Tuition Discounting Calculation Method Change-2024

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Texas A&M University System Office

Overview

• Why do we have Tuition Discounting?
• Generic Definition
• TAMUS Institutions’ Discounts
• NACUBO Guidance
• NACUBO White Paper-draft
• Research Needed
Why do we have Tuition Discounting?

• Tuition discounting is a unique and material concept for institutions of higher ed

• We are required to report 100% of Tuition and Fee Revenue, gross revenue
  ○ Other Sources besides students pay for Tuition and Fees

• Other Sources used to pay for Tuition and Fees
  ○ Federal Pell Grant Revenue
  ○ Gifts per donor’s wishes
  ○ Investment earnings

• State Exemptions applied to a Students Bill

Generic Definition

• An institution offsets its published tuition price (sticker price) with federal or institutional grant aid for enrolling students

• Tuition discount rate is the ratio of total federal or institutional grant aid relative to gross tuition revenues at an institution

• Note: Typically, at public and private nonprofit colleges and universities, even for full pay students, the price paid by the student is less than the average cost of educating a student
  ○ The difference is made up through a combination of government subsidies and revenues from endowments and other private sources
Who or what funds Discounts?

- Government programs
  - Federal Pell Grants are over 60%
- Gifts
- Endowment earnings (restricted and unrestricted)
- Interest Income
- State Exemptions
  - Unfunded mandate

Why Discount?

- Discounts are used to target enrollment or shape the incoming class; we want and we need
  - Diversity
  - Increase in a particular program
  - We must sustain enrollment
- Maximize Tuition Revenue
  - Fill seats
  - Meet enrollment goals
  - Ensure Budgets are met
- Required per State Rules
Trends Up and Down

• Across the nation, discount Rates increasing
  ○ Student Bursar’s offices trying to do all they can to keep students enrolled
  ○ Students have fewer funds today for higher education

• At Texas A&M Institutions, the average tuition discounting has decreased slightly since 2020, some increases and decreases

Texas A&M Universities Tuition Discount Rates 2021 and 2020

<table>
<thead>
<tr>
<th>Texas A&amp;M Institutions</th>
<th>2021</th>
<th>2020</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>TAMU</td>
<td>22.19%</td>
<td>20.62%</td>
<td>1.57%</td>
</tr>
<tr>
<td>PVAMU</td>
<td>45.57%</td>
<td>55.07%</td>
<td>-9.50%</td>
</tr>
<tr>
<td>HSC</td>
<td>9.29%</td>
<td>9.41%</td>
<td>-0.12%</td>
</tr>
<tr>
<td>TAMU</td>
<td>47.56%</td>
<td>52.72%</td>
<td>-5.16%</td>
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<tr>
<td>TAMUC</td>
<td>28.01%</td>
<td>30.83%</td>
<td>-2.82%</td>
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<tr>
<td>TAMUCC</td>
<td>27.59%</td>
<td>27.86%</td>
<td>-0.27%</td>
</tr>
<tr>
<td>TAMUCT</td>
<td>25.41%</td>
<td>22.72%</td>
<td>2.69%</td>
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<tr>
<td>TAMUG</td>
<td>17.15%</td>
<td>19.39%</td>
<td>-2.24%</td>
</tr>
<tr>
<td>TAMUK</td>
<td>39.10%</td>
<td>33.46%</td>
<td>5.64%</td>
</tr>
<tr>
<td>TAMUSA</td>
<td>34.56%</td>
<td>31.78%</td>
<td>2.78%</td>
</tr>
<tr>
<td>TAMUT</td>
<td>30.16%</td>
<td>29.04%</td>
<td>1.12%</td>
</tr>
<tr>
<td>TSU</td>
<td>24.88%</td>
<td>24.59%</td>
<td>0.29%</td>
</tr>
<tr>
<td>WTAMU</td>
<td>32.72%</td>
<td>27.07%</td>
<td>5.65%</td>
</tr>
</tbody>
</table>

