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Navigating Net Price Calculators

Why the Federal Mandate Falls Short of Improving Transparency & Empowering Consumers



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Executive Summary

The Higher Education Opportunity Act of 2008 (HEOA) stated that by October 29, 2011, each postsecondary institution in the United States serving first-time, full-time degree or certificate-seeking students and participating in Title IV federal student aid programs had to post a net price calculator on its website. The Net Price Calculator (NPC) legislation, in theory, was designed with two goals in mind. It was created primarily to provide transparency around the issue of college costs (distinguishing the difference between sticker price and net price) in a way that could improve consumer decision-making, and secondarily, to provide market pressure on the postsecondary system to help rein in costs, costs escalating at rates of inflation even higher than health care. **We believe the NPC mandate, as currently constructed, is failing to do either and should be amended if these two goals are to be met for the benefit of aspiring students.**

Congress provided no new funding to go along with the new NPC requirement. With the help of a technical review panel, the U.S. Department of Education (DOE) was charged with developing a federal template that would meet the requirement and to make that template available free of charge to those who wanted it. DOE was also instructed to provide guidance on the required inputs and the general form of outputs and disclaimers every college must follow. Beyond that, colleges were given control over the implementation of the solution working best for them.

Out of this process came a simple federal template and a wealth of vendor-provided and home-grown NPCs being used by the thousands of colleges and universities required to meet this mandate. With limitations stemming from the federal template's simplicity as well as the federal definition of net price, many colleges' NPCs are inherently incapable of generating highly accurate estimates. Further, given the flexibility institutions have in both calculating and presenting their estimates beyond limited required inputs, outputs and disclaimers, the results shown to users moving from one NPC to the next are highly variable, and the ability to accurately compare results across institutions is limited.

Currently, the U.S. Department of Education does not have a formal approval process for net price calculators and the colleges carry the responsibility, as presently defined, to attest to their own compliance with the federal statute. As evaluation of cost moves to the forefront of early qualifying decisions among families with such tools so readily available for the first time, presenting the institutional message in the best light has become an important challenge for every college meeting this mandate.

If this framework of relative flexibility continues, both the process and the resulting output will remain institution-centric instead of consumer-centric and will fail to meet the overarching goal for which this mandate was created. There is an urgent need to reconcile the differing needs and goals of these two groups if the NPC mandate is to be successful in its intent of changing the way families make decisions about higher education.

Introduction

The cost of a college education has become one of the chief financial worries for the majority of American parents. While many acknowledge today's global economy requires more training for the jobs driving economic growth, having the means by which to afford the escalating cost of that training is a growing concern among experts and everyday people alike. On August 14, 2008, the federal government enacted the Higher Education Opportunity Act of 2008 (HEOA) stating that by October 29, 2011, each postsecondary institution in the United States serving first-time, full-time degree or certificate-seeking students and participating in Title IV federal student aid programs had to post a net price calculator on its website. Congress laid down this legislative mandate with a clear intent: "to help current and prospective students, families, and other consumers estimate the individual net price of an institution of higher education for a student"¹ with the hope that such information would lead to better decision making on the part of aspiring students.

Almost four years later, most colleges have met this new requirement in one way or another. At the start of 2012, NetPriceCalculator.info, a new website tracking colleges and universities' compliance with the federal requirement, announced that 272 colleges and universities had yet to comply with the October 29, 2011 deadline.² For the thousands of other institutions who *have* met their obligation, the information a student receives when completing a net price calculator (NPC) varies considerably among institutions. Students and parents are finding new information on the cost of college more readily available to them than ever before. However, the usefulness of this new information under the current construct, and families' ability to interpret it accurately, warrants substantially greater consideration.

The Net Price Calculator (NPC) legislation, in theory, was designed with two primary goals in mind:

- 1) To provide transparency around the issue of college costs (distinguishing the difference between sticker price and net price) in a way that improved consumer decision-making; and
- 2) To provide market pressure on the postsecondary system to help rein in costs, costs escalating at rates of inflation even higher than health care.

We believe the NPC mandate, as currently constructed, is failing to do either and should be amended if these two goals are to be met for the benefit of aspiring students.

Background

The 110th Congress recognized dealing with the increasing access and completion problem in higher education takes a multi-pronged strategy. In this election year, both the President and his opponent are taking a similar message to the campaign trail. In fact, better consumer information and greater transparency in college financing appears to be one of the only issues both presidential contenders as well as both parties in Congress actually seem to agree on these days. However, during exceedingly

difficult budget times and a weak economy only certain kinds of initiatives are practical. Beyond the debate over the sufficiency of funding for financial aid programs like Federal Pell Grants helping provide access to students of lesser financial means and potentially new ways of distributing financial aid based on the “output” of colleges and universities, the information divide between those able to navigate the higher education financing and admission systems and those with no experience to do so has emerged as an obvious issue also contributing to the problem. With limited funds to push new initiatives, arming consumers with more and better information to drive improved decision-making is a logical step, particularly if such transparency can also push colleges’ accountability and help mitigate runaway cost escalation. While the best way to do it is hotly debated, it is widely known it is only through meaningful cost control and effectively allocated financial aid that the net cost of a college education for the *majority* of students will subside, ensuring access for all who want it.

