10-2017

Tuition Discounting Study of Private Law Schools 2016

AccessLex Institute

National Association of College and University Business Officers

TUITION DISCOUNTING STUDY OF PRIVATE LAW SCHOOLS

2016

A JOINT REPORT BY

NACUBO

AccessLex INSTITUTE®

FOREWORD

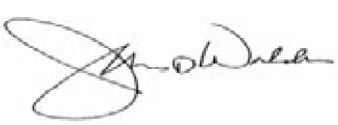
BY JOHN D. WALDA

I am pleased to share the inaugural *2016 NACUBO/AccessLex Institute Tuition Discounting Study of Private Law Schools*. While NACUBO has conducted an annual survey of tuition discounting and other institutional aid practices of undergraduates at private nonprofit colleges and universities since 1994, much less is known about the discounting strategies undertaken at graduate and professional schools. Law schools in particular have increasingly drawn the attention of policymakers and others who are concerned about the financial sustainability of higher education institutions. This has made it more important than ever to understand the role of tuition discounting in recruiting and retaining new professional students.

This new NACUBO research effort has benefited greatly from the financial contributions and other support from our co-sponsor, AccessLex Institute. Tiffane Cochran, director of research at AccessLex Institute, has been an enthusiastic advocate of this effort, and I greatly appreciate her unwavering support.

I would also like to thank NACUBO's research team, particularly Lesley McBain and Lindsay Wayt, our assistant directors for research and policy analysis, and our project consultant, Alisa Federico Cunningham, for their work on survey design, data analysis and writing for this project.

Finally, and most importantly, I would like to express my deep appreciation for the time and efforts of the deans and other staff at the 36 private nonprofit law schools that participated in this new research project. Your contributions continue to make NACUBO's research efforts a great success!



JOHN D. WALDA

PRESIDENT AND CHIEF EXECUTIVE OFFICER

NATIONAL ASSOCIATION OF COLLEGE AND UNIVERSITY BUSINESS OFFICERS

FOREWORD

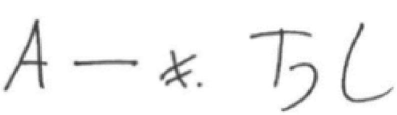
BY AARON N. TAYLOR

Law school tuition discounting is a topic that has garnered heightened attention recently. The downturn in applications that gripped legal education about six years ago ushered in a heightened level of competition for students, particularly those with attractive credentials. Law schools have increasingly relied on discounting to spur enrollments and blunt the effects of the decline in applicant interest. More law students are receiving discounts (most commonly in the form of "scholarships") than ever before. Anecdotes about bidding wars between schools for certain students are replete, highlighting the stakes for law schools and the bounties that await some students.

The increased prominence of tuition discounting fosters a need to know more about the practice. We know that more students are receiving discounts, but are today's students actually paying less than those in the past, after increased costs of attendance are considered? And what are the implications for law school budgets? Much has been written about the unsustainable nature of tuition discounting at the undergraduate level, but we know much less about the long-term implications of the practice in legal education, particularly given the high likelihood that the downturn is a long-term reality.

This report offers insight on the nature and extent of tuition discounting among a sample of private law schools. While we caution against generalizing the findings, they nonetheless provide a glimpse into discounting practices, and their implications for schools and students.

We at AccessLex Institute are happy to have partnered with NACUBO to produce this report. We are especially grateful to the law schools that shared data with us. This is a topic of great importance. We hope this report fosters a better understanding of law school tuition discounting and a desire to learn more.



AARON N. TAYLOR

EXECUTIVE DIRECTOR

ACCESSLEX CENTER FOR LEGAL EDUCATION EXCELLENCE®

EXECUTIVE SUMMARY

The practice of tuition discounting—providing institutional aid to select students to offset the price of attending a college or university—is widespread in higher education, and its use has increased over the past few decades. NACUBO annually collects tuition discount rates and other data related to discounting among undergraduates at private nonprofit institutions, but very little is known about discounting practices at law schools or other graduate/professional programs.

The *2016 NACUBO/AccessLex Tuition Discounting Study of Private Law Schools* was commissioned by AccessLex Institute in part to provide more recent information on tuition discounting practices at law schools, and to measure the effects of discounting on law schools' finances. The use of institutional grant aid to attract and retain law students has become even more important, as many programs have had to grapple with declines in their numbers of applicants and enrollments. This challenging context has prompted law schools to implement a variety of practices and policies to raise their enrollments, including increasing their financial aid expenditures.

The data in this brief are based on a tuition discounting survey NACUBO sent to 113 U.S.-based private nonprofit law schools, all accredited by the American Bar Association (ABA). Because only 36 of these schools responded to the survey, the findings should be interpreted in context and with caution towards applying them too broadly. Nonetheless, the results provide compelling data for discussion of tuition discounting and other financial aid practices at law schools and present a foundation for future discussion and research efforts.

Key findings include:

- The overall average institutional tuition discount rate—essentially, the percentage of tuition and fee revenue schools used to fund their institutional grant aid programs—for participating law schools for all students enrolled in JD programs rose from 35 percent in Fall 2015 to 39 percent in Fall 2016.
- The participating law schools were divided into two groups: high and low tuition. The tuition discount at high tuition law schools increased from 33 percent in Fall 2015 to 38 percent in Fall 2016; over the same time, low tuition law schools experienced an increase from 37 percent to 39 percent.
- Among first-year law school students (1Ls), the overall average tuition discount rate declined from 46 percent in Fall 2015 to 41 percent in Fall 2016. However, this varies by tuition group. Law schools in the high

tuition group had a 1L discount rate that rose slightly from 41 percent in Fall 2015 to 42 percent in 2016. Low tuition law schools experienced a sharp 1L tuition discount rate decline over this period, from 51 percent to 39 percent.

- About two-thirds of all JD students and three-quarters of 1Ls received institutional grant aid, on average, across all participating law schools. The student discount rate (the average institutional grant award as a percentage of the listed tuition and fee price) for all JD students rose slightly from 47 percent in Fall 2015 to 48 percent in Fall 2016. Over the same time, the average student tuition discount rate for 1Ls across participating institutions fell from 58 percent to 50 percent.
- Rising discount rates appear to have had an impact on net tuition revenue. On average across all participating institutions, the net tuition revenue for all JD students in current dollars was essentially unchanged at about $30,000 per student in both 2015 and 2016. In inflation-adjusted terms, this represents a decline in net tuition dollars.
- However, the average net tuition revenue from 1Ls across all participating institutions rose over the same time, from nearly $25,000 to slightly more than $27,000.
- Less than one third of institutional scholarships, fellowships and grant expenditures at participating law schools was funded by endowment earnings. The remainder was derived from tuition revenue, annual gifts and other unspecified funds.
- About half of the law schools that responded to the survey reported a decrease in 1L enrollment from Fall 2013 to Fall 2016. The rate of change varied by tuition group, with only 38 percent of schools in the high tuition group reporting an enrollment decline, compared with 56 percent of schools in the low tuition group.
- In addition, many of the responding schools reported falling demand (87 percent), increased competition (80 percent) and price sensitivity (73 percent) as reasons for decreases in 1L enrollment. The law schools that experienced an increase in their numbers of 1Ls attributed their gains to improved recruitment (88 percent) and increases in aid (69 percent).
- Respondents were asked about strategies used to increase net tuition revenue. On average, participating law schools indicated plans to use new recruitment strategies (83 percent); improve their academic programs (61 percent); and change their student financial aid packages (58 percent).

When considering the trends in this brief, it is important to note that responding institutions may not be representative of all private nonprofit law schools. Still, this brief provides a basis for beginning to understand patterns of tuition discounting practices at private law schools.

INTRODUCTION

The practice of tuition discounting—providing institutional aid to select students to offset the price of attending a college or university—is widespread in higher education, and its use has increased over the past few decades. According to the 2015 Tuition Discounting Study (TDS), "discounting strategies are often used to attract or retain students who are unable or unwilling to pay the full tuition and fee 'sticker' price. An institution's tuition discounting practices serve as one indicator of its financial health and its ability to remain competitive in the higher education marketplace."[1] Tuition discounting strategies can also help colleges and universities reach other goals, such as increasing enrollment in general and/or retaining students.

Information about tuition discounting has largely focused on undergraduates. For example, the 2015 TDS found that for undergraduates at private nonprofit institutions, the average institutional discount rate has continued to increase, a greater share of students has received institutional aid, and rising discount rates have led to slower growth in net tuition revenue.[2] Less research has been conducted specifically on graduate and professional schools. Professional programs, such as medicine and law, have increasingly been the focus of discussions about institutional access, affordability and financial sustainability. This has made it more important to understand the role of tuition discounting in recruiting and retaining new professional students.

This report specifically focuses on American private, nonprofit law schools accredited by the American Bar Association (ABA), using a recent survey of tuition discounting practices (see BOX – Study Methodology) as a jumping-off point for a broader discussion of the future financial sustainability of law schools. The brief first provides a summary of some key issues facing private law schools and highlights recent trends that have influenced the current context. It then describes the survey findings and how they might be helpful in understanding existing tuition discounting practices. This initial analysis provides some interesting data points that can generate discussion about patterns of discounting at law schools, and provide a foundation for future efforts.

> An institution's tuition discounting practices serve as one indicator of its financial health and its ability to remain competitive in the higher education marketplace.

[1] National Association of College and University Business Officers (NACUBO). 2016. *The 2015 NACUBO Tuition Discounting Study*. Washington, DC: NACUBO, p.vii.

[2] NACUBO 2016.

