

TUITION RESETS

A red graduation tassel with a yellow band is positioned diagonally across the center of the image, resting on a stack of US dollar bills. The bills are slightly out of focus, with the top bill being a \$100 bill. The background is a soft, blurred pattern of more dollar bills.

Changing
the National
Conversation





St. John's College—with a campus in Annapolis, Maryland, and one in Santa Fe, New Mexico—underwent a tuition reset in 2018—dropping its annual price from over \$52,000 at its highest point, to \$35,000.

Small private colleges like St. John's depend on tuition dollars to survive. To attract students, they lower the initial price tags, instead of offering discount rates, which, according to the National Association of College and University Business Officers, have cruised past 52 percent nationally.

St. John's isn't the only one. More than 40 colleges in the past 20 years have reduced tuition by \$1,000 or more. Some have chopped their prices by more than 50 percent.

In the past, most colleges and universities that announced resets enrolled fewer than 5,000 students. But with the public sector also seeing enrollment decreases, several larger universities have also jumped on the tuition reduction bandwagon.

Central College in Pella, Iowa, announced its tuition reset in September. Mark Putnam, the school's president, explained the rationale: "The gradual distortion of pricing in higher education has led to dysfunction as intensely initiated tuition levels yielded equally initiated discounts in the form of financial aid," he said. "Central's values called us to a more honest price that reflects the true cost of educating a student at the level of excellence we expect. It's a simple and straightforward task now to say, 'Here is what we are trying to achieve on behalf of students and here is what it costs to be successful in that endeavor.'"

The liberal arts college, which serves approximately 1,100 undergraduates, reduced tuition from \$38,600 to \$18,600 for the fall 2020 academic year.

The reset makes it easier for students and families to understand the bottom line, said Putnam.

"For several years now we have been hearing from prospective students and parents that a high tuition price is simply unaffordable. Extensive

research has confirmed this. It simply appears to be more than they can handle financially, despite significant discounts. We've made this change to present a clearer, more authentic price that is much closer to what it actually costs to educate a student," he said.

STUDYING THE MARKET AND SETTING THE PRICE

Ask a handful of college administrators who implement a tuition reset why they've done it and it's possible to come away with a dozen different answers. Their goals might be to assuage financial strains, attract new students, to be transparent—the list goes on and on.

But across the board, the decision to reset tuition doesn't happen overnight. And several factors go into setting the final price.

At Central College, Putnam and his team spent six years preparing for the tuition reset. The process included a series of interviews and focus groups with prospective students, families, and other constituents in Iowa and other target markets to determine whether a tuition reset would be a good move for the college. The team took Central's identity and brand into consideration when settling on a new cost, as well as the relationship between the perceived quality of the institution and net price.

Hiram College (OH) announced a tuition reset in fall 2019. Officials at the private liberal arts college spent a full year doing research using different tuition models. The college looked at the national data, interviewed colleagues, and surveyed prospective students. Administrators also studied tuition pricing, with a specific focus on the pricing of flagship public institutions in Ohio and Pennsylvania. President Lori Varlotta's team looked at Hiram's net tuition revenue as well.

"We knew we wanted to land at a price point that was competitive for the cost perspective, but that allowed us to provide a robust financial aid package," said Varlotta. "We wanted to get away from a pure

conversation about prices. We wanted it to be about the value-add of a high-quality Hiram degree.”

At St. John’s, college leaders worked with a consultant to model a number of different tuition scenarios before settling on \$35,000.

“This change to tuition was significant, so it sent a signal that we were serious about making changes to college affordability. The price point also represented a 10-year reset in our tuition, and it brought tuition closer in line to the actual amount spent by students after receiving financial aid,” said Benjamin Baum, St. John’s director of enrollment. “Of course, reducing tuition also means losing revenue from students who formerly paid more than \$35,000, so the final price point reflected a balance—student needs on the one hand, and the college’s revenue needs on the other.”

READY, SET, RESET!

Price sensitivity continues to increase for students and families—and for good reason. The average published tuition and fees at private nonprofit four-year colleges totaled \$49,870 in 2019–20, according to College Board. In comparison, in 1985–1986, the total was \$19,812, according to the National Center for Education Statistics.

A 2013 study by Longmire and Company, an enrollment management firm, found that 35 percent of parents and 45 percent of students eliminated potential schools based on price before even researching the college. In addition, the study found that approximately 60 percent of families were unaware that private colleges discount their tuition at all—a factor many schools take into account when considering a price reduction.

But institutions need to develop strong brands (like St. John’s, with its distinctive Great Books curriculum) well before announcing or implementing a reset, cautions Grant De Roo, founder and principal at ADV Market Research and Consulting. Also, announcing a reset is most effective when done in conjunction with other significant initiatives, rather than simply being the strategy itself, he said.

“Colleges with strong brands who reset tuition are seen as offering better value, whereas those with weak brands are perceived as making a last-ditch effort to generate some enrollment,” De Roo said. “We may not like it, but with resets, there’s a classic case of the strong getting stronger and the weak getting weaker—or, at least, it’s perceived that way.”

