

Twelfth Annual Research Study

2015 DISCOUNTING REPORT

Comparative benchmarks from client institutions of Ruffalo Noel Levitz

This report summarizes the previous fall's outcomes for nonprofit colleges and universities across the United States that partnered with Ruffalo Noel Levitz in 2014 to manage more than \$2 billion in institutional gift aid. The report focuses on the institutions' aggregated freshman data. For the first time, the report includes outcomes for public institutions. For private institutions, the report provides 10-year trendlines based on similar sets of institutions each year that used the services of Ruffalo Noel Levitz.

Among the highlights:

- At 39.9 percent, the average overall freshman discount rate for fall 2014 for the private institutions in this study appeared to be leveling off following the previous years' 39.8 percent discount rate in fall 2013 and 39.1 percent discount rate in fall 2012.
- The 39.9 percent discount rate for private institutions resulted in 1.6 percent average growth in net revenue in fall 2014. Over the last 10 years, the private colleges and universities in this study have seen average, per-student net revenue increase 32.6 percent.
- At 14.0 percent, the average overall freshman discount rate in fall 2014 for public universities in this study rose 1.5 percentage points compared to a 12.5 percent rate in fall 2013.
- Once again, in fall 2014, discounting was highest among small private colleges and universities.
- An average of 76 percent of the institutionally-funded merit aid/scholarship awards for fall 2014 from the private colleges and universities went directly to meet demonstrated financial need, as did 62 percent of the institutionally-funded awards from the public universities.

NEW: Public university benchmarks

*See Chart 2 and Tables 1 and 2 inside for first-ever comparative benchmarks for public university discounting among Ruffalo Noel Levitz client institutions.
Caution: these benchmarks were based on a relatively small data set of 24 institutions.*

The source of data

This report examines the aggregated freshman data of 165 nonprofit, private institutions and 24 public institutions that used consulting and statistical resources from Ruffalo Noel Levitz in 2014 to guide the strategic management of their financial aid awards. Included in the report are the institutions' fall 2014 outcomes (referred to hereafter as simply "2014") as well as their aggregated tuition increases. The institutions are spread throughout every region of the United States.

For private institutions, the report includes trendline data from fall 2004 to fall 2013 based on similar sets of institutions each year that used the financial aid services of Ruffalo Noel Levitz.

Definitions

Overall discount rate: Unfunded gift aid as a percentage of gross revenue.

(See highlighted section below—discounting definition used by Ruffalo Noel Levitz.)

Tuition and fee discount rate: Funded and unfunded gift aid as a percentage of tuition and fee revenue.

Unfunded gift aid: Grants, scholarships, and other gift aid provided from unrestricted accounts.

This excludes gift aid supported by endowments or restricted gifts and grants.

Funded institutional aid: Institutional scholarship and grant funds from an endowed or restricted fund.

Gross revenue: Gross tuition, fees, and room and board for first-time, full-time students.

Need: Student budget minus Expected Family Contribution (EFC), as defined by the Free Application for Federal Student Aid (FAFSA).

Discounting definition used by Ruffalo Noel Levitz

$$\text{OVERALL DISCOUNT RATE} = \frac{\text{UNFUNDED GIFT AID}}{\text{GROSS REVENUE}}$$

(including room and board)

When calculating discount rates, studies and campus officials often include tuition and fees but exclude room and board. This is true, for example, of past studies released by NACUBO, the National Association of College and University Business Officers.