Study Methodology

This brief is based primarily on data collected through the 2016 NACUBO/AccessLex Institute Tuition Discounting Study of Private Law Schools, conducted with support from AccessLex Institute. In October 2016, surveys went out to 113 U.S.-based private nonprofit law schools, all accredited by the American Bar Association (ABA). As of February 2017, 36 responses were received. Although the results should not be considered representative of private law schools specifically, nor law schools generally, they provide interesting context for a broader discussion on the role of tuition discounting at private law schools.

The survey focuses on tuition discounting from the perspective of the law schools in the study rather than law school students. In other words, the focus is on how tuition discounting might impact the finances and behavior of law schools, not on students' ability to pay.[3] For the purposes of calculating discount rates, institutions were asked to provide information on the number of students, amount of institutional grant aid, published tuition and fees price, and gross tuition revenue, for two years: Academic Year 2015-16 as of Fall 2015 and Academic Year 2016-17 as of Fall 2016 (estimated). Although some of the analysis shows the difference between the years, given the short period and low number of respondents, such differences should be interpreted cautiously and used as a guide for discussion rather than a finding.

The data collected from the survey are used to calculate tuition discount rates (from both the institutional and student perspectives), net tuition revenue, and change in net revenue from 2015-16 to 2016-17. In addition, respondents were asked about a number of policies and practices, such as admissions, perceived reasons for rising or declining enrollment and strategies implemented to increase net tuition revenue.

Because private law schools are a varied group, the analysis in this brief breaks out high and low tuition groups, based on the median tuition and fees "sticker" price for each year of data collected. The median tuition and fee price for full-time, full-year attendance at law schools that participated in the study was $43,348 for Fall 2015 and $43,832 for Fall 2016.

Note that although this is the first time NACUBO has undertaken a law school study, the organization has been conducting an undergraduate tuition discounting study every year since 1994. This prior experience has been modified and applied to the law school study.

[3] This perspective aligns with analysis by NACUBO in the annual tuition discounting survey; NACUBO 2016.

CONTEXT

For the past several years, most law schools have faced steep declines in applications and enrollment. Between 2010-11 and 2016-17, the total number of law students decreased 29 percent, from 157,298 to 110,951. First-year enrollment also decreased 29 percent, from 52,488 to 37,107.[4]

These trends have been spurred by unfavorable perceptions of the value of a law degree, in light of the high costs of legal education and a shrinking and evolving legal employment market. These challenges are reflected in a number of recent legal education developments:

- Law schools have engaged in largely unprecedented, though still inadequate by many estimations, curricular reforms. The core of the law school curriculum remains the same at virtually every school, but students at many schools are afforded more opportunities to gain practical experience through expanded clinical education, externship programs and other experiential learning activities. This shift has been hastened by demands from both employers and students for more "practice readiness" among new law graduates. An emphasis on practical skills can provide a competitive advantage for law schools, in addition to many educational benefits to students.
- Law schools have altered their enrollment management strategies. Admission rates have increased at most law schools, with the median rate rising from 35 percent in 2010-11 to 54 percent in 2015-16.[5] In the latter cycle, 24 law schools had admission rates of 70 percent or higher, compared to just two in 2010.[6] Median LSAT scores have decreased at the vast majority of law schools as well.[7] These declines are due not only to fewer applicants overall, but also to disproportionately fewer applicants with high LSAT scores.[8] Some law schools have accepted more applicants with lower LSAT and undergraduate GPA (UGPA) profiles, increasing pressures to provide adequate academic support and deliver acceptable outcomes.[9] Others have sought to preserve their LSAT/UGPA profiles by aggressively recruiting certain applicants, often for rankings purposes and usually at the cost of student diversity and equity.[10]

Some law schools have sought to increase non-Juris Doctor (JD) enrollment to help boost tuition revenue. The most programmatic expansion has been among programs targeting non-lawyers who desire a law-related credential, often a master's degree, but not the JD. These programs were largely non-existent prior to the application downturn. There has also been expansion of Master of Laws (LLM) programs, targeted at domestic and foreign JD-holders who desire a

[4] ABA Section of Legal Education and Admissions to the Bar. 2017. Statistics. Retrieved from: https://www.americanbar.org/groups/legal_education/resources/statistics.html.

[5] Taylor, Aaron N. (2016). Are Financially Desperate Law Schools Using a 'Reverse Robin Hood Scheme' to Stay Afloat? *The Chronicle of Higher Education.* Retrieved from http://www.chronicle.com/article/Are-Financially-Desperate-Law/236041.

[6] Ibid.

[7] Taylor, Aaron N. (2016). Diversity as a Law School Survival Strategy. Retrieved from: http://law.slu.edu/sites/default/files/Journals/aaron_taylor_article.pdf

[8] Retrieved from: https://www.lsac.org/docs/default-source/data-(members)/current-volume-070717.pdf

[9] Taylor, Aaron N. (2016). Diversity as a Law School Survival Strategy. Retrieved from: http://law.slu.edu/sites/default/files/Journals/aaron_taylor_article.pdf

[10] Ibid.

post-JD credential. Overall, non-JD law school enrollments have increased sharply–comprising 10 percent of total enrollments in 2015-16, up from six percent just five years earlier.[11]

While a widespread closure of law schools, predicted by some, has not transpired to date, law schools face immense pressures to "right-size" their operations to current realities. In addition to two outright closures and at least one merger, there are law schools facing increased pressures from regulators, such as the U.S. Department of Education and the ABA, to account for and improve upon unfavorable student outcomes. Law schools have also engaged in widespread workforce reductions, including among the tenured faculty ranks. Many schools are now reliant on central universities to provide critical operational funds—a far cry from the days when most were revenue generators for their universities. Standalone law schools, the vast majority of which are private, are particularly vulnerable, given their market exposure.[12]

One of the most prominent responses to the unfavorable climate for recruiting and enrolling new students has been the rapid increase in law school financial aid expenditures. Law schools now rely more heavily on tuition discounts (packaged as scholarships) to spur enrollment.[13] It is likely that more law students receive these discounts today than at any other point in the history of legal education.[14]

The ABA tracks the total dollar amounts of internal grants and scholarships awarded by law schools. In 2012-13, ABA-approved institutions collectively awarded about $1.1 billion in grants and scholarships. There has been a steady increase in the total amount every year since 1993-94, often with an annual increase of more than 10 percent.[15] Since 2002-03, the total award amount has doubled; the average amount awarded per school has also increased, to about $5 million per school in 2011-12.[16] In 2015-2016, across all institutions, the proportion of students receiving grants and scholarships was 66 percent,[17] up from less than half in 2011-2012.[18]

Expanded tuition discounting has emerged in the context of ever-rising law school costs. The average tuition and fees (in 2013 dollars) at private law schools increased 29 percent between 2003 ($32,484) and 2013 ($41,985). The rate of increase in resident tuition at public law schools was 74 percent: $13,742 in 2003 to $23,879 in 2013 (in 2013 dollars).[19] These sticker prices do not account for other expenses related to attending law school, such as textbooks, living accommodations and transportation. These expenses added an average of $20,692 to the costs of attending law school.[20]

[11] Muller, Derek T. (January 2016). One in ten law school enrollees is not a part of a JD program [Blog post]. Retrieved from: http://excessofdemocracy.com/blog/2016/1/one-in-ten-law-school-enrollees-is-not-a-part-of-a-jd-program

[12] Weiss, Debra Cassens (May 9, 2014). Moody's warns that stand-alone law schools are most at risk, notes downside to tuition cuts. ABA Journal. Retrieved from: http://www.abajournal.com/news/article/moodys_warns_that_stand-alone_law_schools_are_most_at_risk_notes_downside/

[13] Retrieved from: http://lssse.indiana.edu/wp-content/uploads/2015/12/LSSSE-2016-Annual-Report-1.pdf

[14] Ibid.

[15] ABA Section of Legal Education and Admissions to the Bar. Internal Grants and Scholarships Total Dollar Amount Awarded 1991 – 2012. [Data file]. Retrieved from: http://www.americanbar.org/content/dam/aba/administrative/legal_education_and_admissions_to_the_bar/statistics/internal_grants_scholarships_awarded.pdf

[16] AccessLex Institute 2015. Based on data from American Bar Association. (2014). Internal grants and scholarships total dollar amount awarded 1991-2012 [Data file]. Retrieved from http://www.americanbar.org/content/dam/aba/administrative/legal_education_and_admissions_to_the_bar/statistics/internal_grants_scholarships_awarded.pdf.

[17] Calculated from data provided by ABA Section of Legal Education and Admissions to the Bar. All Schools' Data – ABA Standard 509 Information Report Spreadsheets. 2016 Grants and Scholarships. Available from: www.abarequireddisclosures.org

[18] Retrieved from: 73,187/148,401 http://analytix.accesslex.org/DataSet(Calculations by author, using 2012 "Financial Aid" dataset)

[19] Baum, S. 2015. A Framework for Thinking About Law School Affordability. Washington, DC: AccessLex Institute.

[20] Retrieved from: https://www.americanbar.org/groups/legal_education/resources/statistics.html

Many law students rely very heavily on student loans to fund their education. More than 80 percent of students attending private nonprofit and public law schools borrowed in 2011-12.[21] According to ABA data, the average amount of law school debt among private law school graduates rose 37 percent (in 2012 dollars) between 2001-02 ($89,480) and 2011-12 ($122,160).[22] Among public law school graduates, the increase was 43 percent, $59,310 to $84,600 (in 2012 dollars).

Studying discounting trends is important because these trends implicate the financial health of institutions. The tuition-driven nature of legal education means that a discount granted to one student must be made up for, to some extent, by revenue collected from another student. Schools that are unable to sufficiently balance discounts with revenue risk insolvency. This reality makes the much-discussed "bidding wars" for attractive applicants dangerous for schools with insufficient resources.[23] Studying discounting is also important for measuring the impact of discounts on net costs to students, particularly given the increases in sticker prices.

