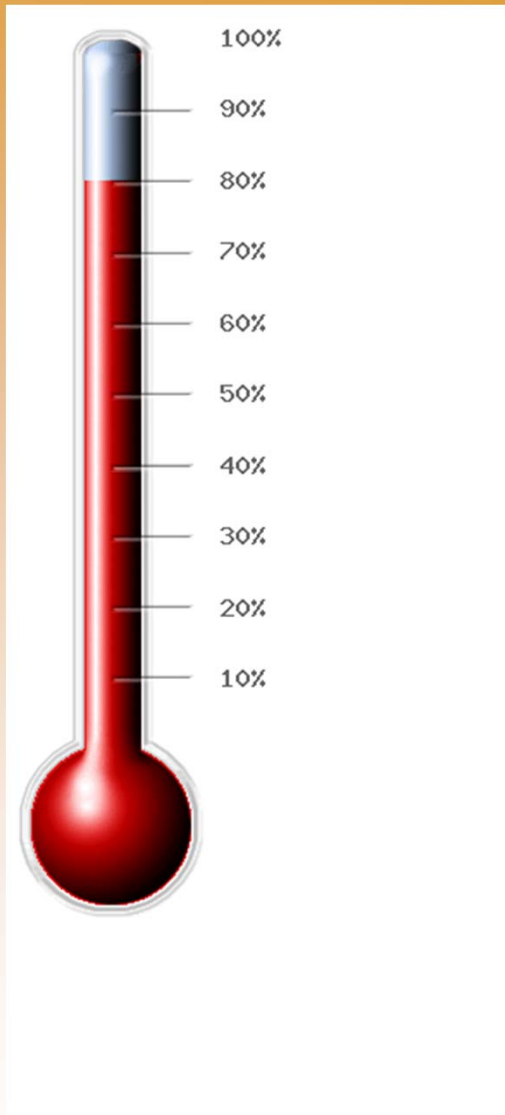


Beloit
College

My optimism index:

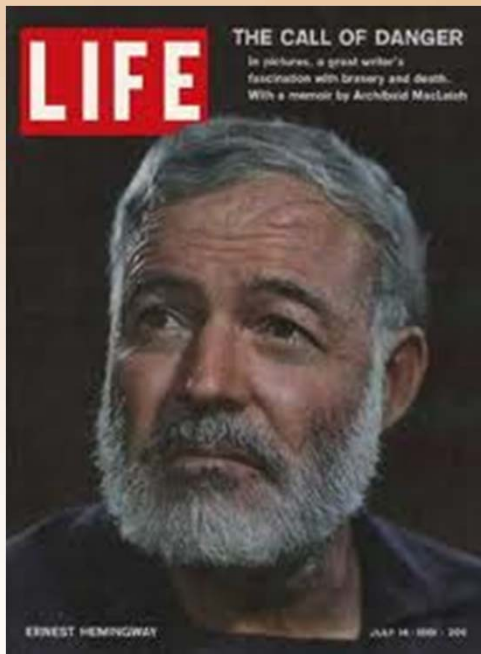
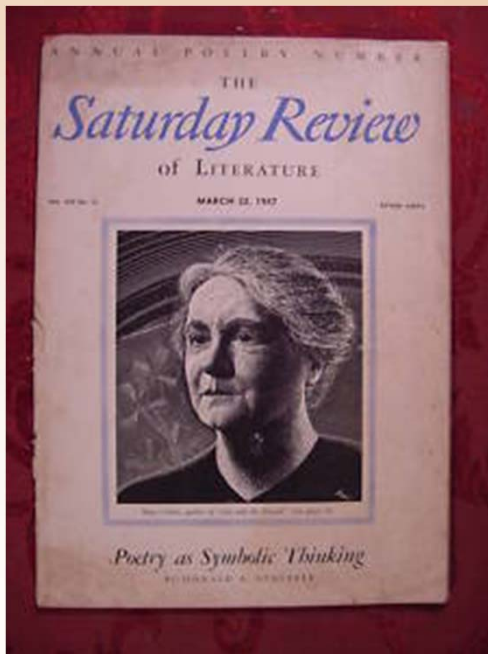


Inspiration



Ernest Hemingway: I am getting to know the rich.

