

Clouding Transparency: The Drawbacks of Using Average Net-Price for Accountability and Decision Making

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Net-Price is an estimate of the average cost for the first year of pursuing an undergraduate degree at a college for students receiving grant/scholarship aid.

Agenda

- Goals of Average Net-Price
 - Decisions & Accountability
- How is net-priced calculated?
- Limitations in Decision Making
 - Middle Income Families
 - Graduation
- Limitations in Accountability
 - Simulated Strategies for Lowering Net-Price
- Discussion: Alternatives to Measure the Economic Impact of a College Education

June 27th, 2013 “Education Department Releases Latest College Cost Data to Help Families Make Informed Decisions”

- [College Scorecard](#)
- [College Affordability and Transparency Lists](#)

were released by USDOE as part of the administration’s “ongoing effort to increase transparency around the cost of college”

- Highest and Lowest Tuition
- Highest and Lowest Average Net-Price

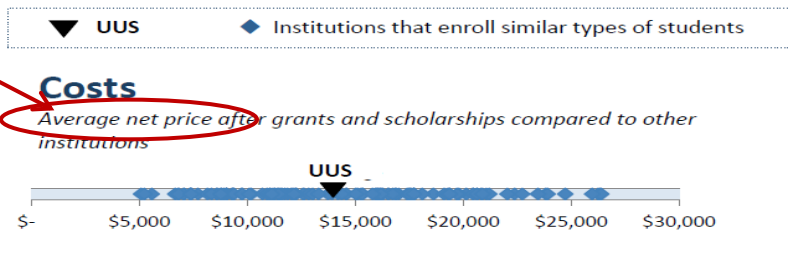
“to hold colleges accountable for cost, value and quality...so that students can choose schools...to meet their needs...”

College Scorecard

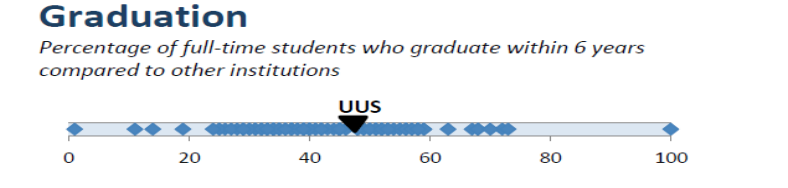
University of the United States (UUS)

Any town, State ▲ Primarily Awards Bachelor's Degrees ▲ Carnegie and Control

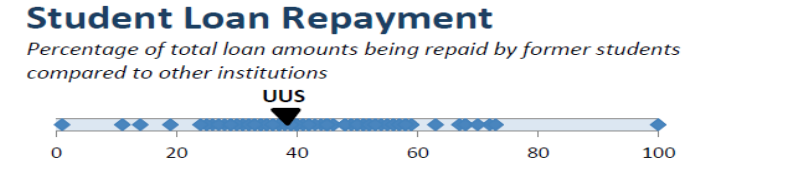
What will it cost to attend UUS?
 Depending on your circumstances:
 Tuition and fees only
 In-state: \$X,XXX
 Out-of-state: \$X,XXX
 Total costs before aid: \$XX,XXX-XX,XXX
 Average total costs after grants and scholarships ("net price"): \$XX,XXX
 Change from last year: ↑ X%



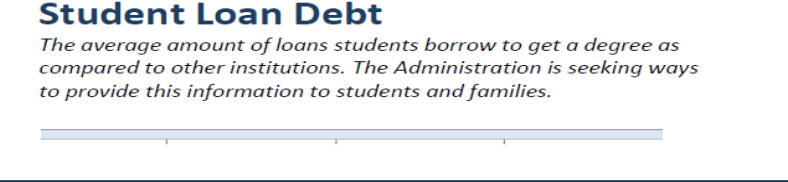
How likely am I to graduate and how long will it take?
 • XX% of students graduate in 4-years
 • XX% of students graduate in 5-years
 • XX% of students graduate in 6-years
 • XX% of students transfer to another institution



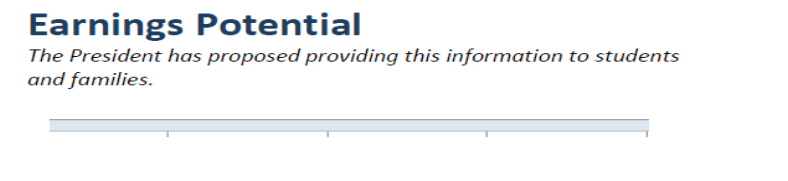
Will I be able to repay my student loans after I graduate?
 Former students are successfully repaying XX% of the total amount of federal student loans they took out to attend UUS.