[21] National Postsecondary Student Aid Study (NPSAS) 2012, PowerStats tool.

[22] American Bar Association. (2014). ABA approved average amount borrowed: Fall 2013 [Data file]. Retrieved from http://www.americanbar.org/content/dam/aba/administrative/legal_education_and_admissions_to_the_bar/statistics/2013_fall_avg_amnt_brwd.xls.

[23] Brown, Dorothy A. (March 9, 2015). Law Schools are in a Death Spiral. Maybe Now They'll Finally Change. *The Washington Post*. Retrieved from: https://www.washingtonpost.com/posteverything/wp/2015/03/09/law-schools-are-in-a-death-spiral-maybe-now-theyll-finally-change/?utm_term=.c5662d279b29

SURVEY FINDINGS

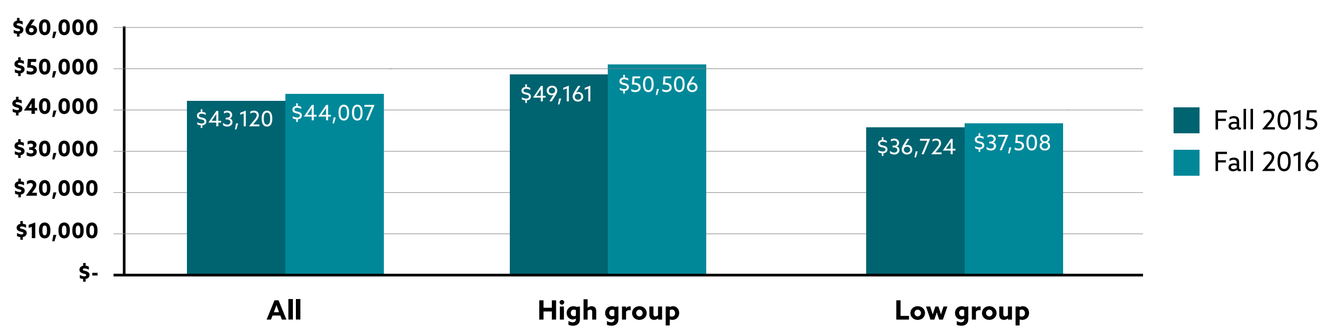
The *2016 NACUBO/AccessLex Tuition Discounting Study of Private Law Schools* was commissioned by AccessLex Institute in part to provide more recent information on tuition discounting practices at law schools, and to measure the effects of discounting on law schools' finances. The sections below describe the survey results. The first section provides background on enrollment, institutional aid, tuition and fees, and gross tuition revenue for the responding institutions. The following sections portray the average tuition discounting rates for both high and low tuition groups and provide an examination of responses to a number of questions that may offer insight into enrollment trends and institutional aid practices at the responding law schools.

It is important to keep in mind that the changes over time reported in some sections are for only one year, and trends may not reflect the overall population of schools given the low number of responses. In some cases, missing data for institutional aid or tuition revenue can affect the outcomes, so caution should be used in interpreting the findings.[24]

All JD Students

As noted in Box—Study Methodology, the analysis examines respondents overall, as well as dividing institutions into two groups based on the median tuition and fees sticker price (i.e., a "high tuition" and "low tuition" group in each year). Tuition and fees is defined as the published institution-listed full-time tuition and mandatory fees price for the JD programs, excluding living expenses. As would be expected from the groups defined by the median in each year, one can see that the average price for the high group was higher than the average for the low group, at about $49,000 to $50,000, compared with about $37,000.

FIGURE 1 | Fall 2015 and 2016 Tuition and Fee Sticker Price Groups

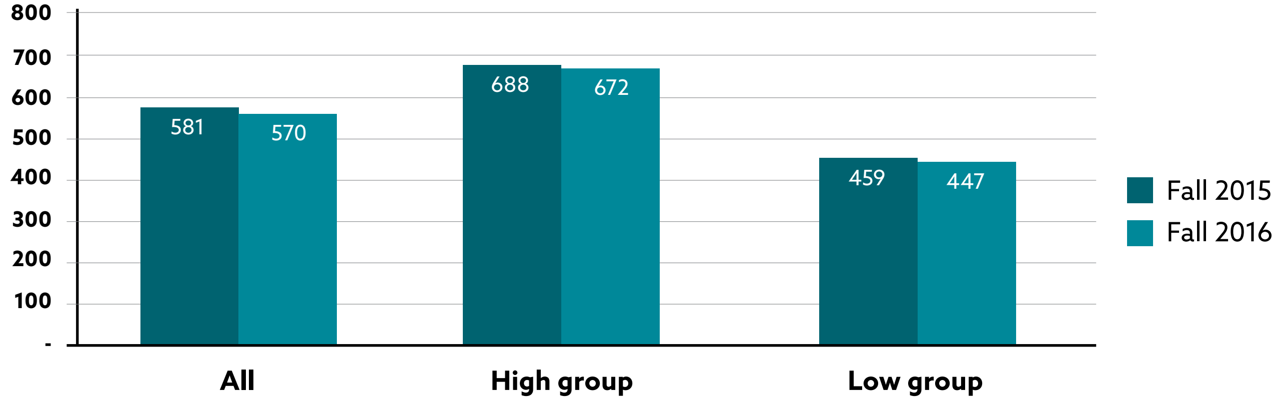


Source: *2016 NACUBO/AccessLex Tuition Discounting Study of Private Law Schools*, April 2017.

[24] In addition, some respondents had little or no aid or revenue data and were not included in the background section, while in other cases percentages couldn't be calculated due to missing data.

Across all responding institutions, the number of all JD students enrolled in each year was almost 600, on average. The high tuition group enrolled a higher number of JD students (almost 700) than the lower tuition group (about 450 students in each year).

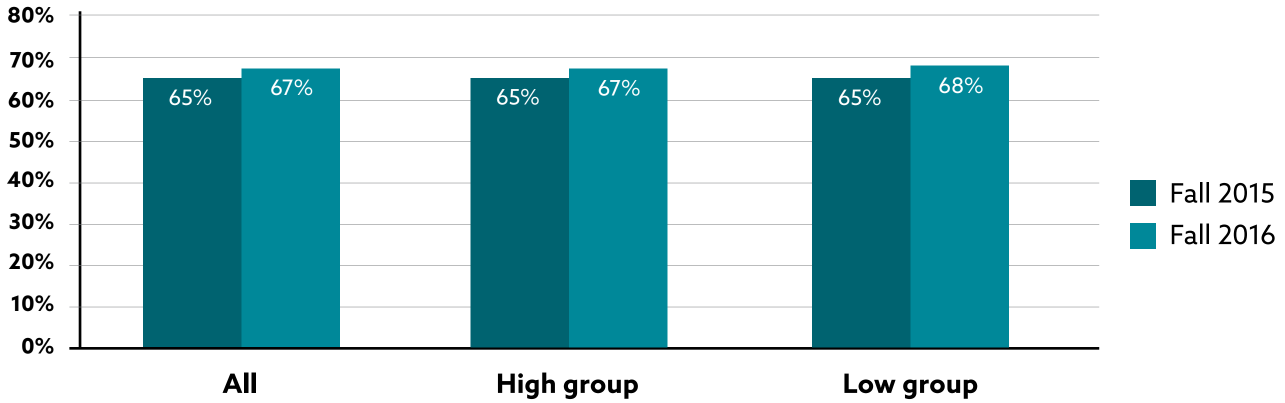
FIGURE 2 | Average Number of All JD Students in Fall 2015 and 2016, by Tuition and Fee Price Group



Source: *2016 NACUBO/AccessLex Tuition Discounting Study of Private Law Schools*, April 2017.

Of these students, the majority—about two-thirds in each year and for each group—received financial aid in the form of institutional scholarships, fellowships or grants (not including tuition remission).

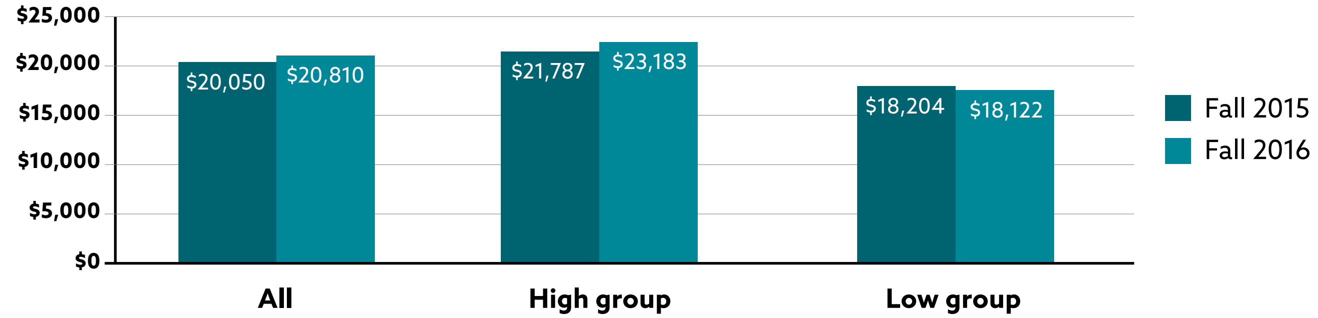
FIGURE 3 | Percentage of All JD Students Who Received Institutionally Provided Grant Aid, by Tuition and Fee Price Group



Source: *2016 NACUBO/AccessLex Tuition Discounting Study of Private Law Schools*, April 2017.