Mary Colum: I think you'll find the only difference between the rich and other people is that the rich have more money.



How I Learned to Stop Worrying and Love Merit Awards: The Tuition Driven Schools' Dilemma

Scott Bierman
Beloit College

Beloit
College

How do you know if you are
tuition driven?

How do you know if you are
tuition driven?

If between May 1 and August 15 every
important question your president is asked is
if **you have made your class.**

That means, it is
all about...

It is all about...

REPUTATION and RESOURCES

It is all about...

REPUTATION and RESOURCES

(Did you make your class?)

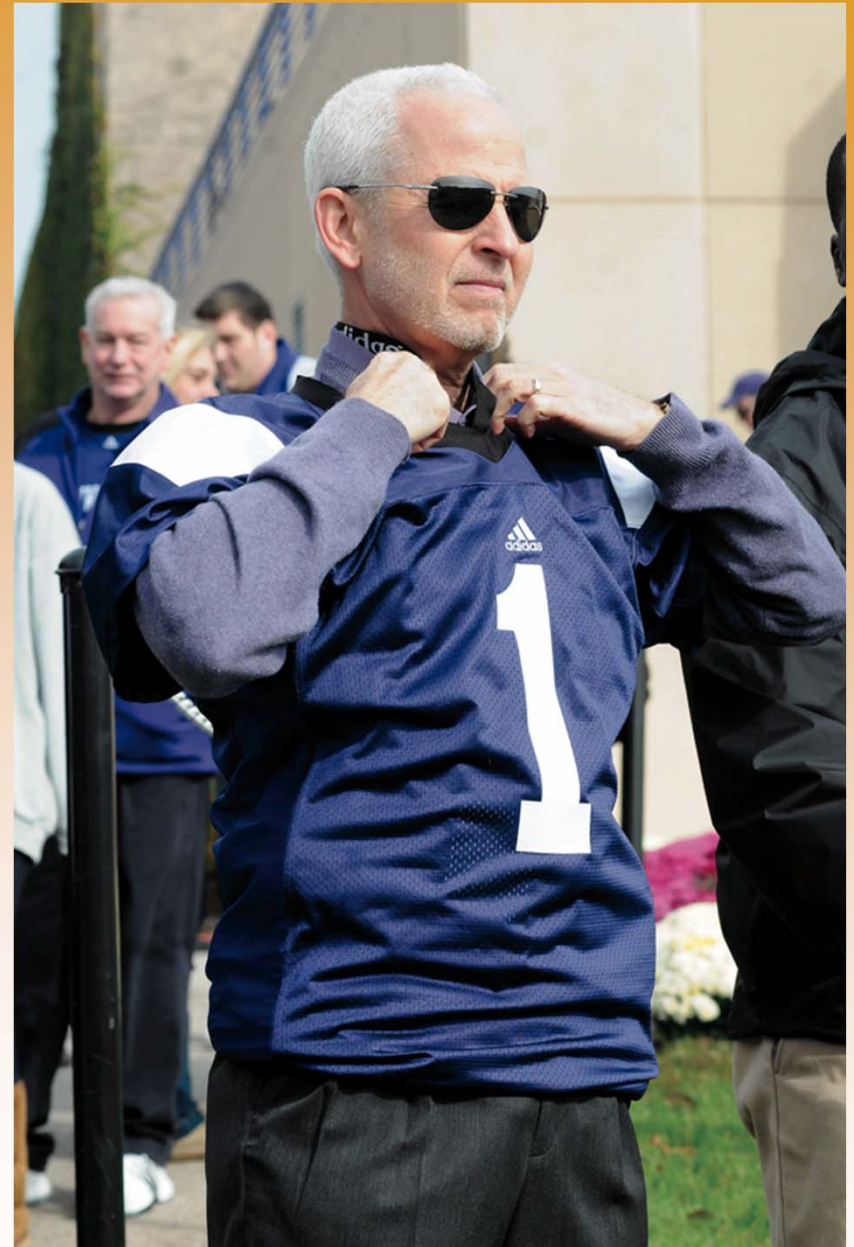
One model...