In the meantime, politicians believe consumers can be empowered to make more educated decisions by understanding the difference between the sticker price of college attendance and the **net price**, the cost of attending an institution after factoring in financial aid. It is hoped such information may also help more students at the lower ends of the socioeconomic spectrum tap the federal and state grants available to them. Today there are now thousands of NPCs available across the internet stemming from this new call for information and transparency.

The Reality of the NPC Mandate

Congress provided no new funding to go along with the new NPC requirement. With the help of a technical review panel, the U.S. Department of Education (DOE) was charged with developing a federal template that would meet the requirement and to make that template available free of charge to those who wanted it. DOE also provided guidance on the required inputs and the general form of outputs and disclaimers every college must follow. Beyond that, colleges were given control over the implementation of the solution working best for them; the result: large variability among institutions’ chosen solutions and another opportunity to customize the “marketing message.”

Required Data Elements

Every college must provide an estimate of net price using only eight required input variables:

1. Student age
2. Student marital status
3. Existence of any dependent children (on the part of the student)
4. Household family size
5. Number of family members in college
6. Parent income for dependents students (or household income for independent students)

7. Living status of student (on campus, off campus, or off campus with parents), and
8. Residency status (in-state or out-of-state).

Colleges are free to ask additional questions in order to generate a better estimate of net price for the user. Most institutions not using the federal template routinely ask additional questions in order to gather further information about the user and to better estimate the user's eligibility for need-based and/or merit-based financial aid.

In terms of output, colleges are required to present the following data elements:

- Estimated total price of attendance;
- Estimated tuition and fees;
- Estimated room and board;
- Estimated books and supplies;
- Estimated other expenses (personal expenses, transportation, etc.);
- Estimated total gift (grant) aid;
- Estimated net price;
- Percent of the cohort (full-time, first-time students) that received gift (grant) aid; and
- Caveats and disclaimers, as indicated in the HEOA.

In estimating these figures, colleges are free to use either the Federal Methodology (FM) or Institutional Methodology (IM), or a simplification of either formula based on available user data, to determine a student's estimated eligibility for assistance and resulting net price. However, no estimate of a student's Expected Family Contribution (EFC), the amount a student should be *expected to pay* for one year of college under one of these formulas, is required to be provided to the user.

Limitations of the Federal Template

In the case of the federal template, the Federal Methodology is not used to calculate an *actual* Expected Family Contribution (EFC) for the user. In fact, with the data collected, it is impossible to calculate a concrete estimate, as the federal template asks only a fraction of the questions necessary to run the Federal Methodology, the federal formula used by the federal government, the majority of states, and a large percentage of colleges to determine actual eligibility for need-based financial aid. Instead, users are grouped into EFC "ranges" based on the income, family size and number in college reported. A median aid figure is then retrieved from a look-up table behind the scenes summarizing the median grant aid received by students in a similar EFC range from a prior or current year. (Note: DOE prefers that colleges use historical data from a previous academic year but can't require them to do so.)

Student Aid Services, a provider of NPC solutions, conducted an analysis of over 145,000 student profiles using the Federal template Methodology to determine how often the federal template returned the correct EFC range. In a white paper published in June 2011, Student Aid Services reported the following:

“We modeled the calculations used by the federal template calculator to determine the EFC and investigated which assumptions are most prone to error by using actual student profiles. Our test of more than 102,000 dependent and 43,000 independent student profiles showed that 59% and 46%, respectively, fell outside the correct FM EFC ranges. The analysis showed that when the federal template calculator erred, students were most often inaccurately assigned to an EFC range greater than the one to which FM would have assigned them. Simply put, in these cases, the cost of attending the institution looks more expensive than it actually is.”³

Limitations of the Federal Definition of Net Price

Beyond the limitations of correctly estimating where a student stands under the formula used to determine an EFC and resulting estimates of grant aid and net price, there are inherently other downfalls to the federally-mandated construct. The definition of net price, as defined by the legislation, is as follows:

“The average yearly price actually charged to first-time, full-time undergraduate students receiving student aid at an institution of higher education after deducting such aid, which shall be determined by calculating the difference between the institution’s cost of attendance for the year for which the determination is made; and the quotient of the total amount of need-based grant aid and merit-based grant aid, from Federal, State, and institutional sources, provided to such students enrolled in the institution for such year; and the total number of such students receiving such need-based grant aid or merit-based grant aid for such year.”⁴

This definition translates to an average grant aid award used in estimating net price based only on those students *receiving* grant aid, rather than the *entire* first-year, full-time student population, thus inflating the average grant award (and understating the estimate of net price). Further, because only aid awarded to first-time, full-time students is included in the calculation, colleges that engage in the front-loading of grant aid (i.e., more aid given to first-year students than to returning students) will have average aid estimates higher than the awards distributed, on average, across the entirety of their student populations, again understating the estimate of net price beyond the first year. While the extent of such estimation errors varies by institution depending on how “representative” the cohort used in the calculation is relative to the overall student population, this variability calls into question the utility of

the definition of net price all institutions are supposed to use in their calculations. Mark Kantrowitz, publisher of Fastweb.com and Finaid.org conducted an extensive analysis looking at the limitations of the federal definition of net price under various scenarios which is available on his website at www.finaid.org.⁵

Drawbacks to Colleges' Implementation Flexibility

As stated above, in some instances there are explicit requirements and definitions to be followed by all colleges in setting up their NPC solutions, although it is not clearly evident in reviewing the output of individual NPCs that all such rules are being closely adhered to in practice. For those using the free federal template, the data input and output limitations are also inherently part of the package. But beyond these initial constraints, colleges have a great deal of flexibility. Further, the U.S. Department of Education does not have a formal approval process for net price calculators. Rather, colleges carry the responsibility, as currently defined, to attest to their own compliance with the federal statute. As a result, there is great variability among the types of NPC solutions available to consumers and the kind of information users receive from each.

