

NACUBO – Tuition Discount Advisory  
Meeting with members who commented  
July 12 ,2021

**Background on Advisory AR 2000-05 and the Alternate Method and why a revision is recommended**

The Alternate Method applies every dollar “paid” to students equally, (which can include things like loan proceeds, refunds, or Pell awards), and does not consider aid policies such as an ordering principle for the application of institutional grants. Consequently, scholarship expense can be overstated and actual aid that reduces amounts charged to students understated. Additionally, the pro rata allocation of the Alternate Method (calculated / derived) discount between tuition/fees and room/board drives a higher discount against auxiliary revenue, which is not reflective of how aid is awarded.

**General discussion, comments, interest in project, concerns**

- a. Financial aid reported in internal board reports and the IPEDS FSA survey vary and will not reconcile to the financial statements
- b. The financial statements are not considered an accurate representation of institutional aid, audited financial statements should be the standard that more detailed reporting can reconcile against
- c. Recalculating the discount using a more precise “alternative estimate” for two group members – based on reasoning through how financial aid is awarded – indicated dramatic differences. Overall, the discount was larger and aid against auxiliaries was significantly overstated.
- d. Both the overstatement of the expense and the misstatement of the discount caused by the pro-rata allocation of the discount between tuition and residential charges belies how financial aid is awarded, in that very little institutional aid is awarded for residential charges.
- e. The pro-rata allocation of the discount will likely be a concern as the GASB’s revenue/expense recognition project evolves, similar to the issues that had to be addressed with the FASB revenue recognition rules, because actual revenue reported on the financial statements (tuition and residential services) will not reflect the contractual agreement with students.
- f. The Banner payment application process can be complicated, and the data may not be reliable. Concern was expressed that Banner system reliance for financial reporting will have results that may not stand up to an audit.
- g. A possible solution could be to analyze by applying an institution’s aid policy by student (or ordering principle); or by working with SFA and Institutional Research to understand how colleagues packaging, analyzing and reporting aid determine results.
- h. Consider revising the Alternate Method to improve the accuracy of the estimate: perhaps offering more than one alternative estimate to accommodate differing types of institutions, that improves the efficiency of the method.
- i. For example, consider revising the Alternate Method to isolate for the aid that would qualify as 100% discount, and allocate the amount to auxiliaries based on “full attendance” scholarships, rather than pro-rata.
- j. Some expressed about the cost/benefit of a change if the results will still be an estimate.
- k. The volume of data involved in calculating the discount could be an issue and it could take a few years to convert to a new method.

NACUBO – Tuition Discount Advisory  
Meeting with members who commented  
July 12 ,2021

- l. Many campuses do have an ordering principle for applying aid, but again, the volume of data to sort through could be an issue.
- m. There have not been many questions about the tuition discount reported in the financial statements.
- n. It is possible with all systems to get annual amounts of the institutional aid + SEOG + Pell for each student who received.

**Discuss other methods for calculating the discount**

The workgroup will examine alternative suggestions during future meetings.

**Workgroup tasks:**

- a. George Mason will share their data analysis
- b. Members will about how modifications – for their campuses – of the “alternate” method might produce a more accurate amount.
- c. Connect with Student Financial Services and/or Institutional Researchers to learn how they are getting the data to complete IPEDS reports.