How much debt will I have when I graduate?
 We don't have this information yet. Before you enroll, ask UUS to tell you about how many students graduate with debt and how much they typically owe.



Will I be able to get a job after I graduate?
 We don't have this information yet. Before you enroll, ask UUS to tell you about how many of their graduates get jobs, what kinds of jobs they get, and how much they typically earn.



Highest Net-Price List Four Year Non-Profit Colleges (2010-11)

	Institution	Net Price	% Receiving grant aid
1	School of the Art Institute of Chicago	\$42,882	100
2	Ringling College of Art and Design	\$40,222	77
3	The Boston Conservatory	\$39,602	65
4	Berklee College of Music	\$38,814	63
5	California Institute of the Arts	\$38,802	77
6	The New School	\$37,779	97
7	Art Center College of Design	\$37,579	66
8	San Francisco Art Institute	\$37,527	97
9	New York University	\$36,834	55
10	Beacon College	\$36,032	29
11	Sacred Heart University	\$36,024	90
12	School of the Museum of Fine Arts-Boston	\$35,930	95
13	Rhode Island School of Design	\$34,863	35
14	Saint Joseph's University	\$34,856	93
15	Pratt Institute-Main	\$34,813	85
16	Cleveland Institute of Music	\$34,807	98
17	Oberlin College	\$34,797	85
18	Catholic University of America	\$34,724	92
19	Drexel University	\$34,660	97
20	Embry-Riddle Aeronautical University-Daytona Beach	\$34,538	91
21	Worcester Polytechnic Institute	\$34,338	98
22	Rose-Hulman Institute of Technology	\$34,153	99
23	Santa Clara University	\$33,890	87
24	Maryland Institute College of Art	\$33,857	96
25	Embry-Riddle Aeronautical University-Prescott	\$33,720	94
26	Fordham University	\$33,679	91
27	Cornish College of the Arts	\$33,607	96
28	Lynn University	\$33,521	79
29	Roger Williams University	\$33,506	85
30	Otis College of Art and Design	\$33,443	81
31	Savannah College of Art and Design	\$33,364	92
32	Simmons College	\$33,300	91
33	Rensselaer Polytechnic Institute	\$33,257	96
34	Culinary Institute of America	\$33,224	87
35	Washington University in St Louis	\$32,870	48

Lowest Net-Price List Four Year Non-Profit Colleges (2010-11)

	Institution	Net Price	% Receiving grant aid
1	Berea College	(\$20,746)	100
2	Family of Faith College	(\$5,585)	67
3	Caribbean University-Bayamon	\$1,798	98
4	Bais Medrash Elyon	\$2,025	100
5	Hobe Sound Bible College	\$2,250	89
6	Kehilath Yakov Rabbinical Seminary	\$2,328	86
7	Caribbean University-Ponce	\$2,481	95
8	Saint John's Seminary	\$2,650	100
9	Universidad Teologica del Caribe	\$2,878	84
10	Caribbean University-Vega Baja	\$3,028	94
11	Pontifical Catholic University of Puerto Rico-Arecibo	\$3,133	97
12	Baptist Missionary Association Theological Seminary	\$3,276	100
13	Caribbean University-Carolina	\$3,448	99
14	Pontifical Catholic University of Puerto Rico-Mayaguez	\$3,493	95
15	Pontifical Catholic University of Puerto Rico	\$3,602	94
16	Mirrer Yeshiva Cent Institute	\$3,853	95
17	Centro de Estudios Multidisciplinarios-Humacao	\$3,968	89
18	Yeshiva D'monsey Rabbinical College	\$4,050	43
19	John Dewey College-University Division	\$4,056	96
20	Bethel College	\$4,162	67
21	Turtle Mountain Community College	\$4,165	87
22	Curtis Institute of Music	\$4,449	45
23	Southwestern Christian College	\$4,641	97
24	Centro de Estudios Multidisciplinarios-Bayamã³n	\$4,695	65
25	Divine Word College	\$4,762	100
26	United Tribes Technical College	\$4,788	92
27	Centro de Estudios Multidisciplinarios-San Juan	\$4,814	84
28	Bayamon Central University	\$4,857	100
29	Atlantic University College	\$4,920	95
30	Yeshiva Karlin Stolín	\$4,996	100
31	W L Bonner College	\$5,096	100
32	Selma University	\$5,260	93
33	Universidad Pentecostal Mizpa	\$5,278	100
34	Southeastern Baptist College	\$5,313	100
35	Beth Hamedrash Shaarei Yosher Institute	\$5,375	70

Calculating Net-Price

Who is included in the calculations?

