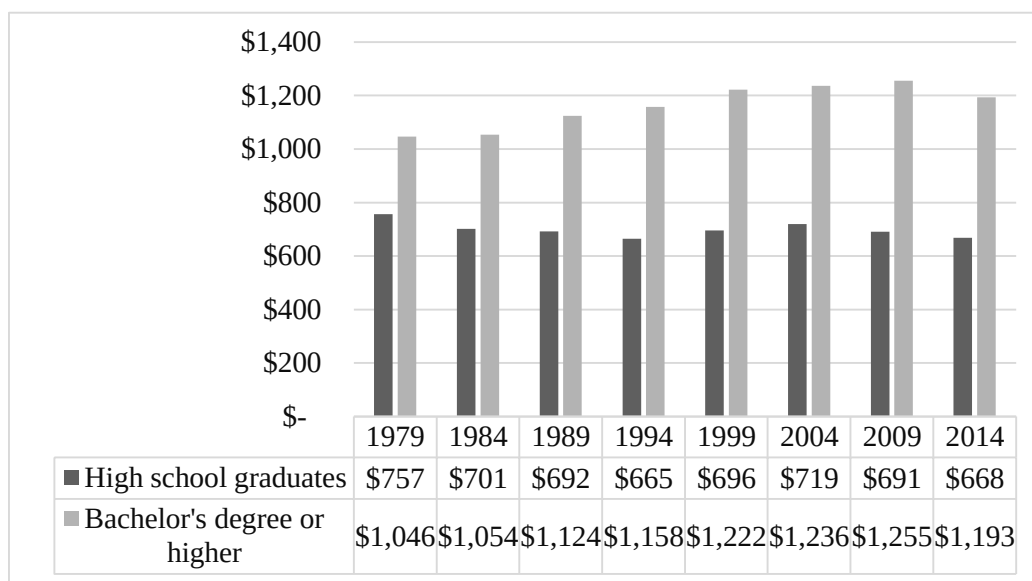
Average published and net prices net tuition and fees at public 4-year institutions in 1996, 2001, 2006, 2010 and 2016 (CollegeBoard, 2016a).



Average published and net prices net tuition and fees at private non-profit institutions in 1996, 2001, 2006, 2010 and 2016 (CollegeBoard, 2016a).

Appendix C

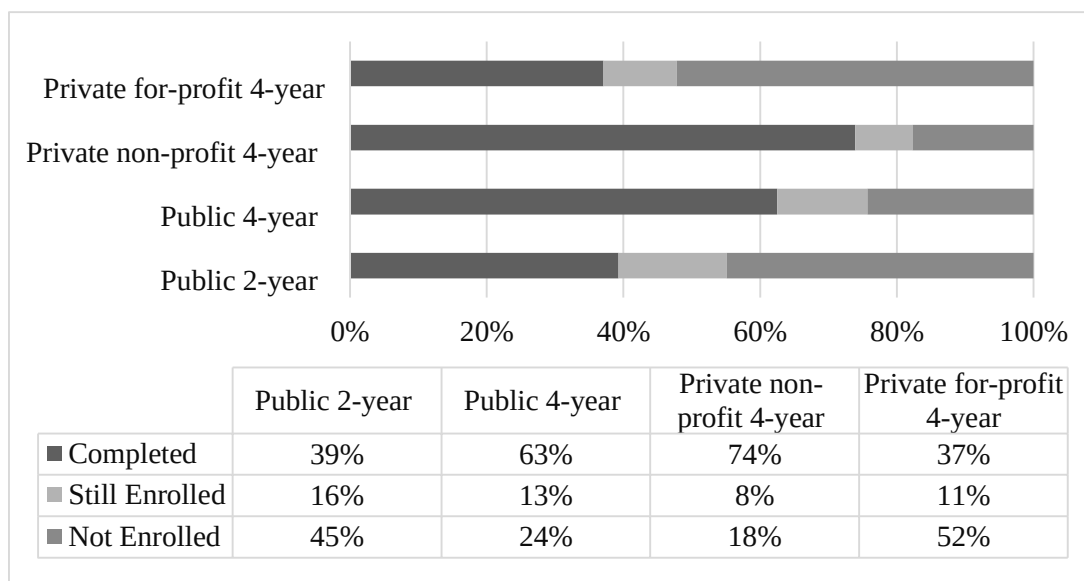
Earning Differential between High School Graduates and those with a Bachelor's Degree or Higher



Median weekly earnings in 2014 dollars of both sexes ages 25 and older, by educational attainment (high school graduates and bachelor's degree or higher), every five years from 1979 to 2014 (Bureau of Labor Statistics, 2015).