One model...

Morty Shapiro

One model...

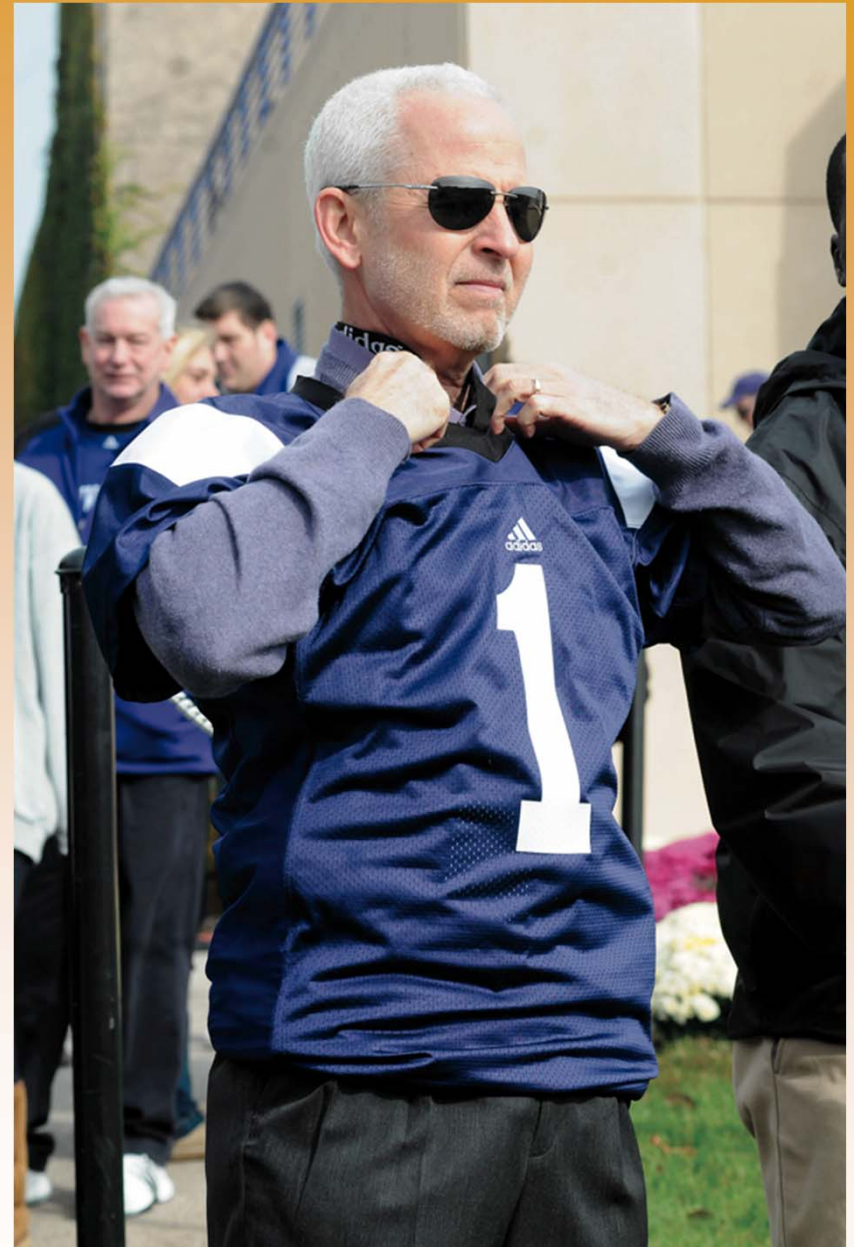
Morty Shapiro



One model...