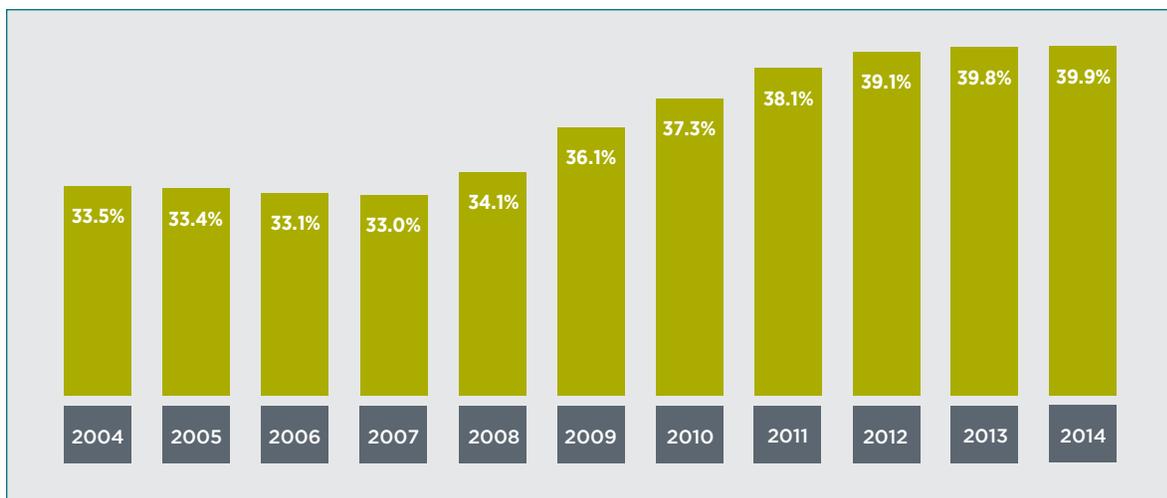
However, especially for residential campuses, Ruffalo Noel Levitz recommends including room and board fees in the denominator. This approach allows institutions to more accurately identify revenue flows tied to enrolling students.

In addition, the definition of discounting used by Ruffalo Noel Levitz focuses on unfunded/unrestricted gift aid—sources of aid over which institutions have discretion and control. We believe this definition offers a more accurate view of discounting than including restricted funds (primarily endowed), given that such sources of aid are paid from monies unavailable for other uses.

Average overall freshman discount rate appears to be leveling off for private institutions in this study

As shown below in Chart 1, the average overall discount rate for the private client institutions of Ruffalo Noel Levitz was nearly identical in fall 2014 vs. fall 2013 (39.9 percent vs. 39.8 percent) and similar to fall 2012 (39.1 percent). Although the future is difficult to predict, this could signal a leveling off and a return to relatively steady overall discount rates, such as those seen from 2004-2008 when discount rates remained constant in the 33 to 34 percent range before the Great Recession hit in 2009.

CHART 1: AVERAGE OVERALL FRESHMAN DISCOUNT RATE, 2004-2014, FOR PRIVATE INSTITUTIONS
(See Ruffalo Noel Levitz discounting definition page 2)



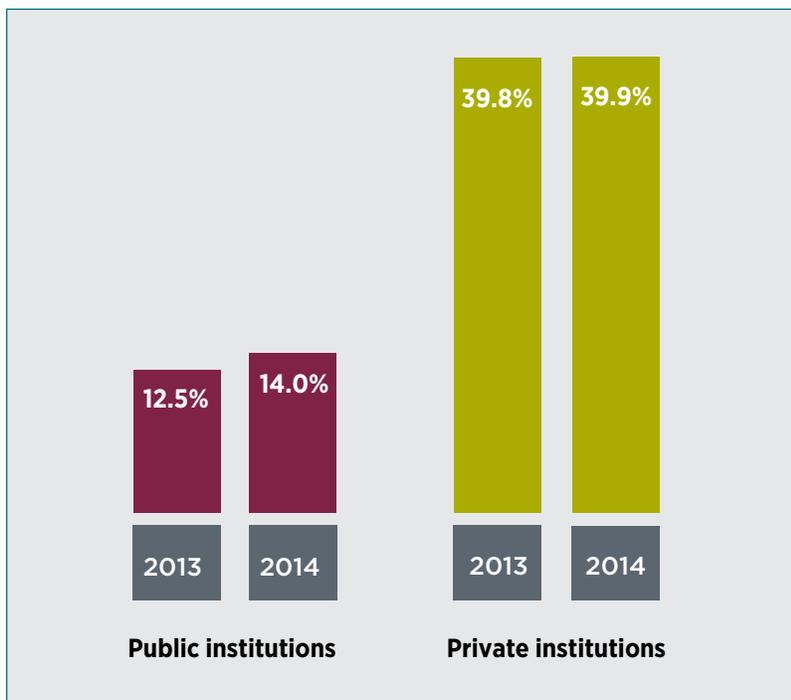
Following a relatively steady five-year period, the discount rate for the institutions in this annual report jumped 2 percentage points in 2009 when the Great Recession hit. However, the rate now appears to have settled down again as it has remained constant at the 39 to 40 percent range over the past three years.