Because there was early and consistent concern the federal template would not accurately reflect the aid awarding policies of many institutions, the majority of colleges and universities explored alternate solutions. Many have chosen third party products provided by organizations like the College Board and Student Aid Services, while others have created their own in-house solutions with the help of IT departments, financial aid, and admission offices. It is the involvement of all these departments that makes this new requirement an interesting exercise at the institutional level.

Undoubtedly colleges cannot present a perfect financial aid package to every incoming student. Given some colleges' limited endowments, particularly in recent market conditions, the practice of "gapping" (not fully meeting demonstrated financial need under the federal formula) has become an increasing necessity for many institutions as costs continue to increase but aren't offset by additional financial aid, institutional or governmental. This new requirement to now disclose net price information to prospects, many of whom may have not yet communicated with the institution – or who have yet to hear why their institution still represents a good value and a wise investment – has meant the flexibility of presenting the required information is a welcome laxity for some. Furthermore, many institutions worry about potential "backlash" when actual financial aid awards do not match, or in some cases even come close, to estimates received via prior NPC calculations. As evaluation of cost moves to the forefront of early qualifying decisions among families with such tools so readily available for the first time, presenting the institutional message in the best light becomes an important challenge for every college meeting this mandate.

Consequently, the message varies among institutions, making it difficult for consumers to know whether the output received via different NPCs is truly comparable. This concern has been echoed by many since the anticipated release of these new tools. In an article by Virginia Buege in the Spring 2011 edition of *The Lawlor Review*, an education marketing journal focused on issues facing higher education, Jon McGee, vice president for planning and public affairs at the College of Saint Benedict and Saint John's University in Minnesota, stated:

“Critics point out that the legislation was intended to not only help college-bound students better understand the actual cost of any institution, but also to allow them to make accurate comparisons across institutions. And this simply won’t be possible, because families won’t be working with one NPC, but dozens. You can argue that colleges award aid differently, so they should have different calculations. But consumers simply will see different calculators with different results, perhaps from similarly looking schools. Families using the NPCs will still be left bewildered about costs – just earlier in the process.”⁶

Many in the college access community have expressed similar concerns. It is easy to see why the well-intended mandate is not going to substantially enhance families’ ability to make wise and well-informed decisions on cost unless changes are made to this new requirement.

1. Calculating an Expected Family Contribution (EFC) and explaining how that EFC was calculated, under which formula, and affected by which variables is not required as a part of the current mandate. Most consumers have no idea how these numbers are crunched and have no way of knowing how their personal situations may be factoring into these figures. Further, the caveats and disclaimers required are minimal and insufficient in terms of educating consumers with no prior knowledge about the nuances of the financial aid system. Assuming consumers will be able to take this output and further “decode” the information they have been shown without further assistance is a difficult proposition to accept. If the goal is empowered consumer decision making, education must be part of the process.
2. Colleges have been given guidance by the Department of Education that they can use historical data from prior years, like that used in the federal template, but can also use cost and financial aid data from the current academic year to populate their NPCs. (This appears to be a deviation from the original federal definition appearing in the legislation which states that the net price estimate is to be based on the quotient of the total amount of need-based grant aid and merit-based grant aid, from Federal, State, and institutional sources, actually provided to such students enrolled in the institution for a given year; and the total number of such students

receiving such need-based grant aid or merit-based grant aid for the same year.) The reality stemming from this guidance is that students using different NPCs will likely see cost and aid estimates from differing years, again making it difficult to compare results across institutions. Furthermore, there is no explicit timing for the updating of colleges' NPC data from year to year so it is possible that at any given moment a user may see a net price estimate varying as much as two or three years from another estimate on a different college's website. In the current higher education funding climate, both cost and aid estimates can vary by thousands of dollars in some instances across a span of even just two years. Consistency is needed in the policies governing the use of award years, as is an increased ability to accurately compare like years across institutions.