First-Time Full-Time Degree Seeking Undergraduates (FFDSU) receiving grant or scholarship aid from either the Institution, Local, State, or Federal Government (lets call these sources Group A)

How is Net-Price calculated?

$$\text{Net-Price} = \text{Cost of Annual Attendance} - \text{Average Total Grant or Scholarship Aid from Group A received by FFDSU students}$$

How is Cost of Attendance calculated?

Cost of Attendance

Tuition + Fees + Books + Weighted Average of Living Arrangements*

Sample Calculation :

Cost of Attendance (2010-11)

\$34,872.00 + \$350.00 + \$1500.00 + \$12,693.00 = **\$49,415.00**

Next, we need to calculate the

Average Total Grant or Scholarship Aid from Group A received by FFDSU students

$$= \frac{\text{Total dollars received by FFDSU from Group A, 2010-11}}{\text{Total \# of FFDSU students receiving Aid from Group A, 2010-11}}$$

Sample Calculation:

Average Total Grant or Scholarship Aid from Group A received by FFDSU students

$$= \frac{\$3,377,229}{199} = \text{\$16,971}$$

Source: IPEDs Data Center. Calculations based on data entered for 2010-11 First-Time Full-Time Degree Seeking Undergraduates.

By using these numbers we can calculate the Net-Price:

$$\text{Net-Price} = \text{Cost of Annual Attendance} - \text{Average Total Grant or Scholarship Aid from Group A received by FFDSU students}$$

Sample Calculation:

$$\text{Net-Price} = \$49,415 - \$16,971 = \$32,443$$

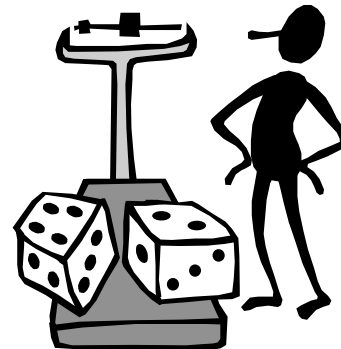
Limitations for Decision Making

- Calculations
- Middle Income Families
- Graduation

Limitations of Net-Price

What is Net-Price not taking into consideration?

- the proportion of students receiving aid at the institution
- the type of aid a student is likely to receive at the institution



Colleges can differ greatly on the proportion of students receiving aid but still have the same Net-Price

	<u>College A, N=232</u>	<u>College B, N=232</u>
Total Grant/Scholarship Aid:	\$3,377,229	\$322,449
# FFDSU Receiving Aid:	199	19
% FFDSU Receiving Aid	86%	8%
Average Grant/Scholarship Aid:	$(\$3,377,229/199) = \$16,971$	$(\$322,449/19) = \$16,971$

If School A and B's Cost of Attendance is the same, then School A and B will have the same Net-Price:

$$\text{Net-Price} = \boxed{\$49,415} - \boxed{\$16,971} = \$32,443$$

Why is the type of grant aid a student receives important?

Net-Price gives an estimate of how much a student will pay in college costs in the first year, if he/she **is eligible** for grant/scholarship aid from the federal, state, or local government or the institution.

Types of Grant Aid

Federal Grant Aid:	Income Eligibility Requirement	Income Bracket
Pell Grant	No eligibility based on income (Average Family Income ~ \$20,000)*	Lower
Academic Competiveness Grant (phased out, 2010-11)	Must be Pell Grant Recipient	Lower
Supplemental Education Opportunity Grant (SEOG)	Must be Pell Grant Recipient	Lower
State Grant Aid:		
CalGrant A and C	Maximum \$92,599 (for a family of 6) Average ~ \$50,000	Lower
CalGrant B	Maximum of \$50,900 (for a family of 6)	Lower
Institutional Aid		
Merit Aid	None	Upper, Middle, Lower
Need-Based Grant Aid	None	Upper, Middle, Lower

* See Profile of Pell Grant Recipients Quick Reference Guide <http://www.finaid.org/educators/ProfileofPellGrantRecipients.pdf> and Federal Pell Grant Program of the Higher Education Act - Background, Recent Changes, and Current Legislative Issues, Congressional Research Service <http://www.nasfaa.org/EntrancePDF.aspx?id=5410>.