Note: The average overall freshman discount rate is based on the Ruffalo Noel Levitz discounting definition shown at the bottom of page 2. The comparable discount rate for 2014 based on tuition and fees only (without room and board) was 51.8 percent, as shown on Table 1 on page 7.

Comparison of public institutions vs. private institutions

Chart 2 compares the average overall freshman discount rates of public vs. private institutions that partnered with Ruffalo Noel Levitz in 2013 and 2014. The chart shows that the public institution discount rates were substantially lower than those of the private institutions.

CHART 2: PUBLIC VS. PRIVATE INSTITUTIONS—AVERAGE OVERALL FRESHMAN DISCOUNT RATE, 2013 VS. 2014

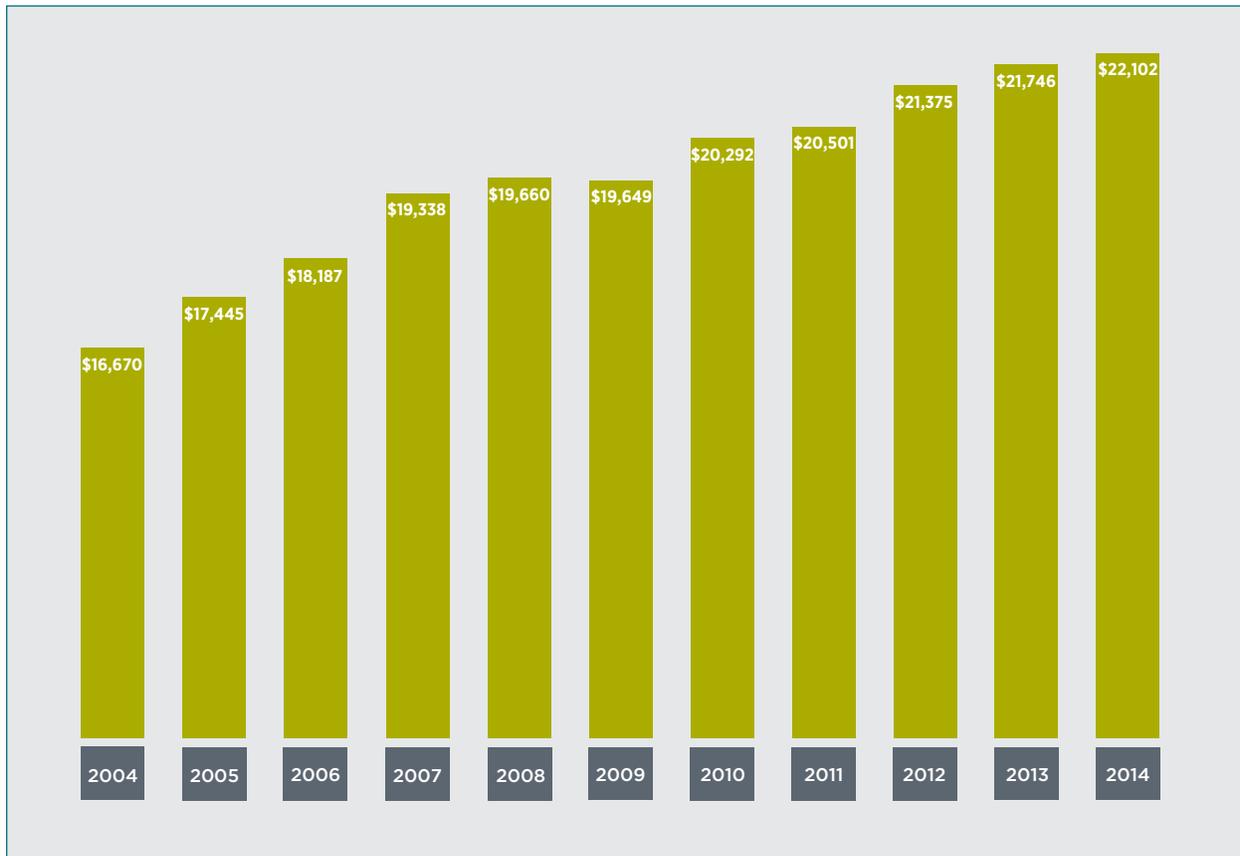


The average overall discount rate increased 1.5 percentage points in fall 2014 compared to fall 2013 for public universities that partnered with Ruffalo Noel Levitz.

