Monday, August 17, 2020

Net Law School Tuition Trends Revisited

By Jerry Organ

Over the last several years I have published two articles focused on net tuition trends across law schools in the period since the Great Recession. Net tuition is an approximation of the tuition per student after accounting for scholarships. The first article focused on the period through 2014-15; the second article focused on the period through 2016-17. This blog posting carries forward the analysis of net tuition trends through the 2018-19 academic year, highlighting that law schools still have not regained much pricing power yet. This blog also looks at likely trends carrying forward from the 2019-20 academic year.

What happened between 2010 and 2016?

The first article, *Net Tuition Trends by LSAT Category from 2010 to 2014 with Thoughts on Variable Return on Investment*, discussed here on TaxProf Blog, focused on net tuition trends among first-year students in different LSAT categories between 2010 and 2014. It noted that while average net tuition had increased roughly 10% for first-year students with LSATs of 165 or higher and those with less than 145, net tuition had declined significantly (12% or more) for first-year students with LSATs of 155-159 and for those with LSATs 150-154, and had declined modestly for first-year students with LSATs of 160-164 and those with LSATs of 145-149 (roughly 5% and 3% respectively).

The second article, *Competitive Coping Strategies in the American Legal Academy: An Empirical Study*, discussed here on TaxProf Blog, focused, among other things, on net tuition trends across private law schools between 2010 and 2016, looking at private law schools in three broad categories based on reputation derived largely from entering class credentials. While all three categories of private law schools saw declines in net tuition through 2016, law schools in the middle reputational category saw the largest net tuition decline (roughly 16% compared to roughly 5% for the reputationally strongest law schools and roughly 6% for reputationally weakest law schools). (This study used inflation-adjusted figures in making net tuition calculations.)

What is the simple story between 2010 and 2016? In the face of a declining applicant pool, and an applicant pool that also weakened in terms of the LSAT composition of the applicant pool, law schools became much more competitive in trying to attract students, particularly students with stronger LSAT/GPA profiles, by greatly increasing their scholarship offers. Between 2011 and 2016, the percentage of all law students on scholarship increased from slightly less than 50% to nearly 70%, while the average median grant went from slightly more than $13,000 to nearly $17,000. As a result, as reflected in the two articles identified above, net tuition at the vast majority of law schools declined during this period.

What Happened in 2017-18 and 2018-19?

What has happened since the 2016-17 academic year? Is the tuition discounting that law schools engaged in through 2016-17 sustainable?

The admissions cycle for the 2017-18 academic year did not see a meaningful increase in applicants to law schools (56,400 — roughly the same as in the two previous years). The admissions cycle for the 2018-19 academic year, however, not only saw the first meaningful increase in applicants in several years (60,700 applicants up nearly 8%), it also saw an increase in the relative strength of the applicant pool. (This trend continued into the 2019-20 admissions cycle (63,000 applicants up nearly 4%) with a further strengthening of the applicant pool.)

If one were of the view that the tuition discounting in which law schools have been engaged is "unsustainable," one might expect that in the face of a growing applicant pool (and particularly an applicant pool that has grown stronger), law schools might take advantage of this increased "demand" to increase net tuition. But the available data suggest that net tuition has increased only modestly across 2017-18 and 2018-19. Somewhat surprisingly, most of that increase was in 2017-18 rather than 2018-19.

Charts 1 and 2 are drawn from the net tuition dataset compiled by Law School Transparency. I downloaded all of the net tuition data for the 2012-13 to 2018-19 academic years to look at changes over time. I focused only on private law schools (given the challenges of calculating net tuition for public law schools with resident and non-resident tuition and an unknown mix of resident students and non-resident students).

I broke the private law schools into four categories based on USNews rankings using the March 2013 published rankings. I then integrated enrollment data to calculate weighted averages for net tuition and changes in net tuition over time across all the law schools in a given rankings category. Note that the net tuition calculations are based on the entire student body, not just first-year students, as the ABA requires law schools to report scholarship and grant data across all JD students.