The amount of aid a lower income student receives from the State, Federal, or Local Government or the Institution may differ greatly from that which a middle income student receives

Lower Income Students

**Middle Income, Upper Income,
or International Students**

Federal Grant Aid \$\$\$
State Grant Aid \$\$\$
Institutional Aid \$\$\$

Vs.

Institutional Aid \$\$\$



Colleges with Highest Net-Price for Middle Income Students

On Highest Net Price List	Rank	Institution Name	Average net price 2010-11	Difference
YES	25	Santa Clara University	\$ 33,890	\$ 17,838
NO	187	Mills College	\$ 26,465	\$ 24,174
YES	4	The Boston Conservatory	\$ 39,602	\$ 3,844
NO	92	Seattle University	\$ 29,020	\$ 13,918
YES	9	San Francisco Art Institute	\$ 37,527	\$ 3,525
YES	6	Berklee College of Music	\$ 38,814	\$ 1,847
YES	2	Ringling College of Art and Design	\$ 40,222	\$ 303
YES	7	California Institute of the Arts	\$ 38,802	\$ 1,550
YES	11	Beacon College	\$ 36,032	\$ 3,793
YES	1	School of the Art Institute of Chicago	\$ 42,882	\$ (4,370)
YES	8	Art Center College of Design	\$ 37,579	\$ (512)
YES	14	Rhode Island School of Design	\$ 34,863	\$ 2,176
YES	40	The New England Conservatory of Music	\$ 32,480	\$ 4,472
YES	10	New York University	\$ 36,834	\$ (70)
YES	58	Marist College	\$ 31,073	\$ 5,286
NO	70	Cleveland Chiropractic College	\$ 30,106	\$ 6,174
YES	3	The New School	\$ 40,144	\$ (4,136)
NO	952	Salem College	\$ 15,243	\$ 20,614
YES	29	Cornish College of the Arts	\$ 33,607	\$ 2,000
YES	13	School of the Museum of Fine Arts-Boston	\$ 35,930	\$ (348)
NO	750	Saint Charles Borromeo Seminary-Overbrook	\$ 17,933	\$ 16,967
NO	89	American Jewish University	\$ 29,145	\$ 5,281
YES	44	American Musical and Dramatic Academy	\$ 32,284	\$ 2,081
YES	12	Sacred Heart University	\$ 36,024	\$ (1,686)
NO	169	Denison University	\$ 26,907	\$ 7,388
YES	16	Pratt Institute-Main	\$ 34,813	\$ (712)
YES	36	Culinary Institute of America	\$ 33,224	\$ 501
YES	20	Drexel University	\$ 34,660	\$ (1,376)
YES	33	Savannah College of Art and Design	\$ 33,364	\$ (249)
YES	31	Roger Williams University	\$ 33,506	\$ (779)
YES	21	Embry-Riddle Aeronautical University-Daytona Beach	\$ 34,538	\$ (2,097)

Note: Source IPEDs Data Center. Calculations based on full-time, first-time, degree/certificate-seeking undergraduate students enrolled in Fall 2010 who were awarded any Title IV federal student aid. Net-price reflects any grant or scholarship aid from the federal, state/local government or scholarship from the institution. List has been truncated.