Net revenue rose 1.6 percent on average for private institutions using Ruffalo Noel Levitz financial aid services

As shown below in Chart 1, the average net revenue per freshman for private institutions that partnered with Ruffalo Noel Levitz was \$22,102 in fall 2014—up 1.6 percent from fall 2013. Increases in net revenue since the Great Recession have been smaller than increases in net revenue before the Great Recession, a trend that is expected to continue.

CHART 3: AVERAGE NET REVENUE PER FRESHMAN, 2004-2014, FOR PRIVATE INSTITUTIONS
(Tuition, fees, room, and board)



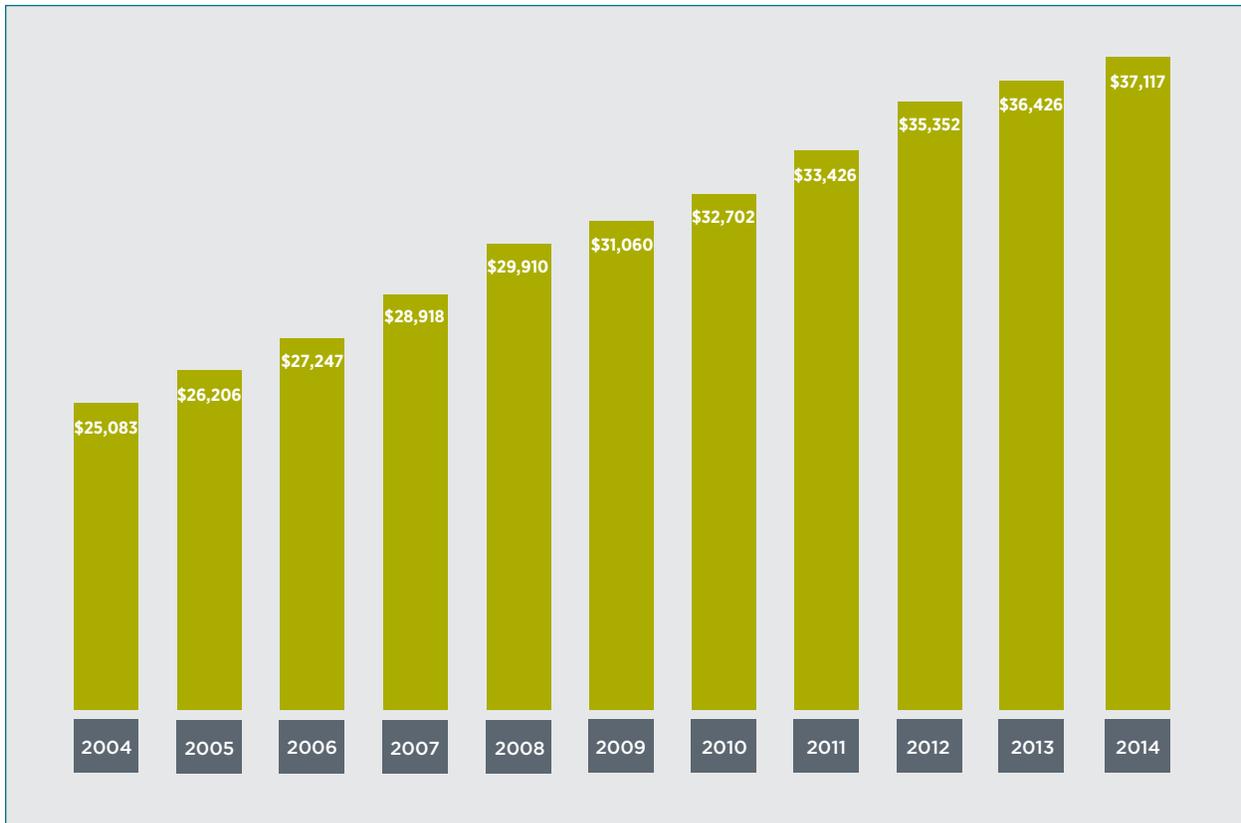
From 2004 to 2014, average net revenue per first-year student increased 32.6 percent for private institutions using support from Ruffalo Noel Levitz.