The average amount of institutional scholarships, fellowships or grants per JD student who received aid hovered around $20,000 in both years. The high tuition group had slightly higher aid per student in Fall 2016 compared to Fall 2015. (Note: Changes in aid amounts are in current dollars and do not account for inflation.) The low tuition group had lower aid per student than the high tuition group in both years, and on average, the low tuition group did not see a change in aid per student over the year.

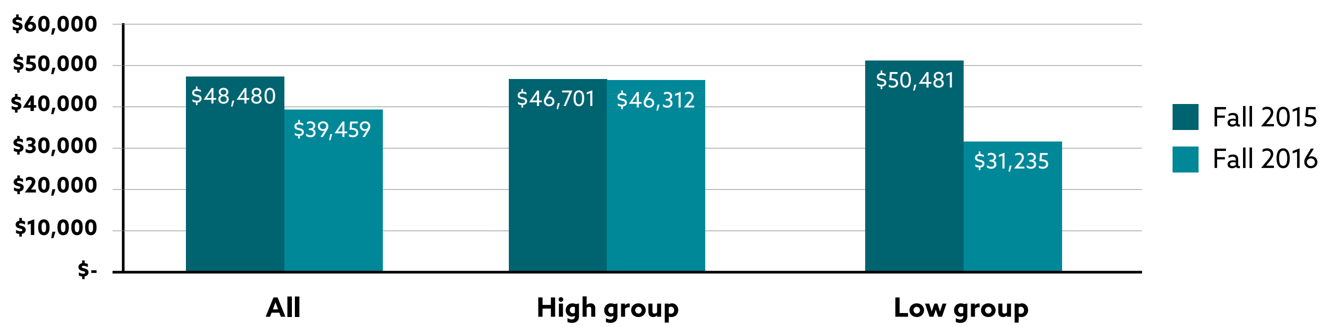
FIGURE 4 | Average Institutional Grant Aid Award Per Recipient, All JD Students, by Tuition and Fee Price Group



Source: *2016 NACUBO/AccessLex Tuition Discounting Study of Private Law Schools*, April 2017.

Across all responding institutions, the total gross tuition and fee revenue generated by JD students was about $27.9 million in Fall 2015, decreasing to about $24.6 million in Fall 2016. The average tuition and fee revenue per JD student was $48,480 in Fall 2015 and $39,459 in Fall 2016. The high tuition group did not see significant change in their tuition and fee revenue per student. (Note: Changes in revenue are in current dollars and do not account for inflation.) The low tuition group had higher tuition revenue per student than the high tuition group in Fall 2015, but saw a decrease that resulted in tuition revenue per student that was substantially lower than the high tuition group.

FIGURE 5 | Gross Tuition and Fees Revenue per JD Student, by Tuition and Fee Price Group

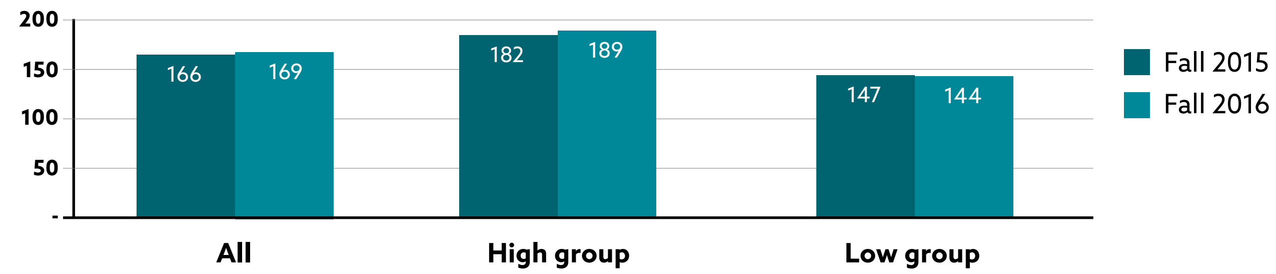


Source: *2016 NACUBO/AccessLex Tuition Discounting Study of Private Law Schools*, April 2017. Data are not adjusted for inflation.

First-Year Law Students

A special focus of this analysis is first-year JD students (1Ls). Across all responding institutions, the average number of 1Ls per institution was stable, at 166 in Fall 2015 and 169 in Fall 2016. Although the high tuition group had slightly more 1Ls than the low tuition group on average, both groups saw little change in the number of these students.

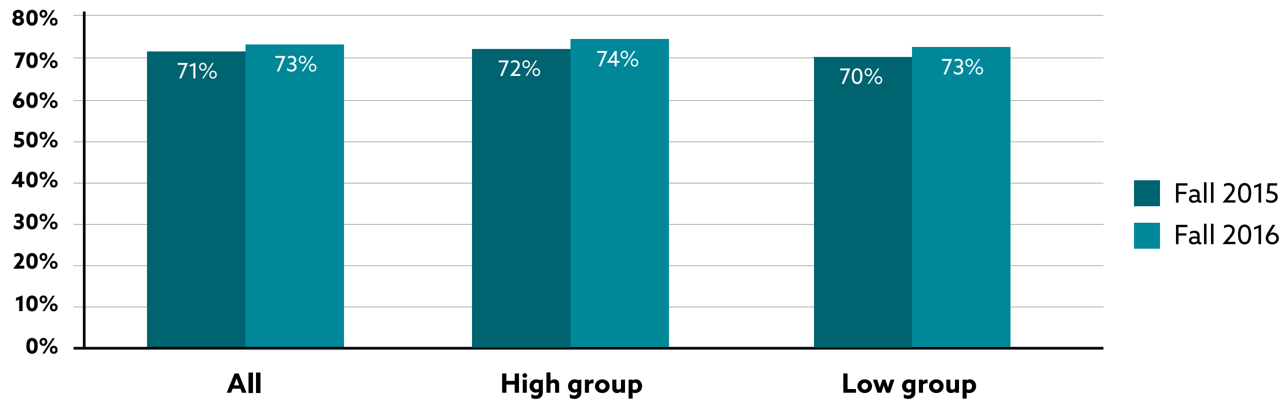
FIGURE 6 | Average Number of 1Ls by Tuition and Fee Price Group



Source: *2016 NACUBO/AccessLex Tuition Discounting Study of Private Law Schools*, April 2017.

Of these students, almost three-quarters in each year and for each group received institutionally funded grant aid. This is a slightly higher proportion than for all JD students.

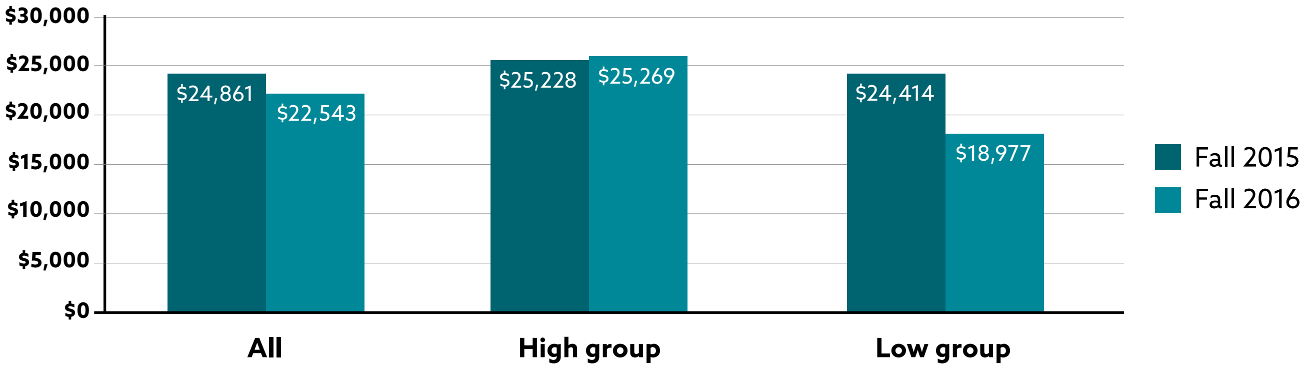
FIGURE 7 | Percentage of 1Ls Receiving Institutional Aid, by Tuition and Fee Price Group



Source: *2016 NACUBO/AccessLex Tuition Discounting Study of Private Law Schools*, April 2017.

On average, 1Ls who received institutional aid got almost $25,000 in Fall 2015, decreasing to slightly more than $22,000 in Fall 2016. The low tuition group saw a decrease in aid per 1L between Fall 2015 and Fall 2016. (Note: Changes are in current dollars and do not account for inflation.)

FIGURE 8 | Average Institutional Grant Award Per 1L Recipient, by Tuition and Fee Price Group



Source: *2016 NACUBO/AccessLex Tuition Discounting Study of Private Law Schools*, April 2017. Data are not adjusted for inflation.

Institutional Discount Rates

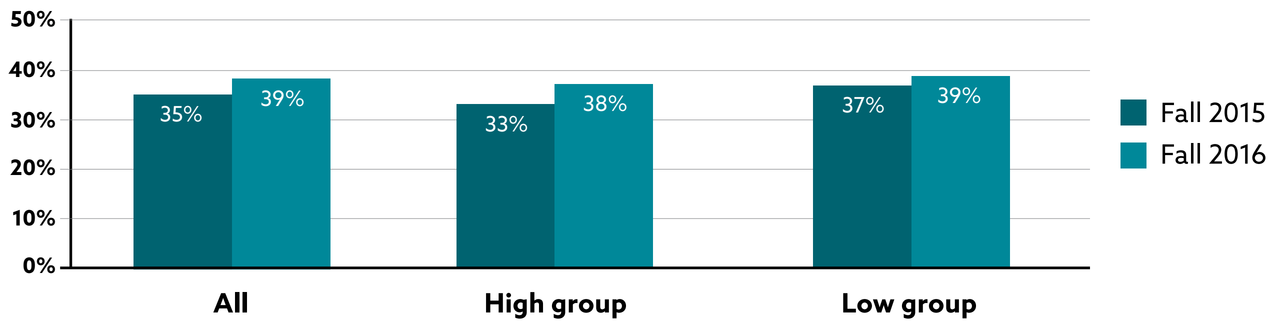
Institutional discount rates are a broad measure of law schools' institutional grant aid expenditures relative to their tuition and fee revenue. The institutional discount rate can be defined as total expenditures for institutionally funded scholarships, fellowships and grants as a percentage of gross tuition and fee revenue. The calculation differs slightly between all JD students and 1Ls.