3. The difference in the methodologies used (Federal Methodology vs. Institutional Methodology), the formats for displaying results, and the amount of information provided explaining all of the above is highly variable. The appendix shows sample output from three different institution's NPCs: one using the federal template, one using an outsourced third-party NPC solution, and one using an NPC made "in house" at the institution. The same student profile was used to populate each and the variation in output is considerable. A student or parent new to this process would likely be confused by the discrepancy in the output and would naturally be unsure of how much they should rely on such estimates in formulating opinions about the affordability of an individual institution. This again supports the notion that the output, and potentially also the inputs, need to be more standardized to provide meaningful value to consumers.
4. Building on #3, the current federal guidance dictates that colleges must provide a single point estimate of net price. Beyond that, colleges are also free to provide financial aid ranges, as well as resulting ranges of estimated net price. For those experiencing these calculations for the first time, understanding how those single point estimates may vary within the subsequent ranges provided and under what circumstances can be extremely difficult. As noted previously, additional education – written, oral, or both – needs to be provided to help users accurately interpret the meaning of multiple sets of figures.
5. Some colleges may have institutional reasons for limiting the amount of information and detail provided via their NPCs. Because of the freedom to implement according to institutional preferences, some colleges are placing their NPC links in obscure places within their websites. Thanks to new sites like NetPriceCalculator.info, consumers can find direct links to most colleges' NPCs. With increasing demand for this type of information, colleges will hopefully heed the pressure to make these links more readily available over time and to more fully disclose via their NPCs the type of information most helpful to prospective students.

For these and other reasons, one can question the true value of this newly available cost information for the average consumer. Simply put: By requiring colleges to post individual NPCs on their own websites and giving them the responsibility of self-attesting to their compliance within a framework of relative flexibility, the process and the resulting output will remain institution-centric instead of consumer-centric and will fail to meet the overarching goal for which this mandate was created.

Simply put: By requiring colleges to post individual NPCs on their own websites and giving them the responsibility of self-attesting to their compliance within a framework of relative flexibility, the process and the resulting output will remain institution-centric instead of consumer-centric and will fail to meet the overarching goal for which this mandate was created.

Alternative Approaches to Communicating Net Price Projections

College For All Texans Website

In 1999, the Texas Legislature passed House Bill 713, creating the College for All Texans (CFAT) website (www.collegeforalltexas.com).

This legislation required the establishment of a center for financial aid information, a toll-free telephone line staffed by knowledgeable financial aid people, and published information on a publicly-available website about financial aid opportunities available to help students in Texas. Then in 2009, the 81st Texas Legislature passed Senate Bill 1764, building upon the existing CFAT website and the new federal NPC mandate created by the HEOA of 2008. This bill required all Texas colleges and universities to provide comprehensive information about their costs for prospective students to attend their institutions. It also required the Texas Higher Education Coordinating Board to prescribe uniform standards for providing consumer-friendly financial aid information (including cost information) and to create a tool to assess the net costs for an entering full-time, first-year student attending a Texas college or university on the Coordinating Board's website. This "statewide NPC" was incorporated into the CFAT website along with the other information available therein for consumers on college planning, admission, and financial aid issues.

Today, 100 of Texas' 103 public universities and community colleges serving incoming first-year students are participating in the NPC functionality available via the CFAT website. (There are an additional nine public institutions in the state but which do not currently serve incoming first-year students and therefore are exempt from the NPC requirement.) Eleven of the state's 40 private two-year and four-year independent colleges and universities are participating in the statewide NPC functionality, with 29 currently not participating and another five which are inactive because they do not serve incoming first-year students.⁷

The Coordinating Board solicited an outside vendor to develop the NPC functionality within the CFAT website with the goal that the new functionality could fulfill both the requirements of the state mandate

as well as the federal one at the same time. The other overarching design tenant was to make the tool as simple as possible so the data required by institutions was not significantly greater than the already-existing cost reporting requirement, which mandates that by April 1 of each year all Texas colleges and universities must report their cost projections for the upcoming year to the Coordinating Board.

With a simple downloadable financial aid award template, institutions can provide their high, low and median loan and gift aid information by living status (on campus, off campus, and off campus with parents) by specified EFC ranges. Based on a user's responses to 11 or 14 simple questions (depending on the student's dependency status), a "skeletal Federal Methodology" is run in the background to estimate an Expected Family Contribution. This estimated EFC is then used to extract the appropriate cell within the financial aid table provided by the university in question. With this information, along with the cost data maintained by the Coordinating Board, a net price projection is constructed based on these calculations. Users can compare up to three institutions side-by-side through the tool.

Texas has yet to do an extensive evaluation of the new statewide NPC tool and currently has no plans for major site changes or enhancements. With funding for the site coming from the Coordinating Board's operating dollars, it is likely the site will remain in its current form for the foreseeable future, and thus its limitations as well. More specifically, there is not an explicit method by which the colleges must compile and present their information in the requested template, nor is there systematic verification of the data by anyone at the Coordinating Board. While there is a standard format followed for the net price estimates provided for each institution within the site, there remains variability in the output given the procedural limitations surrounding data population. Nevertheless, the current configuration provides users with a consistent format and a single place for generating estimates for institutions across the state, a luxury for users currently only available in one other state.

The Indiana College Costs Estimator Story

The Genesis of the Indiana College Costs Estimator

Prior to the advent of the Net Price Calculator requirement, organizations like the National Center for College Costs (NCCC) were providing estimates of net price to aspiring students in select schools and geographic regions to help break down the financial barrier to postsecondary attendance, particularly for low-income, first-generation student populations. The *College Costs Estimator* program was created to provide early estimates of financial aid eligibility to help families understand ahead of time what kinds of financial aid they might be eligible for when the time came, with the student squarely at the heart of this educational process. In partnership with the Indiana Commission for Higher Education, the National Center for College Costs began discussing how this program could be replicated for the benefit of all Hoosiers before talk of individual net price calculators began. In the wake of the NPC requirement, this centralization of net price information is even more valuable.