Appendix D

Student Completion Rates by Sector for 2010



Six year outcomes of students beginning enrollment in 2010 by starting institution type (Shapiro, Dundar, Wakhungu, Yuan, Nathan, & Hwang, 2016).

Appendix E

Listing of 39 Colleges which have Reduced Tuition (Lapovsky, 2016b & Edvisors, n.d.)

College	Reduction	Year
Abilene Christian University (TX)	50%	2003-2004
Alaska Pacific University	34%	2014-2015
Albertson College (ID)	30%	2003-2004
Ancilla	4%	2013-14
Ashland University (OH)	37%	2014-2015
Belmont Abbey College	33%	2013-2014
Bethany College (WV)	42%	2002-2003
Blackburn College	15%	2008-2009
Bluefield College (VA)	24%	1998-1999
Burlington College (VT)	25%	Summer 2012
Cabrini College (PA)	12.50%	2012-2013
College of William & Mary (VA)	20%	1999-2000
Concordia University (MN)	33.70%	2013-2014
Converse College (SC)	43%	2014-2015
Eureka College (IL)	30%	2004-2005
Harrison College (IN, OH, NC, online) 9 programs)	10%	Winter 2013
Heidelberg College (OH)	28%	2002-2003
Lincoln College (IL)	24%	2012-2013
Marlboro College (VT)	8%	1999-2000
Muskingum College (OH)	29%	1996-1997
North Carolina Wesleyan College (NC)	23%	1996-1997
North Park University (IL)	30%	2005-2006
Ohio Northern University	20%	2014-2015
Penn Foster College	28%	2009-2010
Pine Manor College (MA)	34%	1998-1999
Rosemont	43%	2016-17
Seton Hall University (NJ)	61%	2012-2013
Sheldon Jackson College (AK)	42%	1998-1999
South Dakota Colleges	50%	2006-2007
Thiel College (PA)	27%	1998-1999
University of Charleston	22%	2012-2013
University of North Texas (Oklahoma esidents only)	45.50%	2015-2016
University of the South (Sewanee)	10%	2011-2012
University of Virginia (VA)	20%	1999-2000
Utica College	42%	2016-17

Waldorf College (IA)	30%	1987-1988
Wells College (NY)	30%	1999-2000
Westminster College (MO)	20%	2003-2004
William Peace University (NC)	7.70%	2012-2013

Appendix F

Kiplinger Listing of 10 Colleges Lowering Tuition (Pitsker, 2015)

1. Utica College
2. Rosemont College
3. Stillman College
4. Central Washington University
5. Evergreen State College
6. Eastern Washington University
7. Western Washington University
8. Wilmington College
9. University of Washington
10. Washington State University

Appendix G

National Association of Independent College and Universities Listing of Universities which have

Cut Tuition (24 institutions from 2008 through 2013) (2013)

2008/09 Institutions

- Blackburn College, Illinois, 15% reduction
- Warner Pacific College, Oregon, 23% reduction
- Capitol College, Maryland, \$10,000 for business majors only
- Olivet College, Michigan, for incoming freshmen meeting certain criteria

2009/10 Institutions

- Davis & Elkins College, West Virginia, 1% reduction
- William Jessup University, California, 2.5% reduction

2010/11 Institutions – none listed

2011/12 Institutions

- Beis Medrash Heichal Dovid, New York, 20% reduction
- Bluefield College, Virginia, 25% reduction for degree completion program
- Brewton-Parker College, Georgia, 22% reduction
- Davis College, New York, 22% reduction
- Sewanee: The University of the South, Tennessee, 10% reduction
- Urbana University, Ohio, 50% reduction for certain online courses

2012/13 Institutions

- Burlington College, Vermont, 25% discount for summer
- Cabrini College, Pennsylvania, 12.5% reduction
- Duquesne University, Pennsylvania, 50% reduction for education degrees
- Lincoln College, Illinois, 24% reduction
- Regent University, Virginia, 20% reduction for online courses
- Seton Hall University, New Jersey, 66% reduction for high achieving students
- University of Charleston, West Virginia, 22% reduction for incoming students
- William Peace University, North Carolina, 7.7% reduction

2013/14 Institutions

- Alaska Pacific University, Alaska, 33% reduction
- Ashland University, Ohio, 34% reduction
- Belmont Abbey College, North Carolina, 33% reduction for incoming students
- Concordia University Saint Paul, Minnesota, 33% reduction

Appendix H

Resources for University Leaders Considering a Tuition Reduction

This study is aimed to serve as a tool for university leaders considering a tuition reduction. As such, the following list of resources utilized by the author have been included for this audience.