Over the past decade, the steady growth in net revenue has afforded these institutions additional resources to improve the quality of student life and learning during a time of increased cost pressures on higher education. This has proved especially important as the institutions have expanded to meet the growing numbers and needs of students, requiring greater investments in technology, classroom space, and residence halls.

Average gross revenue per freshman also rose for private institutions

After averaging 4.4 percent growth from 2004-2009, growth in gross revenue per freshman climbed an average of 3.6 percent from 2009 to 2014 for private institutions in this study, as shown in Chart 3.

CHART 4: AVERAGE GROSS REVENUE PER FRESHMAN, 2004-2014, FOR PRIVATE INSTITUTIONS
(Tuition, fees, room, and board)



From 2004 to 2014, average gross revenue per first-year student increased 48.0 percent for private institutions using Ruffalo Noel Levitz support.

Discounting was again highest at small private colleges and universities

A closer look at outcomes by institution type in Table 1 below shows discounting was highest in 2014 among small private colleges and universities with total enrollment under 4,000 students. In addition, these institutions experienced an average overall increase in net revenue of 3.9 percent, while comprehensive/doctoral and research institutions (see definitions below) increased their average net revenue 6.9 percent and 2.5 percent, respectively. For public institutions, the average net revenue gain was 1.8 percent.

Note that the average freshman discount rate in Table 1 is shown in two ways: the discount rate overall (including room and board) and the discount rate on tuition and fees only. For an explanation of how each rate was calculated, see bottom of page 2.

TABLE 1: 2014 FRESHMAN DATA BY PRIVATE INSTITUTION TYPE AND FOR PUBLIC INSTITUTIONS

Institution type	Average overall discount rate for freshmen	Average tuition and fee discount rate for freshmen	Average overall increase in net revenue per student	Average unfunded institutional gift aid per student	Average percent of need met	Average tuition increase
Private institutions						
All private	39.9%	51.8%	4.5%*	\$14,726	74.6%	3.5%
Small private	40.3%	52.4%	3.9%	\$14,589	74.9%	3.5%
Comprehensive/doctoral (private)	39.6%	51.3%	6.9%	\$15,112	73.2%	3.6%
Research (private)	36.3%	46.0%	2.5%	\$15,040	76.3%	3.7%
Public institutions						
All public	14.0%	29.8%	1.8%	\$3,092	64.1%	3.4%

Consistent with past discounting studies conducted by Ruffalo Noel Levitz, small private colleges and universities had the highest average overall discount rate for freshmen in 2014.

* The 4.5 percent net revenue average increase shown is based on a comparison of the average net revenue between 2014 and 2013 for the 165 private institutions that are currently partnering with Ruffalo Noel Levitz. Careful readers may observe that this figure is higher than the 1.6 percent net revenue average increase shown in Chart 3 on page 5. This is due to the fact that Chart 3 compares the outcomes of the present study's 165-institution sample with the outcomes of institution samples from previous studies conducted by Ruffalo Noel Levitz—data sets that were largely similar to, but also different from, the current 165-institution sample.

Definitions of institution types

Small Institutions: Colleges and universities with total enrollment under 4,000. Most of these institutions award associate's and bachelor's degrees.

Comprehensive/Doctoral Institutions: Master's and doctoral degree-granting colleges and universities with enrollment above 4,000.

Research Institutions: Doctoral degree-granting research universities.

Student need levels continued to rise; more than three-quarters of merit aid met need at private institutions

As shown in Table 2 below, student need levels continued to rise in 2014. For private institutions, average need rose 1.2 percent to \$28,322. For public institutions, average need rose 2.8 percent to \$14,714. The proportion of freshmen who filed a Free Application for Federal Student Aid (FAFSA) declined slightly, but remained at the higher levels seen since the Great Recession.