Individual colleges are struggling to figure out how best to present this newly required information to an expanded prospect base seeking cost information sooner and more regularly than ever before. Consumers are seeing the struggle in comparing information across institutions and making sense of the divergent results received. There is a need to reconcile the differing needs and goals of these two groups if the NPC mandate is to be successful in its intent of changing the way families make decisions about higher education. If that is not done, this well-intentioned requirement will soon fall into the category of just that – well-intentioned ideas that quickly evaporate in the absence of generating meaningful change.

The *Indiana College Costs Estimator* (ICCE) website (accessible at www.indianacollegecosts.org) illustrates one way in which the goal of the NPC mandate can be achieved through something other than individual NPCs on individual college websites. Because this site was conceived prior to the NPC mandate by the National Center for College Costs and the Indiana Commission of Higher Education, the intent of the website was always, and continues to be, about educating the consumer. Colleges' participation is a central and crucial component, but the design, content and execution of the site is about real empowerment of the prospective student through information and education.

The *Indiana College Costs Estimator* website more accurately captures the intent of the federal mandate regarding increased transparency and education. In addition to estimates of net price at Indiana colleges and universities, there is extensive information within the ICCE site about how the federal formula is calculated, information on local scholarship opportunities in all 92 Indiana counties, details on student loan programs, and much more. It is, in essence, a “one stop shop” for early information on college selection, admission and financial aid information, and a gateway for accessing additional detail on related subjects.

Some have argued the centralization of net price estimates, and the standardization thereof, would be an unwelcomed offering in the collegiate community for largely the same reasons why the flexibility of the current NPC construct is so appealing. However, the higher-level policy question is whether this mandate is about the utility colleges can gain from this new requirement or the utility to be gained by the general public. If the goal is better consumer decision-making, then the needs of the consumer should trump that of the individual institution when the two conflict, and the solutions put in place to meet this mandate should reflect that goal.

There is a need to reconcile the differing needs and goals of these two groups (colleges and consumers) if the NPC mandate is to be successful in its intent of changing the way families make decisions about higher education. If that is not done, this well-intentioned requirement will soon fall into the category of just that – well-intentioned ideas that quickly evaporate in the absence of generating meaningful change.

Benefits of the Indiana College Costs Estimator Approach

Beyond providing a rich repository of financial aid information, there are numerous additional benefits to providing this type of information via a centralized platform such as the *Indiana College Costs Estimator* site, including the following:

1. Standardized inputs, outputs, format and content when generating estimates of net price, making it easier for users to understand the information presented and to compare across institutions;
2. Flexibility in how institutional data is stored and presented so it reflects actual aid awarding tendencies as much as possible, while still providing a “standardized” platform through which to do so;
3. The ability for users to provide their information once and receive multiple net price estimates simultaneously, as well as the ability to save their data and information for future reference;
4. The capability of running/saving hypothetical scenarios to see how changes in certain key family financial information can affect the Expected Family Contribution (which is always calculated for the user when sufficient data are provided) and an institution’s financial aid;
5. A standard update process for institutions, increasing the odds that students will receive same-year estimates when comparing across institutions (although there will always be some inherent disparity given the variation in timing around institutional availability of such data, without further statutory or regulatory guidance on the timing of updates).

A standardized platform will never offer the infinite flexibility currently allowed under the new federal NPC mandate. This can be seen as a drawback for an individual college or university making a decision about which NPC solution is best for its institution, but greater standardization may be one of the key changes necessary to make the net price information available to consumers meaningful and useable moving forward.

The *Indiana College Costs Estimator* is also achieving multiple other objectives given the genesis of its creation.

1. As mentioned previously, this tool is a result of an ongoing conversation between the state’s higher education authority and a uniquely-positioned college access organization with

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experience working with schools across the state and other college access partners. Because state-wide training on the new website was also built into the plan from the beginning, what has emerged is an enhanced dialogue among the vast majority of the state's stakeholders. The Indiana Commission for Higher Education's sponsorship and endorsement has encouraged early adoption and participation on the part of the colleges. While the vast majority of institutions (over 80%) are already providing their data via the *Indiana College Costs Estimator* site, complete participation by all institutions is expected to take additional time (in the absence of a mandatory participation requirement) as colleges and universities feel their way along in response to the broad new availability of net price information and the implication of such within both their prospect pools and the halls of their own institutions.