Morty Shapiro

(Did you make your class?)



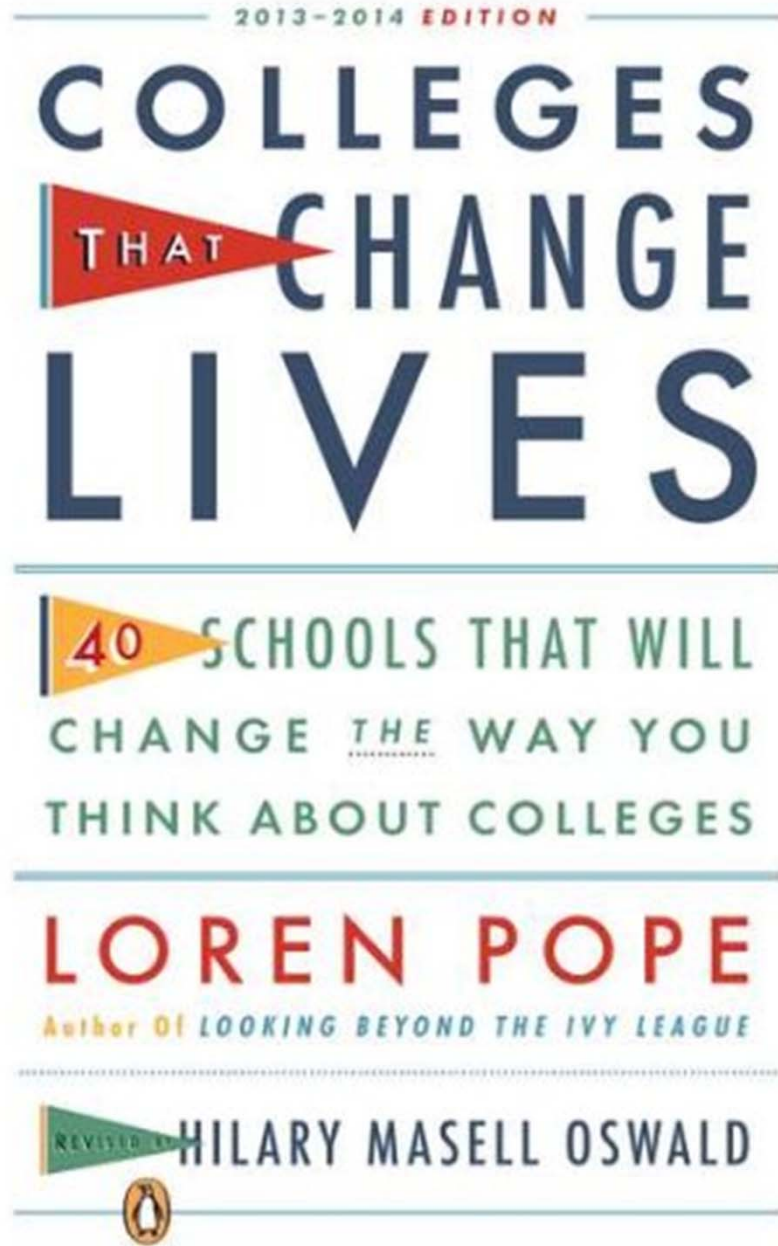
A different model...

A different model...

Beloit
Cornell
Knox
Lawrence
St. Olaf

A different model...