Average Change -0.028%
Texas A&M Universities
Tuition Discount Rates 2021 and 2020

2 Year Comparison Texas A&M Institutions

Line Chart Texas A&M Institutions
Texas A&M Universities
Tuition Discount Rates 2021 and 2020

Percentage Change Texas A&M Institutions

State of Texas Tuition Exemptions

• These are created via a legislative session
• Legislatures want to reduce the education costs for certain types of students
  o Blind/Deaf Exemption
  o Hazlewood Act
  o Valedictorian
• Tuition Exemptions are reported in Tuition Revenue and reported in Tuition Discounts (contra-revenue)
• No change in this reporting
NACUBO Draft White Paper

- Alternative Method from NACUBO Advisory 2000-05 is no longer endorsed
  - TAMUS adopted this Alternative methodology and provides a Tuition Discounting Template...this will need to change
- The white paper is stating Tuition and Fee Discounts must be based on the ‘flow’ of financial aid and based upon aid award policies
- Methodologies must be consistent with current and future GASB revenue and expense guidance

Applying Student Aid

- Assume a student pays the balance in full; in real time there is NO discount
  - Then Federal Pell Grant is posted 2 days later; this would be recorded as a scholarship expense to the student
  - and still No discount reported
- If the Pell Grant arrived first, then some or all of the Pell Grant payment would be treated as a discount

  Challenge: The substance of the transaction is the same; however the financial reporting is different

  Timing Differences are a big concern for our Student Systems
Student Systems

- Complex Accounts Receivable modules
- A&M Institutions use Banner, Compass or Colleague student systems
- Met with TAMU and TSU...they explained their student systems must continually ‘re-apply’ payments
- Thus, in the example the Pell Grant would be re-applied to the student account...the portion of Pell that applies to the tuition and fees is applied and then a refund is issued to the student for their original cash payment

Detail Codes

- Our student systems have detail codes to help us determine the type of revenue, expense and help display accurate bills to the students and reporting
- Each A&M member has established different codes
- Research is needed by each member to help determine what reporting is possible
Why do we need to change?

- The Alternative Method calculates the discount by using too many assumptions or estimations
  - Allocating discounts proportional by revenues does not match the contract with the student
    - Discounts are mostly attributable to Tuition and Fee vs. Auxiliary
  - Allocating refunds by the types of revenue received does not match the contracts with the Federal Government or the student
    - Refunds include payments to the students for their cash payments and loans
    - Often refunds are attributable to housing costs incurred by the student

- Student systems are more sophisticated and can provide better data today

4 Options Provided in the White Paper

A. Calculate detail by student, data aggregated by term or semi-annually (forward flow approach)

B. Calculate detail by student, data aggregated for the entire fiscal year (forward flow approach)

C. Calculate by using a high-level estimation for the entire fiscal year (forward flow approach)

D. Calculate by adjusting refunds for the entire fiscal year (backward flow approach)
Method A - Calculate detail by student, data aggregated by term or semi-annually

- Per student per term or semi-annually, receive a Banner report which contains all Aid provided to the student
- We need the Banner report to define
  - The Aid applied to the Tuition and Fees vs. Auxiliary Charges
  - These details will already improve the calculation
- Take the Total Tuition and Fee Aid and subtract out aid for Auxiliary Charges
- 2 Assumptions
  1. If student aid is negative, assume attributable to prior period, then place in the tuition discount
  2. If student aid is positive and there are no charges, then record as scholarship expense
- Concern...how can we do this by student?