2. By constructing the *Indiana College Costs Estimator* site according to the NPC specifications outlined by the U.S. Department of Education and given the Indiana Commission for Higher Education's current licensing of the tool, the *Indiana College Costs Estimator* currently is serving as the federally-required NPC solution for nine Indiana college campuses at no cost to the institutions. The ability to use the *Indiana College Costs Estimator* in this way has saved these institutions substantial time and money compared to other NPC solutions they could have implemented.
3. Broader adoption of such a statewide tool and/or the creation of such sites in lieu of individual NPCs would offer the added benefit of a "level playing field" for colleges. This would remove the need some colleges may feel to create the next, best NPC to stay ahead of the competition, or the need to invest time and resources to retool an existing solution in response to a competitor's new way of presenting their information. Since investment in a NPC solution is a new, albeit small, outlay for colleges and universities, reducing the initial and ongoing cost to institutions is congruent with the overarching goal of this mandate, to make college more affordable for more Americans by encouraging better decision-making and the more prudent use of limited resources.
4. The State's involvement has also led to a holistic approach to the site's content, messaging and outreach. From the beginning, the *Indiana College Costs Estimator* tool has been viewed as a way to provide much needed transparency on the issues of college costs and financial aid, as well as to push other policy messages out to the public. For example, the difference in financial aid awards available to part-time students vs. full-time students can be highlighted, as is the State's financial incentive built into the state grant program to encourage more rigorous high school course selections. (Students with Indiana's Academic or Technical Honors Diplomas receive 100% of their state grant eligibility, while students with a Core 40 Diploma, the minimum high school diploma now required for admission to any four-year public university in

the state, receive 80% of their state grant eligibility.) Research shows students who attend college full-time are retained and graduate at much higher rates than part-time students. Students who take more rigorous academic course loads require less remediation and are more apt to stay enrolled in postsecondary studies as well. The site tries to help users understand the implications of these decisions (i.e. financial aid variations) to encourage those with the ability to pursue full-time enrollment and more academic course loads, with the goal of increasing financial aid eligibility and maximizing the odds of postsecondary completion. Such messages are built into the content of the net price estimates, throughout the public site, and in the direct messaging capabilities set up for registered users of the site.

Looking Ahead

Jeff Selingo, editorial director for *The Chronicle for Higher Education*, noted in a blog post the significant impact in the higher education market of absent and inadequate information when he wrote:

“Even if higher education were a true free market, more competition hasn’t led to lower prices (as it has in many other industries) because consumers have so little information on which to judge the quality of colleges. Well-informed consumers tend to make rational decisions. But in the absence of good information about colleges, students and their parents are often irrational, selecting colleges based on low sticker price (rather than net price), athletic teams, geography, or brand name.”⁸

Defining quality and value in higher education is not easy, nor will either be defined in the same way by all people. As this white paper illustrates, one could argue that even something as “black and white” as the numbers in the mandated estimates of net price currently are contributing to the problem rather than correcting it.

While the statewide NPC in Texas and the *Indiana College Costs Estimator* project represent two states’ actions to address the issue, there is more work to be done, both in these states and beyond. No matter how sophisticated the technology, placing a website on the internet for public consumption without the proper context or support is concerning. In the aforementioned article by Virginia Buege in the Spring 2011 Lawlor Review, Anna Burkhalter, director of college counseling for The Northwest School in Washington, noted:

“The exciting part of the NPC is that it does provide information where there is a gaping hole right now. What other product [besides higher education] do we have to commit to in so many ways before we know what the cost will be to us?”

But she goes on to say, however:

“Giving a student the numbers without any explanation leaves the potential for a high degree of misinterpretation, especially for less educated families.”⁹

For that simple reason, and so many others outlined herein, there is just cause to believe that in the absence of additional support, those most in need of this information will not always be able to make the best decisions. In Indiana, thanks to a grant from Lilly Endowment, Inc. and the Independent Colleges of Indiana, this fall a toll-free hotline staffed by experts at the National Center for College Costs will be available to assist those without sufficient expertise to interpret the results produced by the *Indiana College Costs Estimator* in order to address just such concerns. It’s also why training local stakeholders who work with students and parents every day is a central part of the roll-out strategy in Indiana, stakeholders who in turn can take advantage of the new hotline to get answers to questions they have as they work with their client families.

Ongoing commitment to building and refining these types of tools from the ground up will continue to be extremely crucial. The *Indiana College Costs Estimator* site is showing early promise in Indiana because of the extensive collaboration involved. Colleges, state agencies, grass-roots college access programs, high school counselors, and others have worked together to build and promote this site. This type of collaboration will go on as trainings of stakeholders continue throughout the state; colleges are encouraged to provide their data in a timely fashion and to use the tool for their own benefit; and the potential for an advisory board is explored for providing input on how best to incorporate the needs of all relevant parties in this type of tool.

If work is not done to refine and improve the data and information being provided to consumers, the future of the NPC mandate and the tools put in place to assist the public as a result of this mandate are unknown. Before the new NPCs hit the internet en masse last year, Nancy Benedict, vice president for enrollment at Beloit College in Wisconsin, said:

“The cynical part of me expects there to be a lot of flurry and conversation when it’s (NPC) launched, but then the NPC will lose its sparkle, and it will all go back to business as usual.”¹⁰

One can hope Congress created this mandate with a genuine intent to aid struggling students and their parents in making better choices. One could argue, as is done here, the current construct has cost institutions considerable time and money but failed to fulfill that intent. And most would argue that business as usual is no longer an option. If the NPC indeed loses its “sparkle,” it does not diminish the tremendous need for this type of transparency and education. Perhaps something far more “dazzling” is in order.