Hiram added more than a tuition reset to the mix through its “Learn more, earn more and spend less” campaign. Hiram students now can take up to two free summer courses each year, which allows for acceleration or deceleration during the academic year. Students who take more credits can earn a degree in just three years, or they can use the summer to catch up on courses they dropped or postponed—at no extra charge. And starting in summer 2020, donor funds will increase opportunities for Hiram students to complete paid internships.

“These features make Hiram’s new tuition model stand apart from reset models that are designed primarily to lower an institution’s sticker price,” Varlotta said. “Our model offers real financial and academic benefits to students.”

Central also used the tuition reset to refresh its offerings. Since the announcement, the college has added a new varsity sport, two new club



COUNTERING CONFUSION: EDUCATION STILL NEEDED

Andrea d’Entremont, a school counselor at Sharon High School (MA), fears that not all families are getting the right message about tuition resets.

She recalls attending an accepted student day at Drew University (NJ) with her son in 2018 during which the admission staff covered Drew’s tuition reset. The liberal arts university lowered its tuition by 20 percent that year, going from \$48,336 to \$38,668.

The reaction fascinated her. “It actually made people more nervous,” d’Entremont said. Parents immediately questioned whether there was something financially soluble about that school and whether it would be there when their child was a junior or senior.

Students’ socioeconomic class has a lot to do with that type of reaction, d’Entremont suspects. In her area, if families must pay \$50,000-plus for what they perceive as an “excellent” education, they will.

Both parents and school counselors could benefit from good information about tuition resets, she said.

Moving forward, d’Entremont says she plans to incorporate information about tuition resets into her own outreach. She has student/parent/guardian meetings junior year and goes through an extensive agenda with each family. She digs into financial aid with families, too.

“I think a list would be helpful with a description of why colleges and universities are doing this,” d’Entremont said.

—Melissa Brock



sports, an honor society for first-generation students, a handful of new clubs and organizations, and a Career Kickstarter—a week-long, career-focused program available to all sophomores.

ROLL OUT AND SUSTAINABILITY

Carol Williamson, vice president for enrollment and student development at Central College, said the reaction from students and families has been overwhelmingly positive.

Central's visit and event numbers are up, as are transfer applications.

That said, although enrollment increases would benefit the college, "it's not a necessary condition," according to Putnam. Central's budget is structured around 350 students per year regardless of whether the new tuition model reels in more students.

Hiram College is in a similar boat, with officials expecting the average net tuition per student to remain the same. The college built its 2020-21 revenue projections conservatively, Varlotta explained. "Overall increases in net tuition revenues will be achieved by increasing the number of new students we attract and by boosting the persistence rates of those we retain," she said.

So far, the admission team has enjoyed talking about the tuition reset with students and families, noted Daniel Summers, Hiram's vice president for enrollment management. It has injected new energy and enthusiasm into the process and allowed the team to be more transparent with families—there's less confusion about how to explain the notion of discounting. "We're getting a lot of phone calls from families who are reading about it and hearing about it. They're calling to make sure it's true. They're happy about it," Summers added.

At St. John's, which announced its reset one year ago, Baum says he's been happy with the results. The college met its freshman enrollment goal and has raised over \$200 million in donor funds—part of the campaign to keep the tuition at its new, lower rate. "We had the largest applicant pool we've ever had at St. John's and enrollment is the highest it's been since 2006," Baum said. "We've moved the needle really powerfully in the past year."

The 2019–20 applicant pool, visits to campus, and high school visits look positive, he added. "There's a lot of momentum building upon this," Baum said.

A price reset itself, with no changes in recruitment and marketing strategies, is not likely to be successful, according to an analysis published last year by Lucie Lapovsky, a former college president who now works as a higher education strategic financial consultant.


Her study of tuition resets uses federal data to measure enrollment at 24 private colleges that lowered their published tuition price. The analysis found the results to be positive, but did not show an overwhelming increase in enrollment. Half of the institutions in the analysis increased their freshman enrollment. Just 43 percent of the colleges had freshman enrollment increases the year after the reset. Sixty-seven percent increased their freshmen class two years after the reset.

But what happens after that initial reset can be difficult to analyze, Lapovsky notes in her piece. One reason is that because tuition resets are so new and institutions' goals are all slightly different.

For their part, the leaders at Central, Hiram, and St. John's are excited about the new avenues the strategy has opened at their institutions.

Putnam says he hopes the tide will turn toward more tuition changes in the future, addressing high prices that he says are unsustainable.

And there are likely even greater changes ahead in the world of college pricing, Varlotta predicted. She anticipates more colleges will soon be looking at dynamic tuition models.

"I am not convinced that today's academic leaders should feel the pressure to create tuition models that are meant to withstand the test of time—as measured in a decade or more," she said. "That might sound like heresy at first, but I think that the best tuition models are those that are dynamic and allow for differential tuition for different types of programs, rather than uniform models built for a decade with incremental modifications anticipated each year." 

Melissa Brock was an admission counselor and senior associate director for 12 years at Central College (IA). She is now a freelance writer and the Money editor at Benzinga.