TABLE 2: RECENT TRENDS IN FINANCIAL AID APPLICATIONS, EFC, AND ASPECTS OF NEED

Academic year for which aid was requested	Percent of freshmen who filed a FAFSA	Average parental income	Average EFC	Average need	Average percent of need met	Average percent of merit aid which met need	Average unmet need
Private Institutions							
2006-2007	83.2%	\$83,446	\$17,658	\$19,201	82.5%	72.0%	\$3,852
2007-2008	83.4%	\$87,311	\$17,573	\$20,551	84.8%	73.0%	\$3,779
2008-2009	84.1%	\$90,312	\$18,526	\$21,783	85.8%	76.0%	\$3,843
2009-2010	87.5%	\$93,029	\$15,200	\$23,559	76.6%	80.0%	\$7,838
2010-2011	87.6%	\$90,812	\$14,582	\$25,518	75.4%	76.9%	\$8,996
2011-2012	88.4%	\$91,276	\$14,794	\$26,212	74.0%	77.7%	\$8,475
2012-2013	87.6%	\$95,855	\$15,898	\$27,290	74.1%	77.5%	\$9,665
2013-2014	87.7%	\$99,208	\$16,490	\$27,973	74.5%	76.9%	\$9,874
2014-2015	87.2%	\$103,518	\$20,834	\$28,322	74.6%	76.0%	\$10,038
Public Institutions							
2013-2014	88.0%	\$92,219	\$15,772	\$14,314	64.0%	63.4%	\$7,711
2014-2015	87.4%	\$96,314	\$19,155	\$14,714	64.1%	62.0%	\$7,996

In 2014, 87 percent of enrolled freshmen filed a FAFSA and average need rose for students at private and public institutions. In response, the institutions in the sample were able to meet 64 to 75 percent of need (74.6 percent—private institutions; 64.1 percent—public institutions). At private institutions, more than three-quarters of merit aid was used to meet need.

Comments and observations on the findings

As the economy continues to improve, the fiscal situation for the colleges and universities that are partnering with Ruffalo Noel Levitz is improving as well. Over the past five years, the rate of discounting has settled at an average increase of less than 1 percent, which in turn has yielded positive growth in net revenue. At the same time, these institutions are addressing college affordability in order to meet students' needs.

It's important to remember that the increases in discounting reflect the commitment of these institutions to students' and families' ability to enroll and re-enroll as college costs continue to rise. Rather than risk lowering their enrollment and retention, the institutions are stepping up and providing greater amounts of assistance in order to maintain affordability. In addition, many of these institutions are keeping their tuition increases to a minimum and in some cases enforcing tuition freezes.

A few observations:

- The 1.6 percent growth in net revenue is a positive sign. After zero growth in 2009, net revenue has been growing again, albeit at a slower pace than most institutions desire. This growth in net revenue affords these campuses additional resources to meet the growing needs of new and continuing students and to improve the quality of student life and learning during a time of increased cost pressures on higher education.
- We were encouraged to see that more than three-quarters of the merit aid awarded by these private institutions, and nearly two-thirds of the merit aid awarded by the public institutions was used to meet need. In today's environment, with the close scrutiny of merit versus need-based aid, it is important for institutions and agencies to monitor the overlap between merit aid and financial need as they develop their plans and shape their policies. One positive aspect of merit aid is that students are often notified of their eligibility early in the college selection process, which encourages them to seriously consider colleges and universities that they might have ruled out on the basis of sticker price alone.
- The outcomes also suggest that small colleges are under the greatest pricing pressure. Many of these small colleges are also located in the Northeast United States, where many states are in the midst of a relatively steep decline in the number of high school graduates.

How do your institution's outcomes compare to the outcomes in this report? We encourage readers to put their outcome figures alongside the ones in this report for comparison, and to keep reading (next page) to learn how strategic financial aid management allows these institutions to evaluate the effectiveness of their awards to enhance student recruitment and retention. For further information or discussion, consider arranging a complimentary telephone consultation with Ruffalo Noel Levitz.

How the institutions in this study managed their aid awards and kept their discount rates in check

Although few institutions will remain untouched by the current economic and demographic realities, well-managed institutions that are able to wisely control costs, remain affordable, demonstrate their value, and leverage financial aid resources will be best positioned to weather the current economy.

All of the institutions on which this study was based were following recommendations from Ruffalo Noel Levitz for awarding their financial aid. By creating statistical models based on past financial and enrollment data for each school, Ruffalo Noel Levitz provided consultation and statistical resources that helped these institutions calculate the aid packages needed to enroll specific populations of students.