- All JDs = institutional grant aid expenditures for all JD students as a percentage of gross tuition and fee revenue.
- 1Ls = institutional grant aid expenditures for 1L students as a percentage of the tuition and fee revenue from 1Ls, which is estimated by multiplying the sticker price by the number of 1L students.

This institutional discount rate is based on all students in each cohort—those who received institutional aid and those who did not. The data are reported per JD student or 1L student, respectively, to account for any changes in enrollment.

As Figure 9a below demonstrates, on average, the institutional discount rate for all JD students at all responding institutions increased from 35 percent in Fall 2015 to 39 percent in Fall 2016. There were also increases in both the high tuition and low tuition groups. The low tuition group appears to have had a slightly higher institutional discount rate than the high tuition group, especially in Fall 2015.

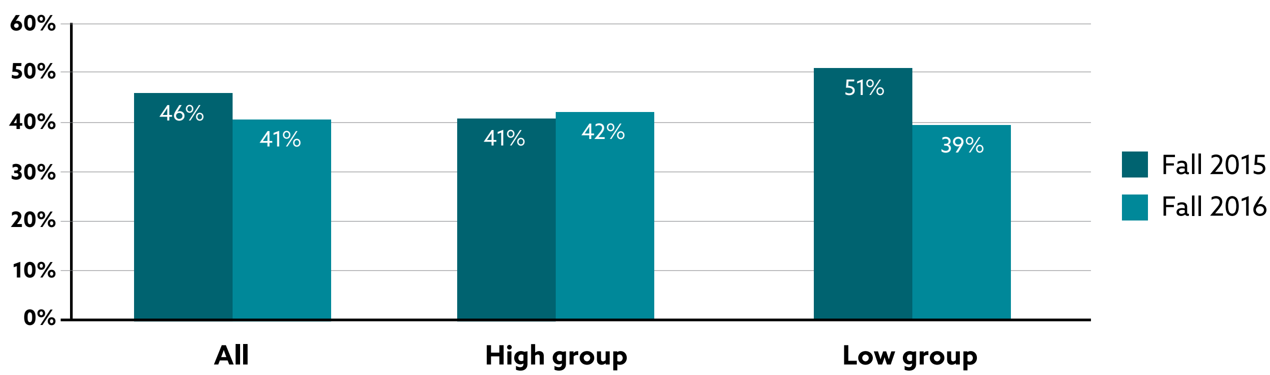
FIGURE 9A | Institutional Discount Rate for All JD Students, By Tuition and Fee Price Group



Source: *2016 NACUBO/AccessLex Tuition Discounting Study of Private Law Schools*, April 2017.

Focusing on 1Ls, however, the trends were quite different (see Figure 9b). In general, the institutional discount rates appeared to be slightly higher for 1Ls than for all JDs. Across all responding institutions, the average institutional discount rate for 1Ls decreased between Fall 2015 and Fall 2016, from 46 percent to 41 percent. While the discount rate at high tuition institutions remained relatively stable at 41 percent to 42 percent, the low tuition group saw a substantial decline, from 51 percent to 39 percent.

FIGURE 9B | Institutional Discount Rate for 1Ls, By Tuition and Fee Price Group



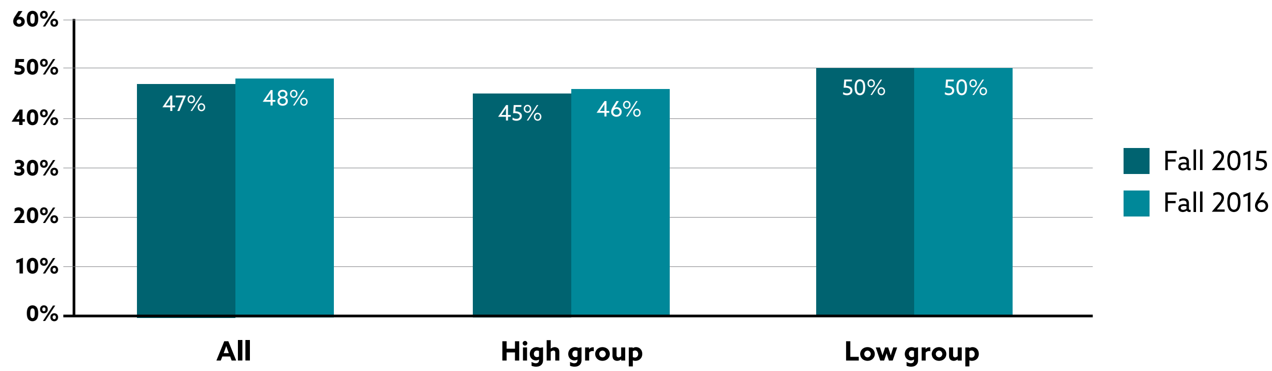
Source: *2016 NACUBO/AccessLex Tuition Discounting Study of Private Law Schools*, April 2017.

Student Discount Rates

Another way of looking at discount rates is from the perspective of the law school student recipients. The student discount rate can broadly be defined as the average grant award as a percentage of the tuition and fee sticker price. That is, this discount rate shows what percentage the average grant "covered" for the typical student recipients; it is a measure of the tuition and fee price the student was ultimately charged after institutional grants are subtracted from the recipient's bill. This student discount rate is based exclusively on those who received an institutional grant award and is calculated for all JD students and for 1Ls.

Across all respondents, the student discount rate for all JDs averaged around 47 percent to 48 percent (see Figure 10a). The low tuition group appeared to have a slightly higher student discount rate than the high tuition group in both years, although the difference was fairly small.

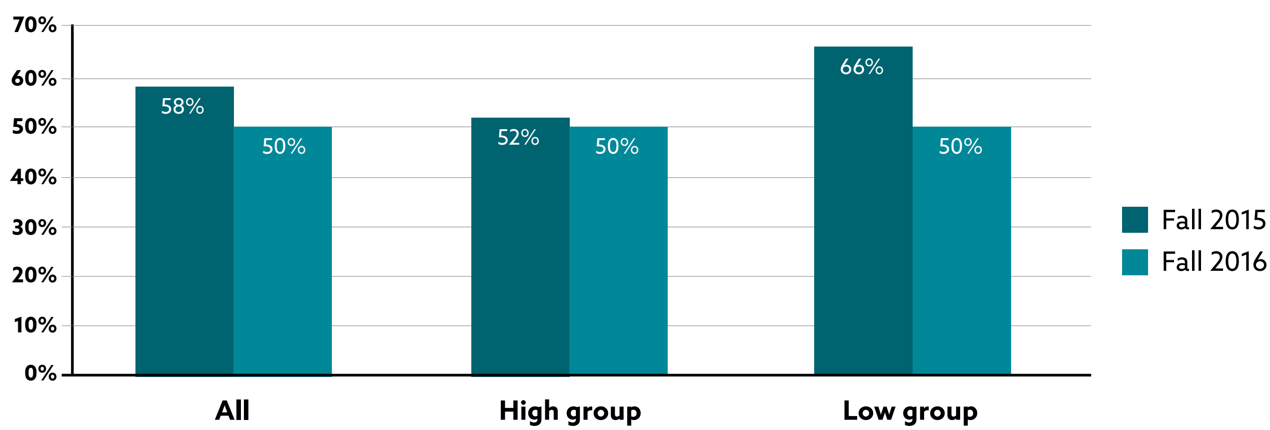
FIGURE 10A | Student Discount Rate, All JD Students, by Tuition and Fee Price Group



Source: *2016 NACUBO/AccessLex Tuition Discounting Study of Private Law Schools*, April 2017.

Overall, as Figure 10b illustrates, the student discount rate for 1Ls was higher than for JDs as a whole but decreased from 58 percent in Fall 2015 to 50 percent in Fall 2016. This decrease was primarily reflected in the low tuition group.

FIGURE 10B | Student Discount Rate, 1Ls, by Tuition and Fee Price Group



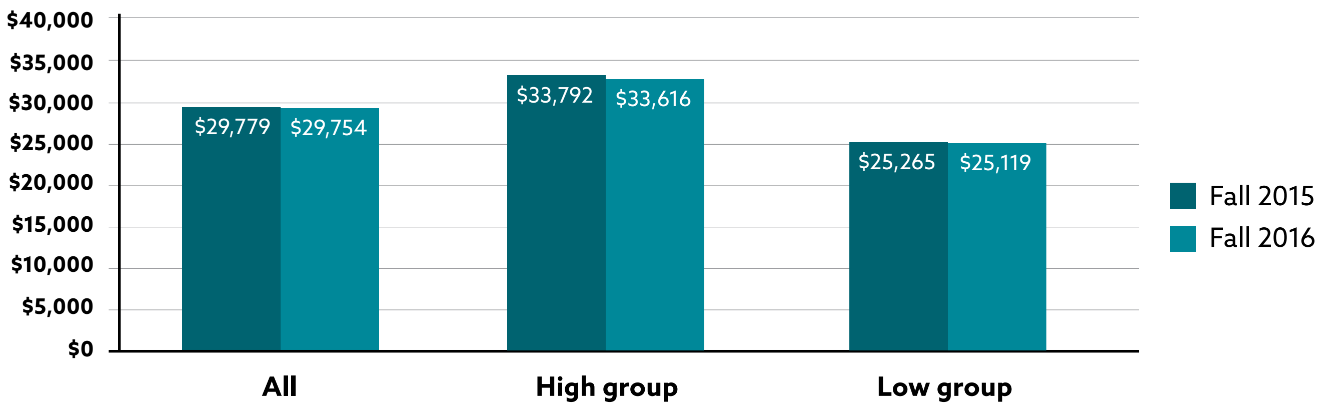
Source: *2016 NACUBO/AccessLex Tuition Discounting Study of Private Law Schools*, April 2017.