The four year difference in Net-Price can be as great as \$96K

On Highest Net Price List	Rank	Institution Name	Difference	Four Year Difference (Family income \$48,001-\$75,000)
YES	25	Santa Clara University	\$ 17,838	\$ 71,352
NO	187	Mills College	\$ 24,174	\$ 96,696
YES	4	The Boston Conservatory	\$ 3,844	\$ 15,376
NO	92	Seattle University	\$ 13,918	\$ 55,672
YES	9	San Francisco Art Institute	\$ 3,525	\$ 14,100
YES	6	Berklee College of Music	\$ 1,847	\$ 7,388
YES	2	Ringling College of Art and Design	\$ 303	\$ 1,212
YES	7	California Institute of the Arts	\$ 1,550	\$ 6,200
YES	11	Beacon College	\$ 3,793	\$ 15,172
YES	1	School of the Art Institute of Chicago	\$ (4,370)	\$ (17,480)
YES	8	Art Center College of Design	\$ (512)	\$ (2,048)
YES	14	Rhode Island School of Design	\$ 2,176	\$ 8,704
YES	40	The New England Conservatory of Music	\$ 4,472	\$ 17,888
YES	10	New York University	\$ (70)	\$ (280)
YES	58	Marist College	\$ 5,286	\$ 21,144
NO	70	Cleveland Chiropractic College	\$ 6,174	\$ 24,696
YES	3	The New School	\$ (4,136)	\$ (16,544)
NO	952	Salem College	\$ 20,614	\$ 82,456
YES	29	Cornish College of the Arts	\$ 2,000	\$ 8,000
YES	13	School of the Museum of Fine Arts-Boston	\$ (348)	\$ (1,392)
NO	750	Saint Charles Borromeo Seminary-Overbrook	\$ 16,967	\$ 67,868
NO	89	American Jewish University	\$ 5,281	\$ 21,124
YES	44	American Musical and Dramatic Academy	\$ 2,081	\$ 8,324
YES	12	Sacred Heart University	\$ (1,686)	\$ (6,744)
NO	169	Denison University	\$ 7,388	\$ 29,552
YES	16	Pratt Institute-Main	\$ (712)	\$ (2,848)
YES	36	Culinary Institute of America	\$ 501	\$ 2,004
YES	20	Drexel University	\$ (1,376)	\$ (5,504)
YES	33	Savannah College of Art and Design	\$ (249)	\$ (996)
YES	31	Roger Williams University	\$ (779)	\$ (3,116)
YES	21	Embry-Riddle Aeronautical University-Daytona Beach	\$ (2,097)	\$ (8,388)

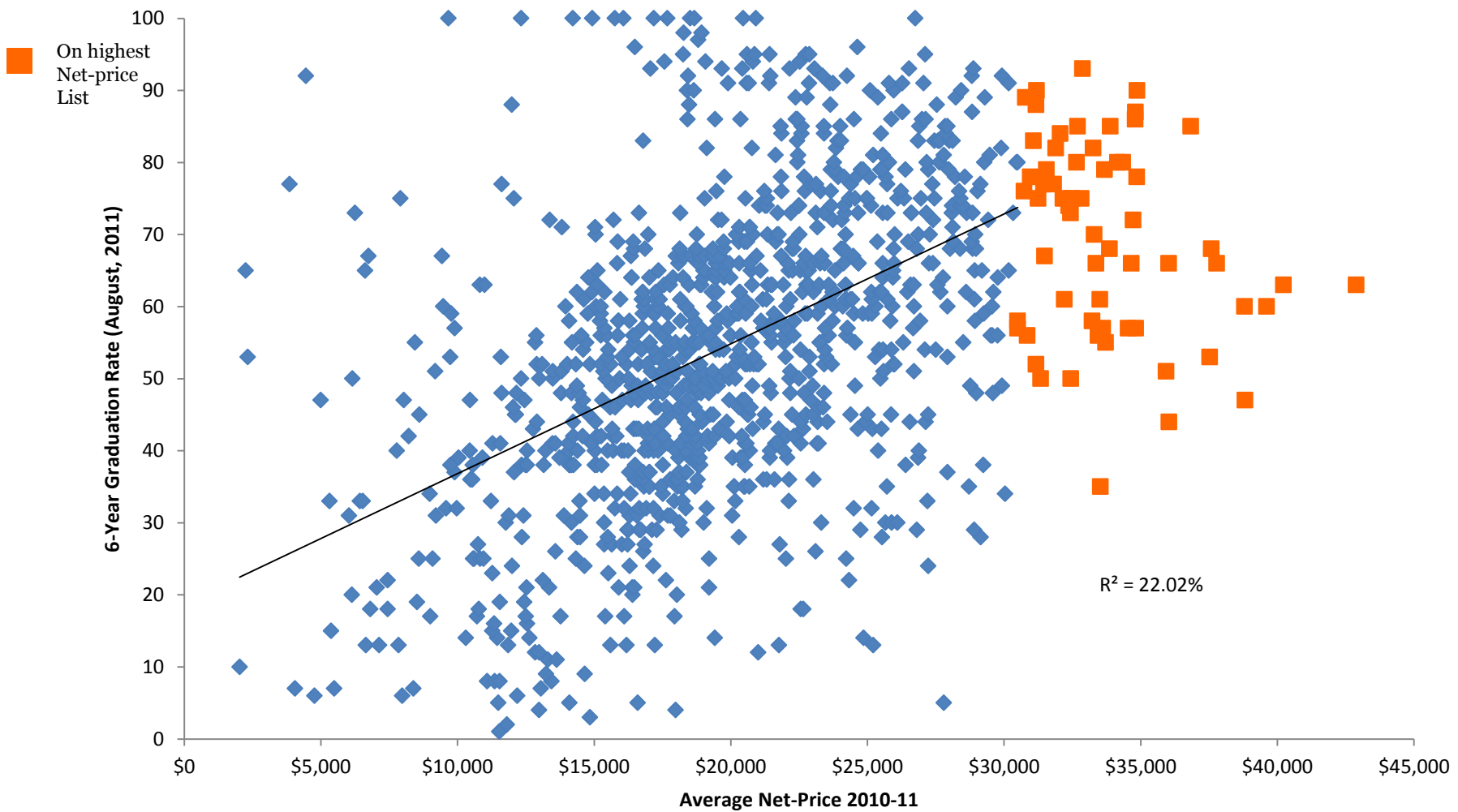
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Limitation of Net-Price