This approach allows campuses to pinpoint precisely how much aid to award a particular student in order to influence that student to enroll. As a result, campuses are better able to:

- Meet the growing financial needs of today's student population, including both incoming and returning students;
- Calculate the aid packages needed to reach certain enrollment goals, such as improving the academic profile and diversity of the student body; and
- Maximize financial aid coverage in an era of shrinking resources. These institutions are able to avoid over-awarding students and carefully identify student needs, allowing them to stretch their pool of available aid even further.

Ultimately, campuses that are using this approach are able to drill down to specific segments of their student population to match students' circumstances with the appropriate merit and need-based awards. In doing so, these institutions are able to justify every aid dollar spent toward achieving their goals for enrollment and revenue.

All of the institutions in this study were following recommendations from Ruffalo Noel Levitz for awarding their financial aid. The institutions also received information on the potential impact of tuition changes.

About Ruffalo Noel Levitz

Ruffalo Noel Levitz is a recognized leader in providing strategic enrollment and fundraising solutions that help organizations achieve their goals and accomplish their missions. We help students and benefactors to make life-changing decisions that engage them with a campus community, pay life-long dividends, and support the organization that made it all possible.

Since 1973, we have partnered with more than 3,000 campuses and nonprofit organizations, making it easier for them to serve millions of students and countless donors in North and South America, Europe, and Asia.

About our higher education research

To help educators stay on top of the many changes in higher education, Ruffalo Noel Levitz regularly conducts trend research and shares its findings widely, including with higher education media, through the following low-cost or no-cost information tools.

Quarterly e-polls on enrollment trends

We conduct three or four brief nationwide polls via email each year to report on the latest outcomes, strategies, budgets, and planning practices in college and university enrollment management, often with separate findings for four-year and two-year, public and private institutions.

Annual surveys of high school students

We interview at least 1,000 college-bound high school juniors or seniors each year to report on their changing use of the latest electronic technologies, the types of information they are seeking, and other preferences and perceptions that relate to college enrollment.

Annual proprietary data reviews

We use our aggregated proprietary data to report on the changing attitudes and motivations of freshmen and second-year students, the changing priorities and satisfaction levels of currently enrolled students and parents, and the latest trends in tuition discounting.

On-campus observations and campus research

In addition to the data collection mentioned above, our many campus research projects and observations while consulting add substantially to our insights and understanding of current trends in the marketplace. For example, each year, our full-time and associate consultants meet regularly with the leaders of more than 300 colleges and universities to accomplish institutional goals for student recruitment, marketing, student retention, strategic enrollment planning, and strategic enrollment management. We also present to more than 4,500 educators from 1,800 institutions who attend our conferences, workshops, and webinars.

Find all of our reports and papers at www.noellevitz.com/PapersandResearch.

Questions about this report?

If you have questions about this report, or if you would like to learn more about the strategic financial aid services of Ruffalo Noel Levitz, please contact us at 1.800.876.1117 or email ContactUs@RuffaloNL.com.

More reports from Ruffalo Noel Levitz

Benchmark Poll Report Series

Visit www.noellevitz.com/BenchmarkReports

E-Expectations Report Series

Visit www.noellevitz.com/E-ExpectationsReports

National Student Satisfaction-Priorities Reports

Visit www.noellevitz.com/SatisfactionReports

National Freshman Attitudes Reports

Visit www.noellevitz.com/AttitudesReports

See all of our Papers and Research at www.noellevitz.com/PapersandResearch

Find it online:

This report is posted online at:

www.noellevitz.com/DiscountingReport

Sign up to receive additional reports and updates.

Visit our webpage: www.noellevitz.com/Subscribe

For more information, contact:

Ruffalo Noel Levitz
2350 Oakdale Boulevard
Coralville, Iowa 52241-9702
Phone: 800.876.1117
Fax: 319.626.8388
Email: ContactUs@RuffaloNL.com

How to cite this report

Ruffalo Noel Levitz (2015). 2015 discounting report. Coralville, Iowa: Ruffalo Noel Levitz. Retrieved from www.noellevitz.com/DiscountingReport.

All material in this document is copyright © by Ruffalo Noel Levitz. Permission is required to redistribute information from Ruffalo Noel Levitz, either in print or electronically. Please contact us at ContactUs@RuffaloNL.com about reusing material from this document.