About Murray & Associates/ The National Center for College Costs

Murray & Associates, more commonly known as the National Center for College Costs (NCCC), was founded in 1999 by Dave Murray, a former dean of admission and financial aid with years of subsequent experience in college access programming. Murray's experience and leadership created an organization uniquely positioned to understand both the needs of aspiring students, particularly the needs of students with no prior family experience with financial aid processes, and the larger goals of the NPC requirement. This expertise has been leveraged to create two compelling solutions built from the backbone of NCCC's in-house data system developed and refined over the past decade. The *Indiana College Costs Estimator* site is the culmination of NCCC's work over the past thirteen years, while NCCC's NPC product offers a robust individual NPC solution for institutions looking to meet the NPC mandate through a highly customizable third-party product. NCCC also continues to provide programming and support to students and parents through a variety of school and community-based activities that prepare students to pursue and succeed in postsecondary pursuits. More information on Murray & Associates / The National Center for College Costs is available at www.collegecosts.com.

For questions or more information concerning this white paper, please contact Dave Murray, President, Murray & Associates / The National Center for college costs at dmurray@collegecosts.com or Molly Yuska, Principal, Yuska Solutions at myuska@myprojectsolution.com.

Appendix

College Name: Marlboro College

Type of NPC: Federal Template

NPC URL: http://www.marlboro.edu/offices/financial_aid/net_price/

Date Accessed: July 26, 2012

Marlboro College

Based on the information you have provided, the following calculations represent the average net price of attendance that students similar to you paid in the given year:



Academic Year: 2010-11

Estimated tuition and fees	\$35,120
+ Estimated room and board charges <small>(Includes rooming accommodations and meals)</small>	\$9,420
+ Estimated cost of books and supplies	\$1,200
+ Estimated other expenses <small>(Personal expenses, transportation, etc.)</small>	\$2,000
<hr/>	
Estimated total price of attendance:	\$47,740
- Estimated total grant aid: <small>(Includes both merit and need based grant and scholarship aid from Federal, State, or Local Governments, or the Institution)</small>	\$25,939
<hr/>	
Estimated Net Price After Grants and Scholarships:	\$21,801

This institution requires that full-time, first-time students live on-campus or in institutionally controlled housing.

Grants and scholarships do not have to be repaid. Some students also qualify for student loans to assist in paying this net price; however, student loans do have to be repaid.

Please Note: The estimates above apply to full-time, first-time degree/certificate-seeking undergraduate students only.

These estimates do not represent a final determination, or actual award, of financial assistance or a final net price; they are only estimates based on price of attendance and financial aid provided to students in 2010-11. Price of attendance and financial aid availability change year to year. These estimates shall not be binding on the Secretary of Education, the institution of higher education, or the State.

Not all students receive financial aid. In 2010-11, 91% of our full-time students enrolling for college for the first time received grant/scholarship aid. Students may also be eligible for student loans and work-study. Students must complete the Free Application for Federal Student Aid (FAFSA) in order to determine their eligibility for Federal financial aid that includes Federal grant, loan, or work-study assistance. For more information on applying for Federal student aid, go to <http://www.fafsa.ed.gov/>. Marlboro College awards need-based institutional grants on the basis of the Expected Family Contribution calculated following the completion of the FAFSA. Students may also qualify for merit-based institutional grants ranging in value from \$2,000 to \$15,000. Multiple criteria are considered in the awarding of merit scholarships including high school grade point average, rigor of the high school curriculum, recommendations, co-curricular involvement, community service, and the overall quality of the application. Merit scholarships are renewable each year for students who maintain satisfactory academic progress. In addition a number of endowed scholarships are awarded each year to continuing students on the basis of academic excellence. More information regarding merit grants and endowed scholarships may be found at www.marlboro.edu/offices/financial_aid/scholarships.

College Name: Crown College

Type of NPC: Private Vendor, Noel-Levitz

NPC URL: <http://www.crown.edu/collegebound/financial-aid/net-price-calculator.html>


Date Accessed: July 26, 2012

Net Price Calculator

The Net Price Calculator will provide you with an estimate of scholarships and other financial aid you are eligible to receive at Crown College.

This calculator is designed for first-time Freshmen. If you are transferring to Crown from another college or university, please use the [Net Price Calculator for Transfer Students](#).

If you are an international student please see the [International Student Tuition Scholarship page](#).


CROWN COLLEGE

SCHOLARSHIP FINANCIAL AID NET PRICE

Estimated Cost of Attendance	
Tuition & Fees	\$20,870
Room & Board	\$7,180
Total Estimated Direct Cost	\$28,050
Books & Supplies	\$1,660
Other (personal, transportation...)	\$3,500
Total Estimated Cost	\$33,210


Estimated Scholarship	
Trustee Honor's Scholarship	\$10,000
Total Estimated Scholarship	\$10,000

Estimated Scholarship & Gift Aid	
Pell Grant	\$4,400
Estimated Other Gift Aid	\$5,500
Total Estimated Gift Aid	\$19,900

Estimated Net Price: \$13,310

Estimated Other Aid	
Estimated Loans	\$5,500
Total Estimated Other Aid	\$5,500

Estimated Net Price after Other Aid: \$7,810



- Scholarships
- Gift Aid
- Net Price
- Net Price after Other Aid

If you would like your results E-mailed to you, please complete the section to the right. We would like to contact you and provide further information about Crown College. Please indicate your desire for us to contact you by clicking the Contact Me option before having your results sent.

I am a

First Name

Last Name

Email

Please contact me about my financial options.