Method B - Calculate detail by student, data aggregated fiscal year

- The data might be easier to gather from Banner
- Less accurate, but possible the difference is immaterial compared with Method A calculation
- There would be more timing differences vs. calculating each term or twice a year
- Same Concern...how can we do this by student?
Method C-High-level estimation by FY

• Work with the Bursar’s Office to understand how they apply student aid
• We still need the Banner report to define total Aid applied to the Student Accounts
• Apply 100% of the Aid to Tuition and Fees
  o Need to analyze Auxiliary discounts (room and board) normally they are immaterial
  o If Banner can provide Auxiliary discounts this would improve the calculation
• Analyze refunds, they are normally related to loan disbursements, if refunds are greater than loan disbursements, record the difference as scholarship expense
• If total Auxiliary (room and board) revenue exceed gross tuition and fee revenue then a portion of the discount should be allocated to Auxiliary revenues

Method D-Adjusted refunds by FY

• Begin with Refunds to students receiving Aid report from Banner
  o Assumption refunds are mostly loan proceeds to students to cover living expenses
• Remove refunds related to loans and cash payments
  o If the amount is negative
    • Allocate the Auxiliary discount per the Banner report
    • The remaining negative amount is equal to Tuition and Fee discount
  o If the amount is positive
    • Allocate the Auxiliary discount per the Banner report
    • Then take the total Student Aid from a Banner report and subtract out Auxiliary Discount then the rest is the Tuition and Fee discount
Develop a Different Method?

- Are any of these NACUBO methods doable based upon reports out of our student systems?
  - Similar themes in the various methods
- UT System stated at TASSCUBO, they use a high-level estimate
  - Could we develop something similar?
- Let's explore the White Paper

What Stayed the Same and What Has Changed?

- What Stayed the Same
  - Total Student Aid stays the same, we receive the same total student aid report today
- What’s Different
  - Tuition and Fee Discount increased
  - Auxiliary discount decreased
  - Maybe Scholarship Expense decreased (these were overstated by loans and refunds to the student under the Alternative Approach)
## Today’s Method

<table>
<thead>
<tr>
<th>Financial Aid $43 million plus $4 million Exemptions subtract estimated $18 million refunds applied to scholarship expense plus consider the estimated impact of refunds related to tuition and fees equals $29 million Tuition Discount, estimated $4 million Auxiliary portion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total $29 million $25 million to tuition and fee discount and $4 million to Auxiliary</td>
</tr>
</tbody>
</table>

## Future Method

<table>
<thead>
<tr>
<th>Financial Aid $43 million plus $4 million Exemptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Remove $2 million Auxiliary discount and</td>
</tr>
<tr>
<td>Isolate $10 million refunds attributable to the discount for Tuition and Fees</td>
</tr>
<tr>
<td>Total $37 million; $35 million to Tuition &amp; Fees and $2 million to Auxiliary</td>
</tr>
</tbody>
</table>

## Change

- **No Change**
- Remove Estimates-Source Banner, and more accurately allocating to Auxiliary
- Remove Estimates-Source Banner, remove refunds related to loans or cash payments
- Discount difference is different by $8 million, offset is in scholarship expense

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## Recap

- **Financial Aid stays $43 million**
- **Total Discounts increased $8 million**
  - Discounts in the columns E&G/Designated and Auxiliary has changed
- **Scholarship expense decreased $8 million**
- **Fund Balance has not change**

A change in geography on the Operating Statement
Why the change

• Student systems are more sophisticated and can provide better data
• Auxiliary is currently receiving too high of a percentage of the discount
• Refunds are overstated by loans and cash payments
  o This is where we could see a difference
  o Today we are calculating a percentage that could possibly be related to Tuition and Fees vs. receiving a Banner report
  o What if the values are very similar, then this will be a minimal change

Action Items

• What is possible to receive from Banner (student) systems?
• Begin working with the Bursar’s Office
• Work on this topic together
  o NACUBO
  o TASSCUBO
  o Internal
• Determine who will explain this change to management
System Office Initial Ideas

• Move towards Methods A or B, if possible
  ○ Can all institutions use the same method?

• Establish a workgroup to help us determine what is possible
  ○ Could we provide a new template for all institutions?

• We have heard many institutions are concerned with gathering this data out of their student system
  ○ Student Bursar’s operations is complicated

• We need to find a way to more accurately report Student Aid from our Systems

• New Ideas are needed and welcome

Questions