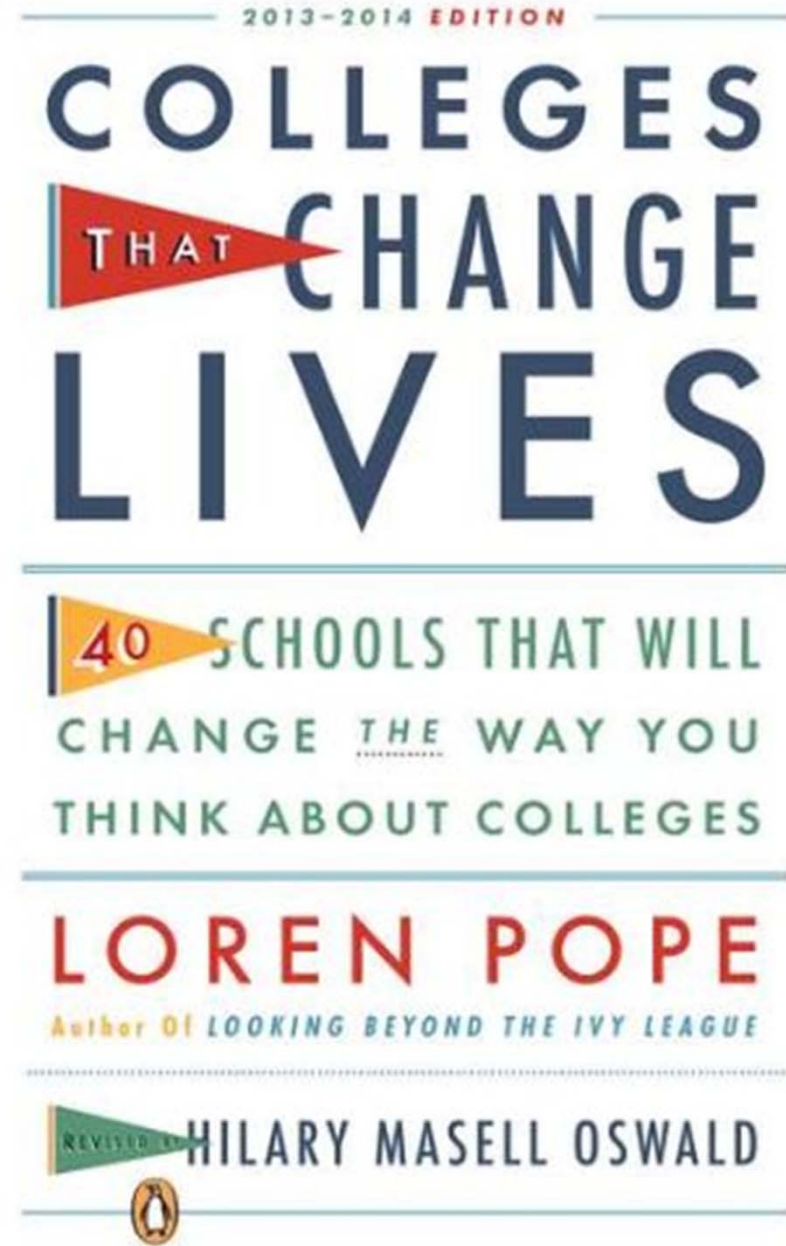
Beloit
Cornell
Knox
Lawrence
St. Olaf



A different model...

Beloit
Cornell
Knox
Lawrence
St. Olaf

(Did you make your class?)



The Dilemma of the Tuition-Driven College

Institutions that lack a large endowment and a stream of eager applicants need to get the word out to recruit the right mix of students.

The fact is, virtually all institutions are essentially tuition driven. Although trustees generally do not understand what being in that predicament means...

The game is student recruitment, not admissions. If your institution struggles to reach enrollment goals ... then your college or university is in the student-recruitment business.

TRUSTEESHIP

SEPTEMBER/OCTOBER 2006 •

Beloit
College

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SEPTEMBER/OCTOBER 2006 •

The game is student recruitment, not admissions. If your institution struggles to reach enrollment goals ... then your college or university is in the student-recruitment business.

(Did you make your class?)

Beloit
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How do you know if you are tuition driven?

So, here is a new admissions measure...what percentage of your applicant pool that **you actually want to have at your school** (and who actually bother to complete the application) do you accept? If this number gets pretty close to 100%, you are tuition driven.