[EMAIL MY RESULTS TO ME](#)

BACK START OVER CONTINUE

While every effort is made to ensure the accuracy of the Crown Cost Calculator, a Net Price Calculator, please keep in mind that this estimate does not represent a final determination, or actual award, of financial assistance. It shall not be binding on the Secretary of Education, Crown College, or the State, and may change. You must complete the [Free Application for Federal Student Aid](#) in order to be eligible for, and receive, an actual financial aid award that includes Federal grant, loan, or work-study assistance under Title IV. 59% of our full-time, first-year undergraduate students received assistance through scholarships and grants in the 2009-10 academic year. Result ID: 1208897

College Name: University of Michigan

Type of NPC: In-house solution

NPC URL: <http://www.finaid.umich.edu/TopNav/Resources/MCalc.aspx>

Date Accessed: July 26, 2012



Please print this page. The information on this page cannot be saved.

Estimated student costs based on 2011-2012 expenses (Fall and Winter terms):

U-M school/college you selected:	Literature, Science, & Arts
Where you will live:	On or off campus
Your residency status:	Resident
Total estimated cost of attendance	\$25204

ESTIMATED financial aid based on 2011-2012 awarding criteria*:

Estimated grant and/or scholarship assistance:	\$13988 - \$17188/year
Estimated net price (cost of attendance minus grant assistance):	\$8016 - \$11216/year
Estimated need-based student loans and/or Work-Study earnings:	\$6654 - \$9000/year
Estimated amount that the family may need to borrow or contribute from savings and/or current earnings:	\$1362 - \$2216/year

Information you reported for this financial aid calculator:

Parent(s)' marital status:	Married/remarried
Parent(s)' income (from most recent tax return):	\$35000
Parent(s)' income was earned by:	Both parents
Parent(s)' income taxes paid (from most recent tax return):	\$350
Parent(s)' assets:	\$1000
Student's income (from most recent tax return):	\$1000
Student's income taxes paid (from most recent tax return):	\$0
Student's assets:	\$100
Number in your family household for 2011-2012:	3
Number of family members in college during 2011-2012:	1

***Important Information Regarding Your Estimated Cost of Attendance and Financial Aid:**

- This calculator is only meant to give you an idea of the aid you might receive, based on the information provided. The results do not represent a final determination or actual award of financial assistance or a final net price. Cost of attendance and financial aid availability change every year.
- This financial aid estimate might not be accurate for families with complex financial situations (losses from businesses, rental properties, sub-chapter S Corporations, etc.).
- This estimated cost of attendance and financial aid are based on 2011-2012 full-time cost of attendance figures. 2012-2013 tuition and fees will be established by the U-M Board of Regents in June 2012.
- To apply for federal financial aid, students must complete and submit a Free Application for Federal Student Aid (FAFSA). For consideration for University of Michigan need-based grant aid, students must also complete a CSS/Financial Aid PROFILE application.
- Students must meet the priority application deadline to be considered for all financial aid programs.
- When you apply for aid, the types and amounts of aid you may be offered depend upon meeting the eligibility criteria of specific programs.
- Scholarships from academic units and private sources can reduce the amount you may need to borrow or contribute.

Endnotes

¹ Higher Education Opportunity Act, P.L. 110-31, 122 Stat 3101 (2008). Print.

² Schaffhauser, Dian. "New Online Resource Points Students to Tuition Calculators," *Campus Technology*, 3 January, 2012. Accessed at <http://campustechnology.com/articles/2012/01/03/new-online-resource-points-students-to-tuition-calculators.aspx>.

³ Smith, Bill; Frechette, Carri; Childress, David; Alexander, Marc. "Meeting the Federal Net Price Calculator Mandate," Student Aid Services. Revised edition, June 2011.

⁴ Higher Education Opportunity Act, P.L. 110-31, 122 Stat 3098 (2008). Print.

⁵ Kantrowitz, Mark. "Flaws in the Statutory Definition of Net Price." 11 October, 2011. Accessed at <http://www.finaid.org/educators/20111011netpricedefinition.pdf>.

⁶ Buege, Virginia. "The Net Price Calculator Mandate: A Tough Act to Follow." *The Lawlor Review*, Spring 2011, page 3. Accessed at http://www.thelawlorgroup.com/files/pdf/tlr_2011spring.pdf.

⁷ Interview and email correspondence with Lyn Wheeler Kinyon, Assistant Director of Grants and Special Programs, Texas Higher Education Coordinating Board, 28 March, 2012.

⁸ Selingo, Jeff. "What Free Market in Higher Ed?" *The Chronicle for Higher Education*, 4 February 2012. Accessed at <http://chronicle.com/blogs/next/2012/02/04/what-free-market-in-higher-ed/>.

⁹ Buege, Virginia. "The Net Price Calculator Mandate: A Tough Act to Follow." *The Lawlor Review*, Spring 2011, page 3. Accessed at http://www.thelawlorgroup.com/files/pdf/tlr_2011spring.pdf.

¹⁰ Buege, Virginia. "If You Build It, Will They Use It?" *The Lawlor Review*, Spring 2011, page 7. Accessed at http://www.thelawlorgroup.com/files/pdf/tlr_2011spring.pdf.