What else is not taken into consideration, when looking at net-price?

- **How many years it may take a student to graduate from the college **or the likelihood of conferring a degree from the college.****

The Majority of schools on the Highest Net-Price List also have higher graduation rates



Lowest Net-Price

Highest Net-Price

"We want to arm students and parents with the information they need to make smart educational choices...Students need to know up front how much college will actually cost them instead of waiting to find out when the first student loan bill arrives. These lists are a major step forward in unraveling the mystery of higher education pricing."

- U.S. Secretary of Education Arne Duncan

Limitations for Accountability

- Simulated Strategies for Lowering Net-Price

How can a college reduce its Net-Price?

$$\text{Net-Price} = \text{Cost of Annual Attendance} - \text{Average Total Grant or Scholarship Aid from Group A received by FFDSU Students}$$

- **We can lower the Cost of Attendance**
 - Lower Tuition,
 - Lower Fees
 - Lower Living Arrangement Costs
- **We can change the Average amount of grant/scholarship aid awarded to students (i.e. we can change the way institutional aid is awarded)**
 - Decrease the number of students receiving institutional aid
 - Increase the institutional aid budget, hold percentage of students receiving aid steady
 - Hold the institutional aid budget steady, decrease the number of students receiving aid
 - Increase the institutional aid budget, decrease the percentage of students receiving aid

Changes to the amount and distribution of institutional aid awards affect Net-Price and college rank on the Net-Price list

Net-Price Calculation 2010-11 by Aid Category

Income Eligibility Bracket	Group Receiving Aid	Average of State and Federal Grant Aid	Average of Institutional Aid	Average Grant Aid (Institutional, State, or Federal)	Number of Students Receiving Grant Aid 2010-11	Total Institutional Aid
Middle Income, Upper Income, International Students	Recipients of Institutional Grant Aid Only	\$ -	\$ 11,363.71	\$ 11,363.71	114	\$ 1,295,463
Lower Income Students	State, Federal and Institutional Grant Aid Recipients	\$ 7,191.16	\$ 17,302.44	\$ 24,493.60	85	\$ 1,470,707
For All Students	Total FFDSU Students in Group A	\$ 3,071.60	\$ 13,900.35	\$ 16,971.95	199	\$ 2,766,170
	Cost of Attendance			\$ 49,415.00		
	Net Price			\$ 32,443.05		
	Current Rank			41		

Recommendations:

- **Put a Filter on Net-Price: by income**
- **Focus students towards using the Net-Price Calculator**
- **Counterbalance Average Net-Price by including % of students receiving grant aid by income bracket (incorporate this into score)**
- **Determine an ROI based on individual student data**