- Appendix I - Advice for Avoiding the Pricing Mistakes made by JC Penney (Connor 2013, Tuttle, 2013)
- Appendix J - “Interactive Game: You’re the President – Would You Suggest a Price Cut?” (Supiano & DeFrancesco, 2015)
- Appendix K - Questions Universities Leaders Should Ask Before Reducing Tuition (Lapovsky, 2016a)
- Appendix L - “Tuition Reset Lessons Learned” (Lawlor, 2016)
- Appendix M - Alternate Strategies to Increase Net Tuition Revenue (Dysart, 2014)
- Twenty Indicators of Institutional Vulnerability (Martins, Samels, & Associates, 2009, p.9-20)
- Ten Factors that Influence Financial Health of Private Universities (Townesley, 2009, p.33)
- “Crisis in Higher Education: A Plan to Save Small Liberal Arts Colleges in America” (Docking & Curton, 2015)
- “Reengineering the University: How to be Mission Centered, Market Smart, and Margin Conscious” (Massy, 2016)
- “Why does College Cost so Much?” (Archibald & Feldman, 2011)

Appendix I

Advice for Avoiding the Pricing Mistakes made by JC Penney

In 2011, Ron Johnson attempted to reinvent the JC Penney brand by doing away with a high retail / high discount model and replacing it with an “everyday low prices model”. The change resulted in a 26% in sales producing an annual loss for the company of \$1 billion (Connor, 2013). The following were the primary pitfalls Johnson made, according to an article titled “The 5 Big Mistakes that Led to Ron Johnson’s Ouster at JC Penney” (Tuttle, 2013).

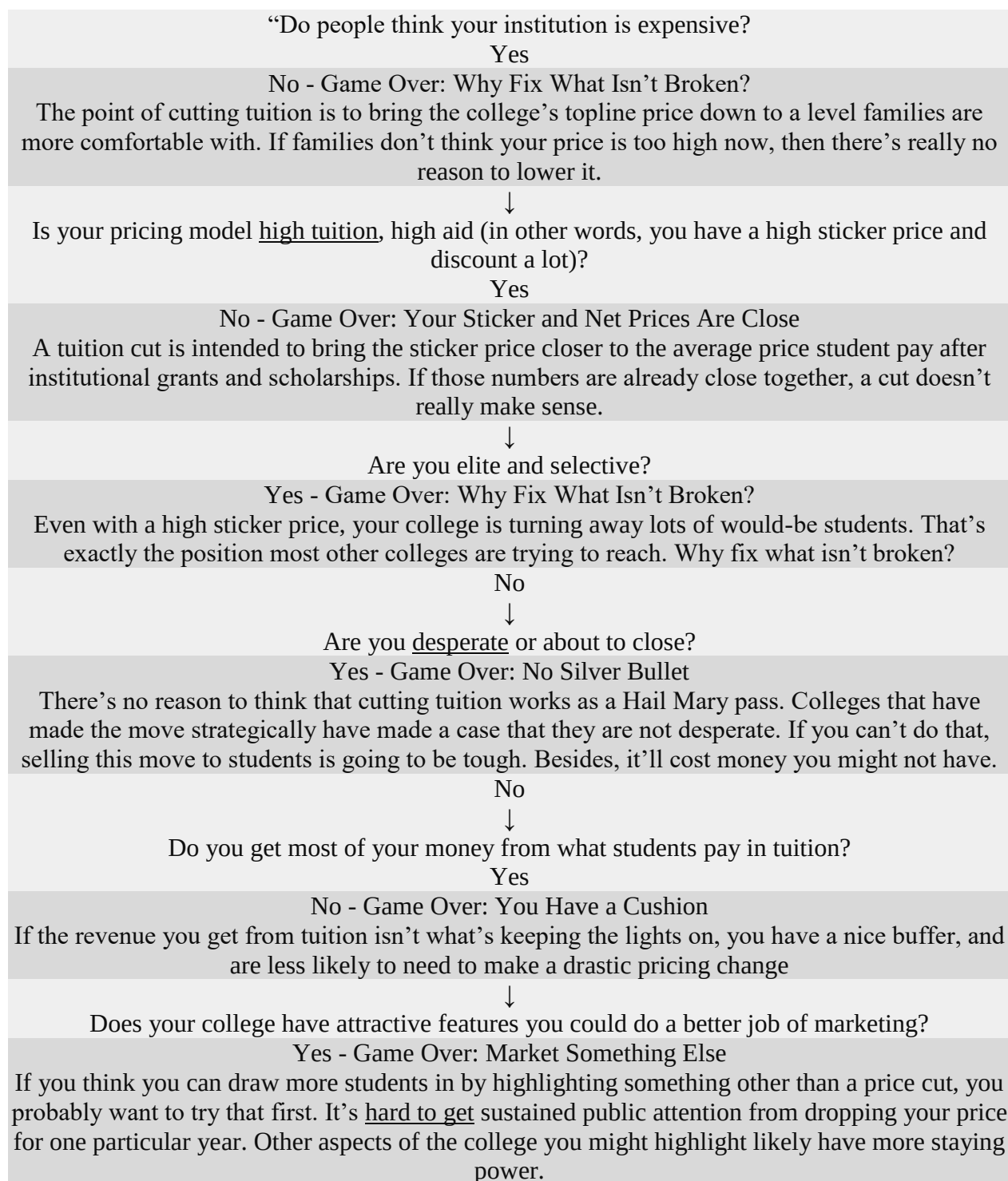
1. He misinterpreted what his customers wanted.
2. He failed to test his ideas in advance.
3. His core customers were alienated.
4. He did not understand the JC Penney brand.
5. It was perceived that he did not respect or like his company.