Net Tuition Revenue

One key goal for institutions using tuition discounting practices is for gross tuition and fee revenue to increase faster than institutional aid, so that new revenue covers the cost of the discounts. On the other hand, aid dollars that increase more than revenue can result in decreasing net revenue over time.[25] Therefore, it is important to consider net tuition revenue per student, which is calculated as the tuition and fee sticker price minus the average institutional aid per student.

Across all survey respondents, on average, net tuition revenue for all JD students was essentially unchanged for 2015 and 2016 (see Figure 11a). At all schools in the survey, average net tuition revenue for all students enrolled was about $29,779 in Fall 2015, compared with $29,754 in Fall 2016. Both the high and low tuition groups reported no meaningful change in net revenue during this period.

FIGURE 11A | Average Net Tuition Revenue Per JD Student, by Tuition and Fee Price Group



Source: *2016 NACUBO/AccessLex Tuition Discounting Study of Private Law Schools*, April 2017.

Note that the trends above are in current dollars. The inflation rate for higher education institutions, as measured by the Higher Education Price Index (HEPI), was 1.8 percent between 2015 and 2016.[26] This suggests that in real (inflation-adjusted) value, net revenue declined for most schools in the study.

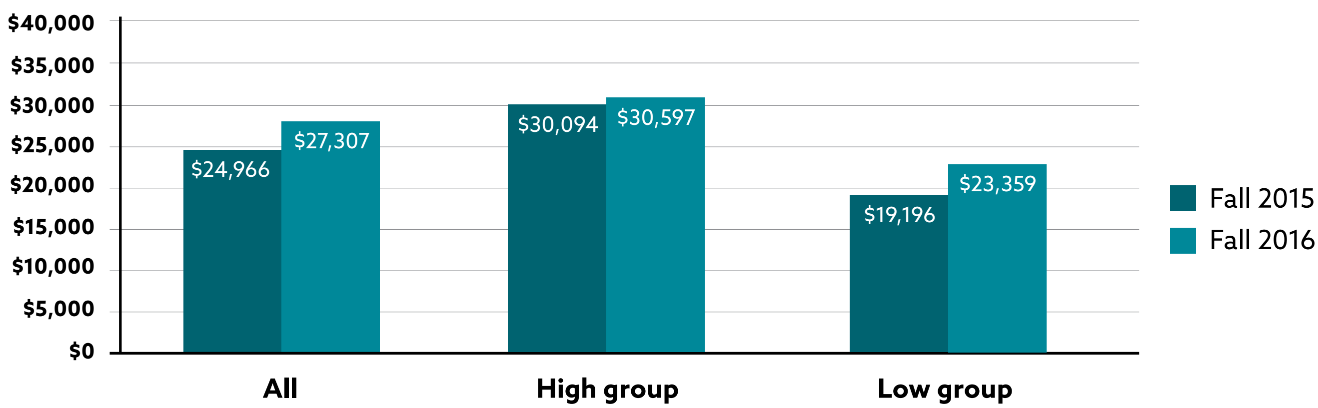
For net revenue for 1Ls (shown on Figure 11b) across all respondents, the average appeared to have increased by about 9.4 percent, from $24,966 in Fall 2015 to $27,307 in Fall 2016. The rate of increase was well above inflation.

[25] NACUBO 2016.

[26] Commonfund Institute (2016). 2016 Higher Education Price Index (HEPI). Retrieved from https://www.commonfund.org/wp-content/uploads/2016/10/2016-HEPI-Report.pdf

As with net revenue for JD students overall, the amount for 1Ls was slightly higher for the high tuition group and slightly lower for the low tuition group. There appeared to be a small increase in net revenue from 1Ls in the low tuition group.

FIGURE 11B | Average Net Tuition Revenue Per 1L, by Tuition and Fee Price Group

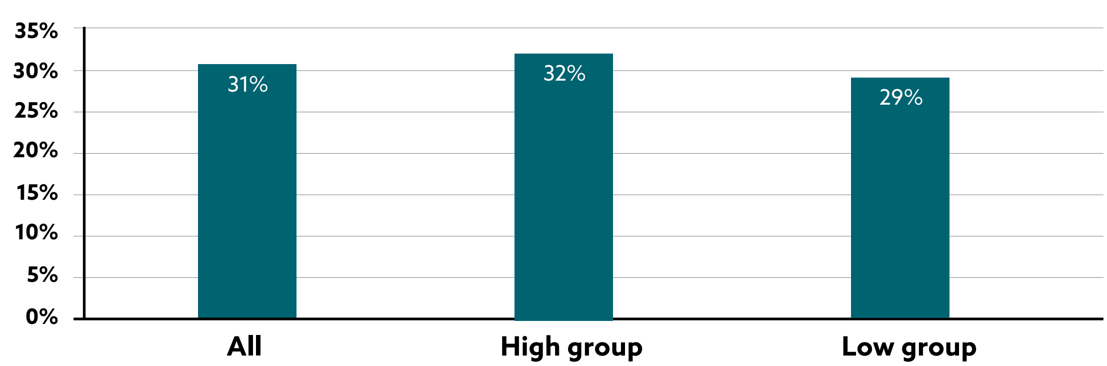


Source: *2016 NACUBO/AccessLex Tuition Discounting Study of Private Law Schools*, April 2017.

Other Findings

In addition to reporting data on enrollment and institutional grant funds, survey participants also reported on their percentage of total institutional grant aid awarded to all JD students in Fall 2015 that was funded by earnings from the school's endowment or institutional fund. This is important because it provides insight into the ability of law schools to implement or sustain their discounting practices. Many law schools do not have large endowments that can serve as a major source of funding for institutional aid. Overall, as Figure 12 demonstrates, survey respondents reported that about 31 percent of their institutional scholarship, fellowship and grant expenses were funded from their endowment or institutional fund; the percentage appeared to be slightly lower for the low tuition group.

FIGURE 12 | Percentage of Institutional Grant Aid Funded by Endowment or Institutional Fund, Fall 2015 Tuition and Fee Price Groups

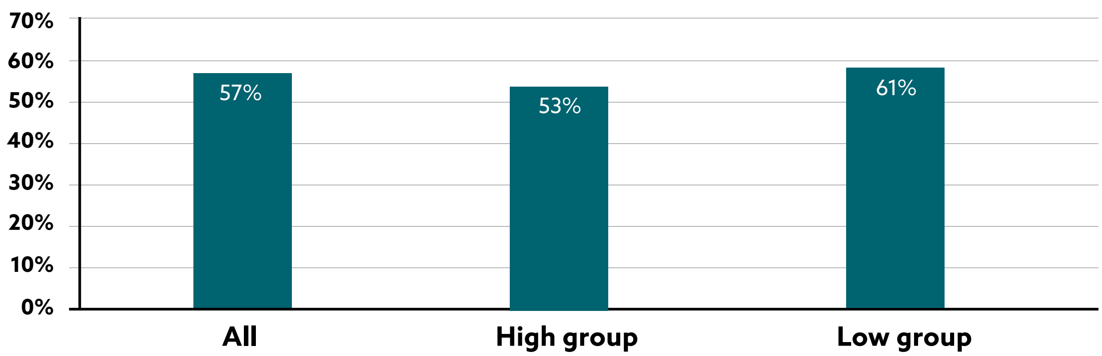


Source: *2016 NACUBO/AccessLex Tuition Discounting Study of Private Law Schools*, April 2017.

The data from Figure 12 suggest that the majority of institutional grant expenditures come from tuition and fee revenue, annual donations to the institutional scholarship fund, or some other source.

Respondents also provided information about the number of prospective 1Ls who applied to their school and the number who were offered admission in Fall 2015. This information gets at the issue of admissions selectivity and competition among law schools. As noted above, competition has been a driving factor in the trends toward increasing tuition and efforts to recruit students, especially to increase schools' positions in national rankings. For all survey respondents, the yield rate—the percentage of applicants admitted—was about 57 percent, on average (see Figure 13). The rate was slightly higher for the low tuition group and slightly lower for the high tuition group.

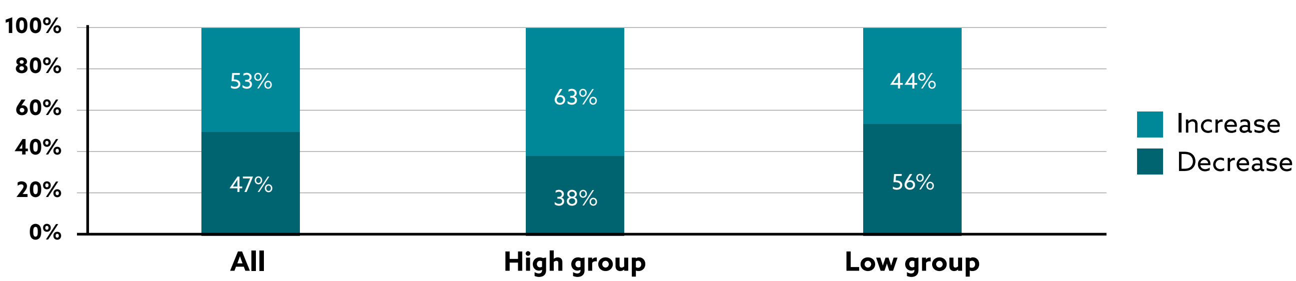
FIGURE 13 | Percentage of Applicants Admitted, Fall 2015, by Tuition and Fee Price Group



Source: *2016 NACUBO/AccessLex Tuition Discounting Study of Private Law Schools*, April 2017.