Goddard Cuts Faculty, Staff Pay to Deal With Deficit

June 17, 2013

Goddard College is cutting faculty and staff pay to deal with a \$550,000 deficit in a budget of less than \$13 million, The Rutland Herald reported. .. **Officials blamed the deficit on enrollment declines.** ..The college will also be suspending retirement contributions, and eliminating severance pay, but no layoffs are planned.

INSIDE
HIGHER ED

Beloit
College

A Deficit of Trust

June 18, 2013

By Kevin Kiley

The U.S. Department of Justice sent a letter last month to several private colleges saying the department opened an investigation into a “possible agreement among colleges to restrict tuition discounting and prevent colleges from changing or improving financial aid awards to individual students,” ... The letter cites a session at the Council of Independent Colleges’ 2013 Presidents Institute in January entitled “Collaborative Efforts on Student Aid and Admissions Policies: A Report on Progress, Prospects, and Possibilities” in which a group of private college presidents discussed potential ways to limit the use of non-need-based aid and shift money toward need-based aid.

INSIDE
HIGHER ED

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Amid limited budgets, colleges grapple with merit-based aid

...Georgia Nugent, the outgoing president of Kenyon College, a small, prestigious college in Ohio, acutely feels the tensions. She has led discussions among small college presidents about whether they can collectively decrease merit aid without reducing competitiveness.

Yet her own college, **disappointed a few years ago with the crop of students who accepted admission, then boosted its merit aid budget.** “How embarrassing is this for me?” she said, laughing. “That’s what’s happening, the system just keeps ratcheting up,” ...

