



# Transitioning to Banded Tuition

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## TABLE OF CONTENTS

- I. Research Methodology
- II. Executive Summary
- III. Impact of Banded Tuition on Contact  
Institutions  
Networking Contacts

# I. RESEARCH PARAMETERS

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## Project Challenge:

Leadership at a member institution approached the Council with the following questions:

- **Impact on student enrollment behavior:** What effect did the transition to banded tuition have on student credit hour enrollment behavior? Was this effect similar to expected effects?
- **Impact on tuition revenues:** How have tuition revenues changed as a result of the transition to banded tuition? Was this effect similar to the projected impact?
- **Impact on student grade point averages:** How have student grade point averages changed as a result of the transition to banded tuition?

## Project Sources:

- National Center for Education Statistics [NCES] (<http://nces.ed.gov/>)

## Research Parameters:

The Council reached out to four-year institutions that have recently transitioned to a banded tuition structure. While the Council primarily focused on master's level institutions, it also reached out to several research universities in order to gain additional perspective.

A Guide to the Institutions Profiled in this Brief			
Institution	Location/Urbanicity	Approximate 2009 Enrollment (Total/Undergraduate)	Carnegie Classification
The University of Texas at Brownsville	South/City: Midsize	6,200 (5,900)	Master's Colleges and Universities (medium programs)
The Richard Stockton College of New Jersey (Stockton College)	Mid-Atlantic/Suburb: Midsize	7,600 (6,800)	Master's Colleges and Universities (smaller programs)
Texas A & M University	South/City: Small	48,700 (38,800)	Research Universities (very high research activity)
Western Michigan University	Midwest/City: Small	24,600 (19,500)	Research Universities (high research activity)
The University of Texas at Austin	South/City: Large	51,000 (38,200)	Research Universities (very high research activity)

Source: National Center for Education Statistics

## II. EXECUTIVE SUMMARY

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### Key Observations:

- ❖ **Institutions have typically seen marginal increases on enrollment behavior, and Texas A&M is the only contact institution to witness an increase of more than five percent.** Contacts cite the difficulty of attributing any enrollment fluctuations to the change in tuition policy. No institution reports a significant increase in student GPAs.
- ❖ **Several contact institutions have used banded tuition as a method of generating increased revenue, but other institutions have seen only marginal increases in tuition revenue.**
- ❖ **Though banded tuition can create a financial incentive for students to take an extra course above the minimum full-time load, the banded tuition structure can place students at a financial disadvantage if non-financial factors prevent them from enrolling in an extra course.** Two contact institutions have introduced accommodations for these students, including charging a per-credit rate for students whom the institution permits only the minimum full-time enrollment and allowing students to defer a fifth spring course until the summer.
- ❖ **Contacts at two institutions warn that adopting banded tuition complicates any effort to introduce differential tuition.** It may be desirable to tie tuition to instructional costs by establishing higher tuition or fees associated with courses that incur higher instructional costs, but any efforts to differentiate tuition remove the uniformity that banded tuition attempts to create.

### III. IMPACT OF BANDED TUITION AT CONTACT INSTITUTIONS

#### *Enrollment Impact*

Most contact institutions experience a slight increase in per-student credit hour enrollment, although **Texas A&M University** experienced an eight percent increase:

Banded Tuition's Impact on Enrollment		
	<b>Richard Stockton College</b>	Contacts report a marginal increase in enrollment, although they are reluctant to attribute this to the change in tuition structure.
	<b>University of Texas at Austin</b>	The University only witnessed a marginal increase in enrollment. In the College of Liberal Arts and the College of Natural Sciences, full-time students increased enrollment by only 2.6 percent, and across all colleges, this increase was only 1.3 percent. Contacts attribute this difference between colleges to the fact that enrollment before the transition was lower in these two colleges.
	<b>University of Texas at Brownsville</b>	Contacts indicate a minor increase in enrollment, on the order of five percent. Over the course of the institution's transition, the size of the enrollment increased by 21 percent, and contacts suggest that a quarter of this increase was due to increased per-student enrollment.
	<b>Texas A&amp;M</b>	After the change in tuition structure, the average enrollment increased from 25 SCH per year to 27 SCH per year – approximately an eight percent increase.

Contacts note that some students only take the minimum full-time load (typically 12 SCH) for non-financial reasons, limiting the impact of banded tuition on enrollment. Because implementing banded tuition typically involves an increase in tuition for students remaining at the minimum level, institutions have implemented strategies to mitigate this:

#### *Waiver for Students With Limited Enrollment at Stockton College*

Stockton College occasionally prevents students from enrolling in more than 12 SCH for academic reasons. These students pay on a per-credit hour basis instead of the entire full-time rate.

#### *Deferral of Spring Course at Texas A&M*

To accommodate students who seek a reduced course load for non-financial reasons, Texas A&M allows students who pay the full-time rate in the spring to defer a single course until the summer.

#### *Impact on Student Success*

Contacts at most institutions have not investigated whether GPAs, retention rates, or graduation rates have been affected by the tuition structure. However, GPAs at **University of Texas at Austin** remain unchanged, and while **Texas A&M University** does track student GPAs, the slight increase that did result is difficult to distinguish from statistical noise.

### III. IMPACT OF BANDED TUITION AT CONTACT INSTITUTIONS (CONT.)

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**Revenue Impact**

Because the impact on student enrollment is marginal, determining the price of full-time tuition appears to be the main determinant of whether revenues increase:

Banded Tuition’s Impact on Overall Revenues	
Incidental Increase	Contacts at <b>Stockton College</b> report a marginal increase in tuition revenues, although they were unable to provide further detail.
Planned Increase	Two institutions have planned the transition to banded tuition in order to create a small revenue increase. This involves placing the full-time tuition level above the current price of average enrollment. This difference, combined with any marginal increase in enrollment, generates extra tuition revenue. The <b>University of Texas at Brownsville</b> and <b>Western Michigan University</b> both used this strategy in order to generate increased revenues.

**Difficulty of Introducing Differential Tuition.** Besides changes in tuition revenues, contacts warn that institutions who adopt a banded tuition structure make it difficult, although not impossible, to introduce any future measures to differentiate tuition along with varying instructional costs. Contacts at the **University of Texas at Austin** note that the institution’s transition to banded tuition was part of an attempt to introduce transparency about the cost of attendance by reducing the complexity of the tuition structure as well as the fee structure. However, because simplicity was the rationale for the transition to banded tuition, the departments found it more difficult to raise funds for innovative courses requiring new lab equipment. Under the prior system, a fee could pay for the equipment; under a simplified tuition structure, the department had to secure funds from the budget. **Western Michigan University** attempts to overcome this problem by introducing a fee for certain academic programs, but contacts note that the difficulty in establishing this fee after implementing banded tuition is so great that it would have been preferable not to implement banded tuition at all.

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