The following advice to avoid the same results as Johnson, was shared in an article titled “Executives Beware: Are you the next Ron Johnson of JC Penney? Is your company’s low pricing IQ putting your survivability at risk?” (Connor, 2013).

1. Begin your pricing conversation today, not while you are in crisis.
2. Identify a high level internal champion who understands the business model.
3. Make the pricing initiative an institution-wide initiative.
4. Begin the initiative now.
5. Develop and follow a well thought out plan.
6. Communicate with your constituents using language that meets their level of pricing understanding.
7. Have patience.
8. Make the pricing initiative a highly visible function.

Appendix J

“Interactive Game: You’re the President – Would You Suggest a Price Cut?” (Supiano & DeFrancesco, 2015)





Students don't like it when their college introduces improvements that don't benefit them. Do you really want to proceed with a decision that will anger three of the four student cohorts on campus?



Now you'll need to figure out a way to explain to current students what you're doing and how it affects them. Also, can you use the tuition cut to draw attention to something else cool about your college?

Yes

No - Game Over: A Short Term Fix, at Best

That's too bad. A price cut can attract public attention for a little while, but ideally, you would direct that attention to something more lasting about your college.



Can you cut your sticker price by a percentage that sounds impressive?

Yes

No - Game Over: It's a Tough Sell

People may like sales, but it's harder to argue you're making a big difference if you're not cutting price by a double-digit percentage.



Do you have evidence that students in your own market will respond positively to a price cut?

Yes

No- Game Over: Do More Homework

Not all prospective students are the same. If yours aren't excited by a price reduction, then there's no reason to do one.



A cut might work!

You sound like the kind of college that might want to consider a tuition cut. But your work here is hardly done. You're going to want to do lots of research on your financial model and student market, and project how various cuts—and other things you might do instead—would play out before arriving at a decision.

Appendix K

Questions Universities Leaders Should Ask Before Reducing Tuition (Lapovsky, 2016a)

- “How would you change your admissions and financial aid strategies?
- What would you do about the tuition price and financial aid for continuing students?
- What would success look like? What outcomes do you want?
- How would a price reset/reduction be perceived?
- How would you market and message it to new students, continuing students and parents, alums and the public?
- Who should be involved in the conversations?
- When should the board become involved?
- How confidential should the conversations be?
- What % of your students are receiving financial aid?
- How much are your students paying by ability and need?
- What is the distribution of institutional aid?
- What are your overlap schools and where do you win or lose?
- How do you aid similar students compared to overlap schools – mystery shop/net price calculator?
- When will you announce the new price?
- Why are you lowering your tuition? What are you expecting to accomplish from this change?
- How much money will you lose from lowering tuition? How will you have the resources that you need to operate with the lower tuition?
- How do you respond to those who say that this must be an act of desperation?
- How will you be perceived in the market place? Isn’t price related to quality?
- How will your peer group change?
- Will you be a different school from the one that your alums graduate from; will they still be proud of their alma mater?
- How will you explain to current students that tuition has been reduced? How will you position what they will now pay with the lower tuition?
- What will you call the tuition reduction?
- How do you revise your tuition discounting strategy without historic data?
- Do you start increasing tuition again?”