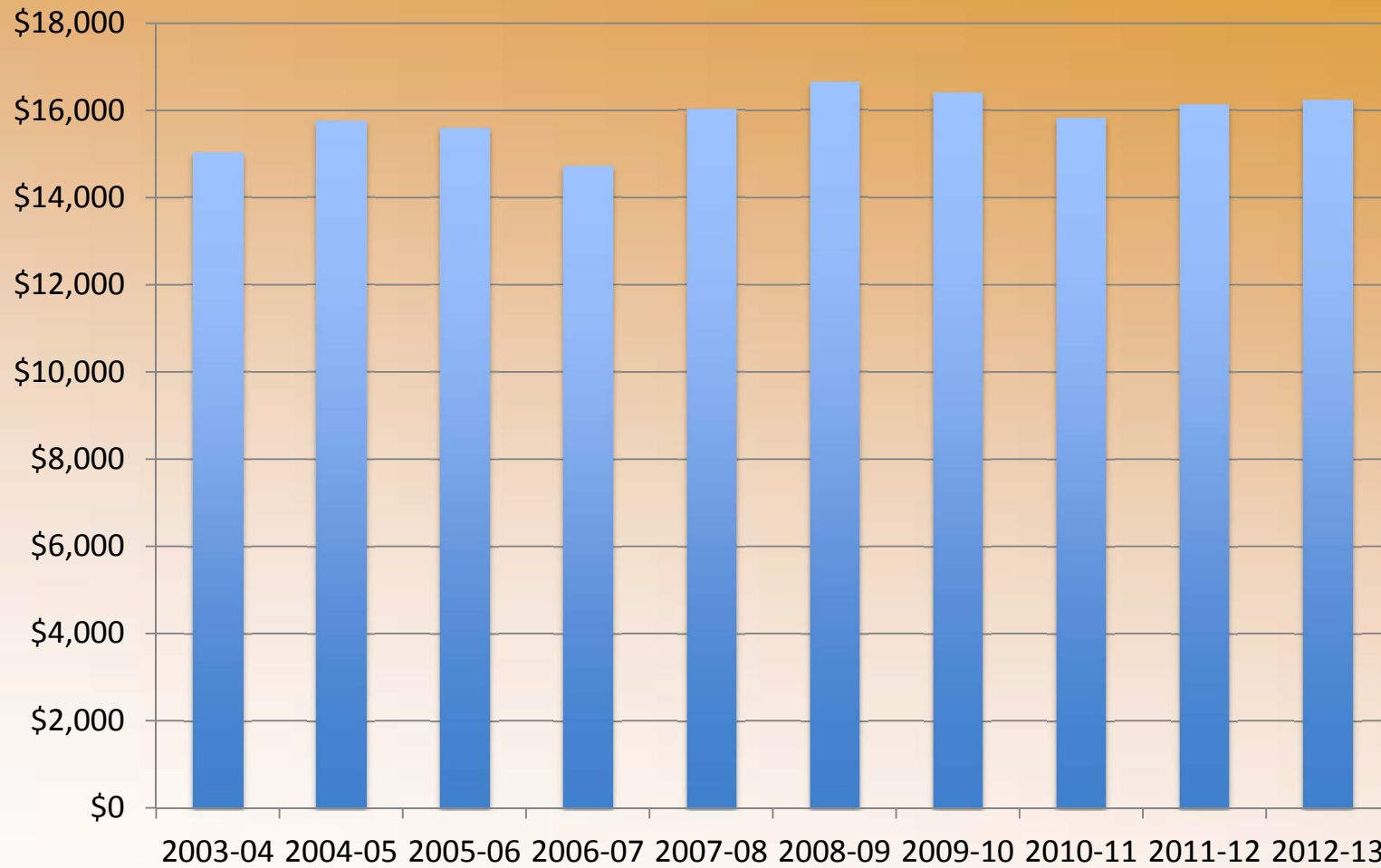
The Boston Globe

MAY 28, 2013

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In the last College Board Highlights report, **68% said that Beloit College's financial aid package** was a significant factor in their decision to attend (as reported: only 32% said that financial aid wasn't a significant factor in their decision to attend). The 2012 CIRP data reinforces this. The offer of financial assistance was the most important factor of those offered with 74.8% of respondents pointing to this as being "very important" when considering Beloit.

Real Net Tuition / Student



Beloit College Pricing 101

Beloit Magazine, Summer 2010

“Let me start with a poorly understood fact. **The cost of a Beloit College education since the 2001-02 academic year has risen by \$335.** Surprised? If you get nothing more out of this magazine than an appreciation of this statistic, you will have spent your time well. The cost of a Beloit education since 2001-02 has risen by \$335.”

Beloit
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Context

Dr. Ehrenberg: You are perceived to be part of the problem...

True, but...

Context

Dr. Ehrenberg: You are perceived to be part of the problem...

True, but...

Increasing student tuition...

Well, if all you look at is the sticker price, this is true, but since 95% of our students get some form of grant award, this is nearly an irrelevant number.

Context

Dr. Ehrenberg: You are perceived to be part of the problem...

True, but...

Context

Dr. Ehrenberg: You are perceived to be part of the problem...

True, but...

Increasing student loans...

Well, if you don't adjust for inflation this is true, or if you confound us with the for-profit sector, otherwise this is simply a non-issue right now.

Context

Dr. Ehrenberg: You are perceived to be part of the problem...

True, but...

Context

Dr. Ehrenberg: You are perceived to be part of the problem...

True, but...

Only small number of students with modest means come to your college...

Well, it is a lot more than it was a few years ago and has been steadily rising. We are well over 20% in Pell eligible students (up from 12%) and have 26% domestic minority in this year's entering class. And average family income is far less than UW.

Context

Dr. Ehrenberg: You are perceived to be part of the problem...

True, but...

Context

Dr. Ehrenberg: You are perceived to be part of the problem...

True, but...

Low spending from endowment...

I wish.

Context

Dr. Ehrenberg: You are perceived to be part of the problem...

True, but...

Context

Dr. Ehrenberg: You are perceived to be part of the problem...

True, but...

In dollar terms you are still widening the gap with public institutions...

Well, only for the very few richest students. For a good student we are now cheaper than UW up to incomes approaching \$200,000.

Ok, ok, back to the point...

