

**NACUBO**  
**Tuition Discounting for Public Institutions:**  
**Oct. and Nov. 2022 Town Hall Q&A**

**Question:** How does the application of student loan funds to the student’s account affect the discount?

**Answer:** Although student loans (whether an institutional loan program or federal direct loans) are a form of aid, students must repay loans. Loan funds belong to the student and as such are a form of payment from the student on their account. Consequently, loans are not included when evaluating aid awarded to students for the purpose of estimating the discount.

NACUBO’s Advisory Guidance Draft has been updated on page 5, to include a conceptual description of what a “discount” is. Additionally, the discount for public institutions is defined as amounts awarded by institutions to students that reduce their out-of-pocket costs for tuition and fees and/or auxiliary services. Because GASB considers Pell Grants institutional revenue, in substance Pell Grants are aid awarded by institutions to students. The offset for Pell Grant amounts that are applied as payments to student account balances is a tuition discount (consistent with footnote 41 of Statement 34). *(Note, when Pell Grant amounts are disbursed to students – because there is no account balance for application – the offset is a scholarship expense.)*

**Question:** I read the Advisory draft as NACUBO asking schools to adjust their student information systems (SIS) to apply payments in an order to capture data for the scholarship allowance calculation. Today, I am hearing that it is acceptable for the data for the calculation to come out of the student information system, but the calculation itself can occur outside of the student information system. Is that correct?

**Answer:** Yes, the calculation can occur “outside” of the SIS. For example, in Method A (page 11), the institution’s policy is to award aid to cover tuition and fees. Students with high need may have tuition and fees covered and some portion (or all) of room and board charges reduced by aid. The extract from the SIS includes total charges for tuition and fees (T&F), total charges for auxiliary services, and the total aid amount. Aid is applied to T&F first, with remaining aid applied to auxiliary charges. The association of aid awarded to charges (for the academic term) determines the “discount” for the associated charge. Aid in excess of charges is a scholarship expense. The logic is presented below:

	Aid Awarded	T&F Charge	Associate aid to		Auxiliary charge	Associate aid to
			T&F	Remaining T&F		Auxiliaries
Student 20	3,098	3,655	3,098	557	0	N/A
Student 149	10,186	10,162	10,186	(24.50)	0	N/A
<b>T&amp;F Discount</b>			<b>13,284</b>			
<b>Scholarship expense</b>				<b>25</b>		

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**Question:** When academic terms – such as summer sessions – cross over fiscal year ends, how is the discount calculated when there is a deferral of summer revenue or apportionment of summer revenue?

**Answer:** Because the discount is a reduction of T&F and/or auxiliary revenue, and institutions must already allocate summer revenues between fiscal years, the most straightforward method involves allocating the discount in the same proportions as the underlying revenues. Essentially, there are three steps in this process.

1. Determine the allocation of T&F and auxiliary revenues between fiscal years.
2. Calculate the discount for the entire summer term using your chosen methodology.
3. Allocate the total discount among revenue types and fiscal years.

A simple example of this approach is shown below:

	T&F		Aux	Total
<b>[1]</b> Total summer term revenues	20,000,000		1,000,000	21,000,000
Allocated to:				
Fiscal year X1	12,300,000	<b>A</b>	600,000	12,900,000
Fiscal year X2	7,700,000	<b>B</b>	400,000	8,100,000
	20,000,000	<b>C</b>	1,000,000	21,000,000
<b>Percentage allocated to:</b>				
Fiscal year X1	61.5%	<b>D = A/C</b>	60.0%	
Fiscal year X2	38.5%	<b>E = B/C</b>	40.0%	
<b>[2]</b> Total summer term discount	11,250,000	<b>F</b>	75,000	11,325,000
<b>[3]</b> Allocated to:				
Fiscal year X1	6,918,750	<b>G = F * D</b>	45,000	6,963,750
Fiscal year X2	4,331,250	<b>H = F * E</b>	30,000	4,361,250
	11,250,000		75,000	11,325,000