Appendix L

“Tuition Reset Lessons Learned” (Lawlor, 2016)

“A tuition reset that is implemented as a comprehensive strategic initiative can help solve several issues. It can correct the pricing perception problem (in the eyes of prospective students and families) that occurs when an institution’s published cost is out of alignment with its market position. It can improve access for students who are put off by a high sticker price. It can improve affordability, such as among middleclass students who are taking on high debt. And it can replace the high-price/high-discount model with something more sustainable.

Yet even with strategic implementation, only a select few institutions are primed for genuine success via a tuition reset. Those that are tend to have several things in common:

- First, an institution must be operating from **a position of institutional strength** in terms of enrollment numbers, financial stability, and revenue streams. This is especially true because a tuition reset involves significant up-front expenses. An institution must be willing to absorb any potential losses during the first year of a tuition reset as the financial aid award model takes effect. And it also takes the proper investment of marketing dollars to generate awareness of—and sustain the momentum of—a tuition reset.
- Institutions also are in a better position to succeed with a tuition reset if they have **an innovative campus culture** and leaders who are responsive to the realities of the higher education marketplace, as well as to the needs of the students they serve. The board and administration will need to engage in data-based decision making, which requires ample time to plan, process, discern, and decide. But then to manage the actual change requires nimbleness and rapid response.
- And perhaps most importantly, the institution must be delivering **an educational experience of real value**. No matter what the published price or net price is, families will always expect a good return on their investment. A tuition reset can increase interest and consideration, but an institution still must offer an educational experience that results in student satisfaction and successful post-graduate outcomes. The core message of improved value from good quality at a lower price must be authentic.

When considering whether to do a tuition reset, “no” is probably the viable conclusion for most institutions. But for small tuition-driven private colleges with fiscal stamina that are able to embrace change and offer true value, a tuition reset can go a long way in boosting their brand equity in the marketplace.”

Appendix M

Alternate Strategies to Increase Net Tuition Revenue (Dysart, 2014)

“There are a number of other options available for colleges and universities to increase net revenue, compete in the marketplace and address the escalating cost of higher education.

- For institutions with excess capacity, there are likely opportunities for enrollment growth.
- Incorporating on-line opportunities for students enrolled in traditional programs can create economies of scale and reduce costs.
- Consider making changes in academic programs to better focus institutional educational efforts. Offering under-enrolled majors is expensive.
- While it is critically important to maintain the physical plant, it is not necessary to engage in facility arms races.
- Making progress in decreasing attrition rates will likely result in reduced institutional expenditures.
- Consider creating opportunities for students to graduate in less than four years or create programs where students can earn baccalaureate and master’s degrees in five years.
- Invest in placement initiatives to improve employment opportunities for students.
- Eliminate viewbooks, brochures and catalogues to reduce costs. Take the plunge and move to paperless admission, registrar and financial aid offices.
- Evaluate your current financial aid practices to ensure that you are spending institutional financial aid funds wisely.
- Review parameters of endowed scholarship funds to ensure that the award rules support general goals with regard to academic quality and access. Many institutions have been able to work with donors to update the parameters based on new market realities.
- Look to increase the size of classes where possible.
- Create partnerships with other colleges and universities.
- Review current academic employment practices, including tenure.
- Carefully consider your cost for college athletics. It may make more sense to participate in NCAA Division III rather than Division II or NAIA.
- Increase teaching loads.
- Conduct a review to examine the opportunities to better utilize technology to reduce costs.
- Formerly review your textbook policies with an eye toward encouraging faculty to utilize electronic versions or less expensive textbooks.
- Make better use of facilities by examining course scheduling. Class can be scheduled in the afternoon and all day, even on Friday.
- Ensure that your library is maximizing use of digital delivery to reduce the cost of storing tens of thousands of books.

- Increase fund-raising efforts to provide more financial aid to students. Targeting successful graduates who personally benefitted from institutionally funded scholarships and grants during their enrollment periods would be a good place to start.
- Consider making greater use of adjunct faculty.
- Consolidate or eliminate offices with outdated or duplicate functions. For example, there is no need for separate Financial Aid and Scholarship offices.
- Research opportunities to outsource services.
- Examine travel by admission officers to reduce costs.

There is certainly nothing inherently wrong with the strategy of reducing tuition. I just do not believe that it serves a useful purpose and it is not really addressing concerns regarding net college costs” (Dysart, 2014).