The thing about reputation is that it is inherently relative, that lends itself to non-cooperative behavior (e.g. arms races).



Beloit
College

Stylized Assumptions

Rich student without merit pays tuition of ...**\$40,000**

Rich student with merit award pays...**\$30,000**

Average student with need pays...**\$25,000**

Good student is valued over average student by...**\$12,000**

Stylized Assumptions

Rich student without merit pays tuition of ...**\$40,000**

Rich student with merit award pays...**\$30,000**

Average student with need pays...**\$25,000**

Good student is valued over average student by...**\$12,000**

If I offer a merit award and you do not the probability of student choosing me is **1.0**

If you offer a merit award and I do not the probability of student choosing me is **0.0**

If both of us offer the same merit award, the probability of student choosing me is **0.5**

If both of us offer no merit award, the probability of student choosing me is **0.5**

Along comes a rich good student...

Rich student without merit pays tuition of ...**\$40,000**

Rich student with merit award pays...**\$30,000**

Average student with need pays...**\$25,000**

Good student is valued over average student by...**\$12,000**

If I offer a merit award and you do not, the expected payoff to me is **$\$30,000 + \$12,000 = \$42,000$**

If you offer a merit award and I do not, the expected payoff to me is is **$\$25,000$**

If both of us offer a merit award, the expected payoff to me is is **$0.5 * \$42,000 + 0.5 * \$25,000 = \$33,500$**

If both of us offer no merit award, the expected payoff to me is is **$0.5 * \$52,000 + 0.5 * \$25,000 = \$38,500$**

You Offer Merit Award You Do Not Offer Merit Award

I Offer Merit Award

\$33,500

\$42,000

I Do Not Offer Merit Award

\$25,000

\$38,500

The Tuition Driven Schools' Dilemma

	You Offer Merit Award	You Do Not Offer Merit Award
I Offer Merit Award	\$33,500	\$42,000
I Do Not Offer Merit Award	\$25,000	\$38,500

Sarah West: How do you solve
the coordination problem?

Along comes a rich good student...

Rich student without merit pays tuition of ...**\$40,000**

Rich student with merit award pays...\$15,000

Average student with need pays...\$0

Good student is valued over average student by...**\$12,000**

If I offer a merit award and you do not, the expected payoff to me is **$\$15,000 + \$12,000 = \$27,000$**

If you offer a merit award and I do not, the expected payoff to me is is **$\$0$**

If both of us offer a merit award, the expected payoff to me is is **$0.5*\$27,000+0.5*\$0 = \$13,500$**

If both of us offer no merit award, the expected payoff to me is is **$0.5*\$52,000+0.5*\$0 = \$26,000$**

The Tuition Driven Schools' Dilemma

	You Offer Merit Award	You Do Not Offer Merit Award
I Offer Merit Award	\$13,500	\$27,000
I Do Not Offer Merit Award	\$0	\$26,000

Beloit
College

So, what is the point?

For a tuition driven school there is almost nothing in the budget that is not about...

People

Financial Aid

Buildings

We promise a heavily mentored very individual education.

This makes it hard to cut back on people.

We promise we believe both in the principle of access and the importance of how having a diverse community.

This makes it hard to cut back on need-based financial aid.

We promise we believe in the residential learning experience

This makes it hard to cut back on physical plant.

And the quality of the people, program, and place are all what make up the thing you need to enhance: **your**

reputation.

What options do we have?

What options do we have?

The Mellon Foundation and Dr. Ehrenberg think we need to explore **collaboration** more.

Sharing services, sharing courses

What options do we have?

The Mellon Foundation and Dr. Ehrenberg think we need to explore **collaboration** more.

Sharing services, sharing courses

Maybe there is some savings with **technology** (it seems to me this lends itself to an arms race problem one more time)

What options do we have?

Can we think about time differently?

Can we think about degrees differently?

Can we think about majors differently?

Can we think about pathways through our colleges differently?

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College