Respondents also were asked about the percentage increase (or decrease) they experienced in their 1L enrollment over the last four years (Fall 2013 to Fall 2016). As noted previously, many law schools have seen significant decreases in 1L matriculation over the past few years, which has contributed to competition among law schools and the increasing use of strategies like tuition discounting to recruit students. Of the 32 institutions that responded to this survey question, 47 percent reported a decrease in enrollment, and 53 percent reported an increase or said enrollment stayed the same (see Figure 14). The reported increases ranged from 1 percent to 100 percent, while the decreases ranged from -1 percent to -33 percent. These changes differed somewhat by tuition group; for the groups set in 2016, the high tuition group was more likely to experience an increase than a decrease, while the low tuition group was more likely to report a decrease.

FIGURE 14 | Percentage Increase or Decrease in 1L Enrollment, Fall 2016 Tuition and Fee Price Groups

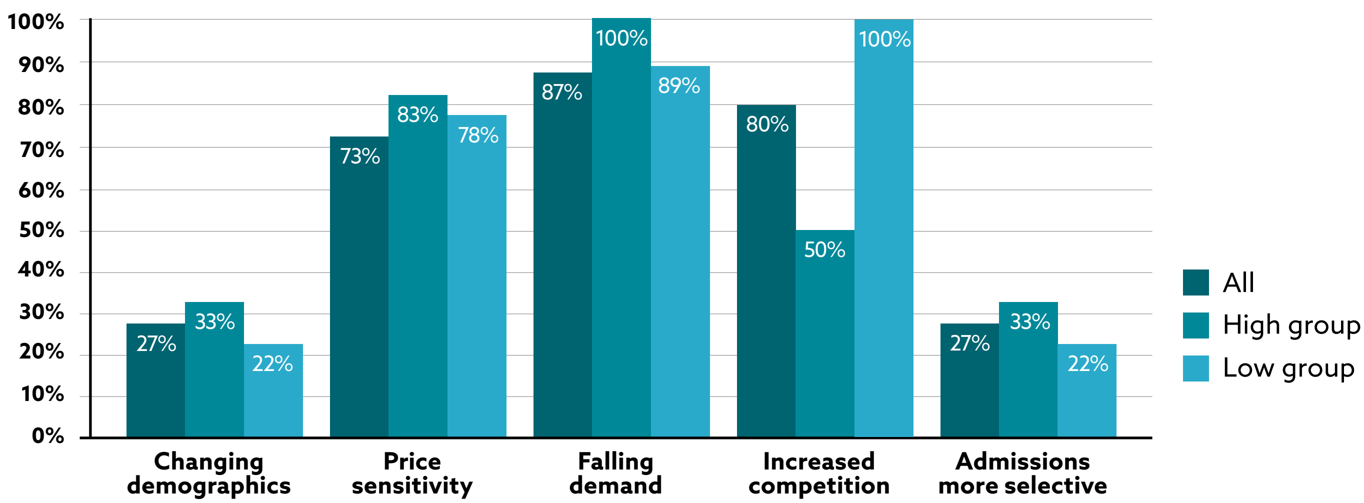


Source: *2016 NACUBO/AccessLex Tuition Discounting Study of Private Law Schools*, April 2017. The category for increase includes one school that reported enrollment stayed the same.

As a follow up, respondents were asked to identify the factors they attributed to increases or decreases in 1L enrollment from Fall 2013 to Fall 2016. There are a number of reasons that changes in enrollment can occur; as discussed earlier, research has pointed to factors such as increasing tuition and price sensitivity, the growth in the debt levels of JD graduates, changing perceptions of the value of law degrees and more competition for new students. Other potential factors include the perceived impact of changes in demographics, yield rates of accepted students, recruitment and marketing strategies, curricula and the admissions process.

For respondents that reported a decrease in 1L enrollment, the reasons most commonly cited were increased competition from other law schools in the region (80 percent), falling demand for the JD program (87 percent), and price sensitivity by students (73 percent). (See Figure 15a. Note that the responses are not mutually exclusive; respondents could choose more than one reason for enrollment declines at their institutions.) The low tuition group was particularly likely to cite competition (100 percent), while the high tuition group was more likely to attribute enrollment decreases to falling demand (100 percent). Interestingly, factors such as decreases in institutional aid or changes in loans or other student financial aid programs were the least commonly cited factors.

FIGURE 15A | Perceived Reasons for Declines in 1L Enrollment,* Fall 2016 Tuition and Fee Price Group

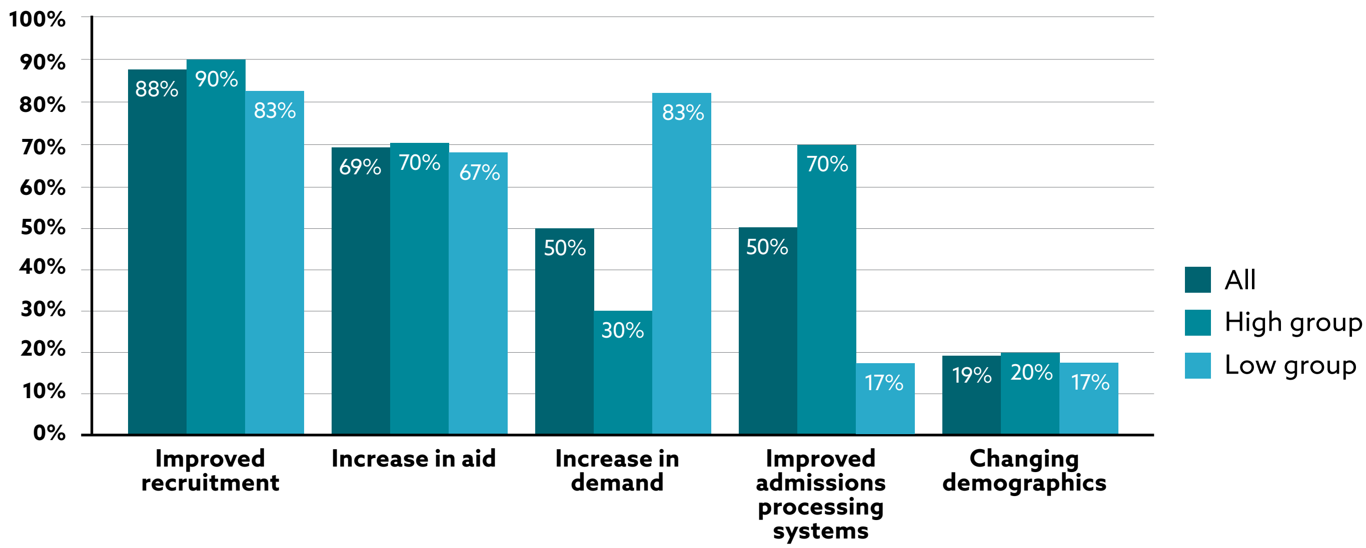


Source: *2016 NACUBO/AccessLex Tuition Discounting Study of Private Law Schools*, April 2017. * Includes only respondents who reported declines in 1Ls at their instiitutions from Fall 2013 to Fall 2016. Respondents could choose multiple reasons for enrollment declines.

For those respondents who reported increases in 1Ls (see Figure 15b), the most common reasons mentioned were improved recruitment and/or marketing strategies (88 percent) and an increase in institutional aid (69 percent). In addition, half mentioned an increase in overall demand for their institutions, an increase in the yield rate of accepted students, and improved admissions procedures (all at 50 percent). The less common choices included updated facilities, an improved job market and changing demographics.

Increase in demand and improved recruitment (both 83 percent) were the most common factors identified by the low tuition group (based on the Fall 2016 tuition groups). Respondents from the high tuition group were more likely to mention improved recruitment (90 percent) as important, as well as improved admissions and an increase in institutional aid (70 percent).

FIGURE 15B | Perceived Reasons for Increases in 1L Enrollment,* Fall 2016 Tuition and Fee Price Group

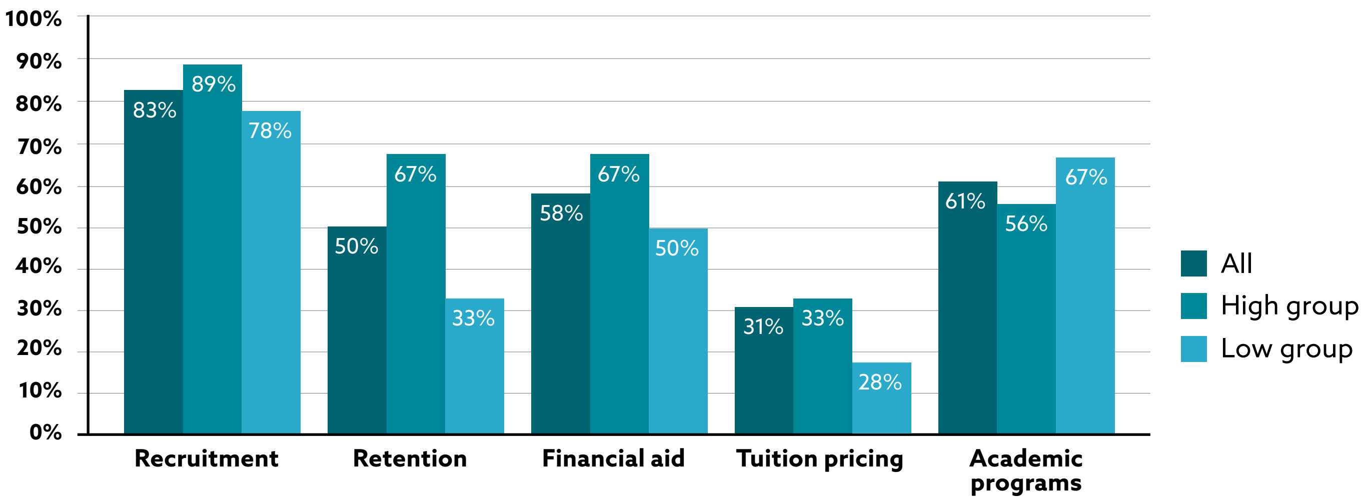


Source: *2016 NACUBO/AccessLex Tuition Discounting Study of Private Law Schools*, April 2017. * Includes only respondents who reported declines in 1Ls at their instiitutions from Fall 2013 to Fall 2016. Respondents could choose multiple reasons for enrollment declines.

The survey also asked schools about the strategy or combination of strategies they implemented to try to increase net tuition revenue in FY 2016 or FY 2017. Figure 16 suggests that on average, recruitment—such as targeted population outreach or a higher yield target—was the most common response (83 percent). Respondents also believed that changes or additions to academic programs were important (61 percent), as well as changes to student financial aid packaging or other policies (58 percent).

Among the Fall 2016 high and low tuition groups, the high tuition schools were more likely to target retention/student success strategies (67 percent) than the low tuition group (33 percent), while the low tuition group appeared more likely to use changes in academic programs (67 percent) than the high tuition group (56 percent).

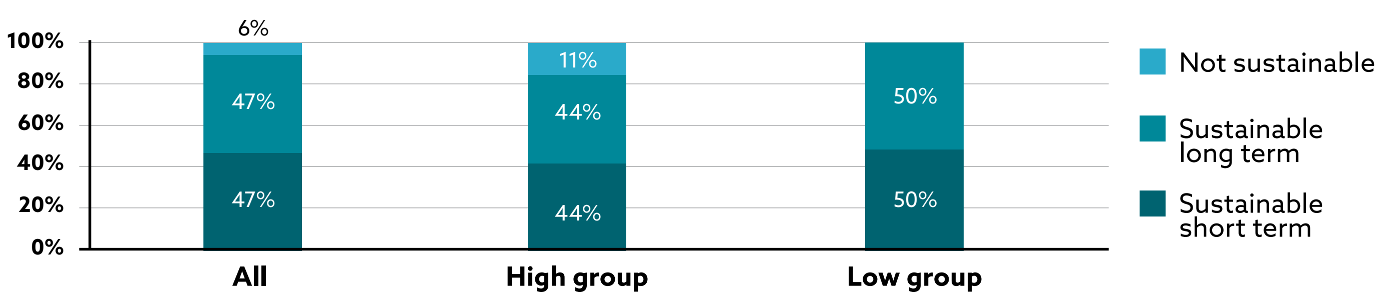
FIGURE 16 | Strategies to Increase Net Tuition Revenue, Fall 2016 Tuition and Fee Price Groups



Source: *2016 NACUBO/AccessLex Tuition Discounting Study of Private Law Schools*, April 2017.

Finally, the survey asked schools about their perceptions of sustainability—whether their institutions' tuition discounting practices are sustainable in the short term (over the next year), in the long term (over more than one year), or not sustainable at all. The majority of respondents perceived their schools' practices to be sustainable to some extent. On average, 47 percent believed tuition discounting would be sustainable in the short term, while the same proportion thought it was sustainable over the long term. About 11 percent of schools in the high tuition group felt their practices were not sustainable, however.

FIGURE 17 | Perceived Sustainability of Tuition Discounting Practices, Fall 2016 Tuition Groups



Source: *2016 NACUBO/AccessLex Tuition Discounting Study of Private Law Schools*, April 2017. Does not include one school reporting no tuition discounting policy.

SUMMARY

Of the 113 private nonprofit ABA-accredited law schools in the United States, just 36 provided useful data to this inaugural 2016 NACUBO/AccessLex Tuition Discounting Study of Private Law Schools. Due to the low response rate, the data and findings in this report should be interpreted in context and with caution towards applying them too broadly. Nonetheless, the study results do provide some potential key indicators of enrollment, institutional grant awards and institutional discount rates at private law schools. Key highlights of the survey results include the following:

- On average, the institutional discount rate (institutional grant aid expenditures as a percentage of gross tuition and fee revenue) for all participating law schools, based on all students in JD programs, rose from 35 percent in Fall 2015 to 39 percent in Fall 2016. The schools' average institutional discount rate for first-year law students was 42 percent and 37 percent, respectively, for the two years. On average, the institutional discount rate for all JD students increased between Fall 2015 and Fall 2016 for both the high tuition and low tuition groups. In contrast, the average discount rate for 1L students decreased.
- On average, about two-thirds of all JD students and three-quarters of 1Ls received institutional grant aid. The student discount rate (the average institutional grant award as a percentage of the listed tuition and fee price) for all institutional grant recipients was relatively stable at the high tuition law schools, but the low tuition institutions' rate fell from 66 percent in Fall 2015 to 50 percent in Fall 2016.
- Average net tuition revenue generated from all JD students was just under $30,000 in Fall 2015, and was essentially unchanged in Fall 2016. Because inflation was about 1.8 percent during this time span, however, in real (inflation-adjusted) value, net revenue likely fell at many of the participating schools.
- For 1Ls, however, net revenue grew by 9.4 percent during the study period. This increase appears to have been due to rising tuition revenue and smaller institutional grant awards to first-year students at the participating schools. However, because this finding is based on a small sample of all ABA-accredited private nonprofit law programs, it cannot be generalized to the full population of such institutions.
- About a third of institutional scholarships, fellowships and grant expenditures at the survey participants' institutions was funded by earnings from their endowments or institutional funds. The remainder was likely funded by tuition revenue, annual gifts to law schools and other unspecified funds. This suggests that, at most private law schools, there is not one dedicated source of revenue for tuition discounting.

- The law schools in this study admitted more than half of their 1L applicants, on average; the rate was slightly higher for the low tuition group and slightly lower for the high tuition group.
- About half of law schools that responded reported a decrease in 1L enrollment from Fall 2013 to Fall 2016; the most commonly perceived reasons for this decrease were increased competition, falling demand and price sensitivity. The other half of schools reported an increase in enrollment, most frequently attributed to improved recruitment and an increase in institutional aid.
- The top strategies or combination of strategies schools used to increase net tuition revenue were recruitment, improvements in academic programs and raising student financial aid. In addition, despite somewhat higher discount rates, the majority of the respondents believe their current tuition discounting practices are sustainable, at least in the short term.

When examining these findings, it is important to keep in mind that the responding schools may not be representative of all private nonprofit law programs, and it is possible that certain types of law schools were more likely to participate in this study. Nonetheless, this initial analysis provides a useful foundation to explore patterns of tuition discounting at private law schools, and future efforts can build on these findings.

It is also useful to consider these findings in the broader context within which many private law schools now operate—declining enrollment of 1Ls, substantial increases in tuition prices and steady growth in institutional scholarship expenses. The trends covered in this study suggest that many law schools may be facing decreases in net tuition revenue, while others have not felt as much impact or have found strategies to mitigate the impact. There is some evidence to suggest that law schools may want to change their tuition discounting practices in some way, and changes may already be occurring.

This summary of the initial NACUBO/AccessLex Tuition Discounting Survey of Private Law Schools will, hopefully, generate further discussion of these issues, with the goal of better understanding whether current tuition discounting practices are sustainable. These findings are also designed to prompt law school officials to consider other strategies that can be implemented to meet their institutional goals.

ABOUT NACUBO

NACUBO, founded in 1962, is a nonprofit professional organization representing chief administrative and financial officers at more than 1,900 colleges and universities across the country. NACUBO's mission is to advance the economic viability, business practices, and support of higher education institutions in pursuit of their missions. For more information, visit www.nacubo.org.

ABOUT ACCESSLEX INSTITUTE

AccessLex Institute®, in partnership with its nearly 200 nonprofit and state-affiliated ABA-approved Member law schools, has been committed to improving access to legal education and to maximizing the affordability and value of a law degree since 1983. The AccessLex Center for Legal Education Excellence® advocates for policies that make legal education work better for students and society alike, and conducts research on the most critical issues facing legal education today. The AccessLex Center for Education and Financial Capability® offers on-campus and online financial education programming and resources to help students confidently manage their finances on their way to achieving personal and professional success. AccessLex Institute is a nonprofit organization with offices in West Chester, Pennsylvania, and Washington, D.C. and field offices throughout the U.S.

Participants

Ave Maria School of Law
Albany Law School of Union University
Baylor University
California Western School of Law
Campbell University
Capital University
Case Western Reserve University
Creighton University
Drake University
Elon University
Fordham University
Georgetown University
Howard University
Lincoln Memorial
Loyola University – New Orleans
Michigan State University College of Law
Mitchell Hamline School of Law
Pepperdine University
Quinnipiac University
Regent University
Roger Williams University
St. Mary's University
Samford University
Seattle University
Seton Hall University
St. John's University
Stetson University
Suffolk University
Syracuse University
Thomas M. Cooley Law School
University of La Verne
University of San Francisco
Vanderbilt University
Vermont Law School
Wake Forest University
Washington and Lee University

NACUBO

AccessLex INSTITUTE®