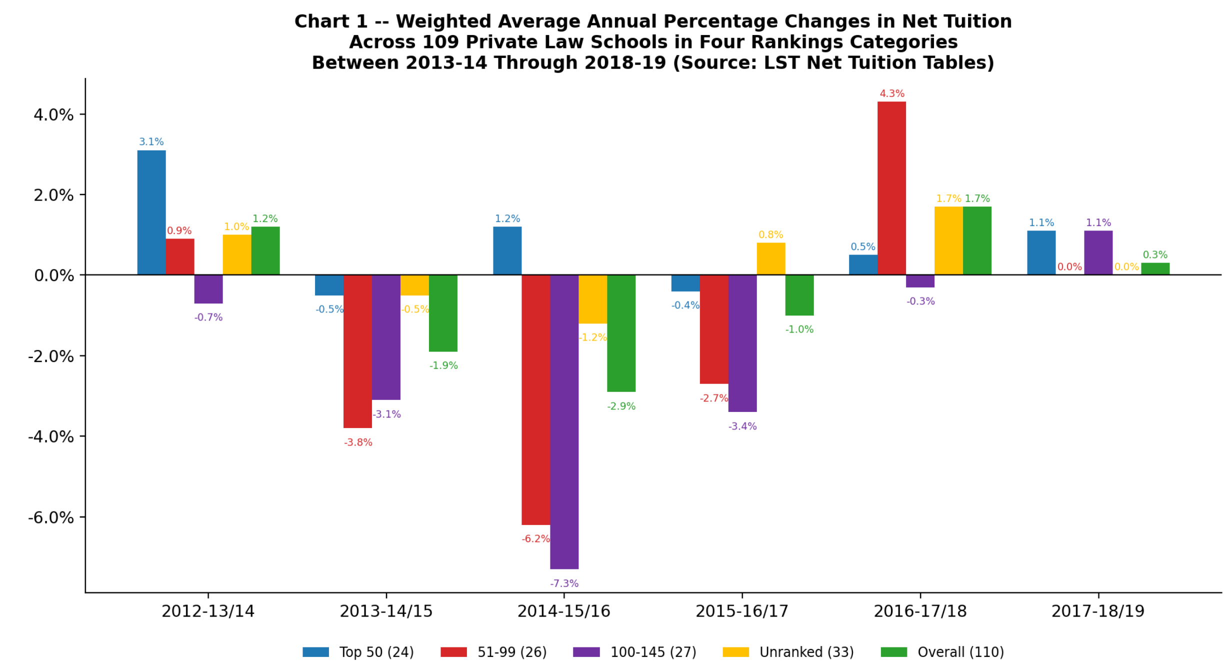

Chart recreated from the data labels printed directly on the source chart -- exact figures. Two ambiguous first-digit readings (51-99 and 100-145 categories, 2013-14/15 column) were resolved using the exact percentages the text states for those cells; every other value matches the text's stated figures precisely, including all six "Overall" (green) values.

The overall percentage change in net tuition in Chart 1 is reflected in green. The overall percentage change in net tuition showed a decline of 1.9% between 2013-14 and 2014-15, a decline of 2.9% between 2014-15 and 2015-16, and a decline of 1.0% between 2015-16 and 2016-17. The changes through 2016-17 are very consistent with the data reported above in the *Competitive Coping Strategies* article, particularly in highlighting that the law schools experiencing the largest percentage decline in net tuition were the law schools ranked 51-99 (down 3.8%, 6.2% and 2.7%) and 100-145 (down 3.1%, 7.3%, and 3.4%) through 2016-17. Note that in 2017-18, the overall percentage change in net tuition showed an increase of 1.7%, before then falling back to an increase of only 0.3% in 2018-19. (For comparison purposes, across this entire time frame, published tuition ("sticker price") increased 3-4% per year on average.)

Notably, across these several years, the number of private law schools that saw a decline in net tuition year-over-year went from 51 to 71 to 74 to 61 to 49 to 48. The three years that saw overall declines in net tuition year-over-year — 2014-15, 2015-16, and 2016-17 — are the three years in which the largest number of individual private law schools — a clear majority — saw declines in net tuition.

**Chart 2 -- Changes in Weighted Average Net Tuition
Across 109 Private Law Schools in Four Rankings Categories
From 2013-14 to 2018-19 (Source: LST Net Tuition Tables)**

	Top 50 (24)	50-99 (26)	100-145 (27)	Unranked (33)	Overall (109)
2012-13/14	$40,300	$31,500	$31,600	$30,200	$33,600
2013-14/15	$40,500	$30,300	$30,900	$29,900	$33,000
2014-15/16	$40,900	$28,400	$28,500	$29,400	$32,000
2015-16/17	$40,700	$27,600	$27,100	$29,500	$31,700
2016-17/18	$41,100	$28,800	$26,900	$29,900	$32,100
2017-18/19	$41,500	$28,500	$26,900	$28,800	$32,200

Chart recreated from the dollar values and color-coding printed directly on the source chart -- exact figures; every cell matches the specific dollar amounts stated in the text (e.g. $40,300 to $41,500 for Top 50, $31,600 to $26,900 for 100-145, $32,200 overall for 2018-19). Cell colors were recomputed programmatically from the rule the text describes and match the original's shading throughout.

Chart 2 shows this in terms of actual changes in weighted average net tuition across private law schools in four ranking categories and across all private law schools. Note that the dollar values here are shown in constant dollars, without accounting for inflation. Were these inflation-adjusted the declines in net tuition would be even more pronounced. In Chart 2, dark green shading shows an increase year-over-year above the 2012-13/14 average net tuition, light green shading shows an increase in a given year that is still less than the 2012-13/14 average net tuition, dark red shading shows a decrease year-over-year below the 2012-13/14 average net tuition, peach shading shows a one year decrease that is still more than the 2012-13/14 average net tuition, while gray shading shows no change year-over-year.

Across all 109 private law schools, the overall weighted average net tuition declined from $33,600 in 2013-14 to $32,200 in 2018-19. The only category of private law schools that showed an increase in weighted average net tuition over this time frame was the set of 24 private law schools in the top-50, which saw the weighted average net tuition increase from $40,300 to $41,500 with only one year (2016-17) in which the weighted average net tuition declined from the prior year. All three other categories of law schools saw declines in weighted average net tuition between 2013-14 and 2018-19, with the largest decline among the 27 private law schools ranked from 100-146, which saw weighted average net tuition decline by $3,700, from $31,600 in 2013-14 to $26,900 in 2017-18 where it remained in 2018-19.

Interestingly, within each of these four categories of private law schools based on the March 2013 USNEWS rankings, there is a fairly broad range of net tuition.

Among the 24 private law schools ranked in the top 50, for the 2018-19 academic year, four law schools had net tuition of more than $52,000, with the highest net tuition being $56,661, while three law schools had net tuition of less than $21,000, with the lowest being $15,779. Nine of these law schools had net tuition within $5000 of the average of $41,500. This category of law schools shows the broadest range in net tuition — nearly $41,000.

Among the 26 private law schools ranked 51-99, three law schools had net tuition of more than $35,000, with the highest net tuition being $38,277, while three law schools had net tuition less than $20,000, with the lowest being $15,175. Sixteen of these law schools had net tuition within $5000 of the average of $28,500. This category had the most compressed range in net tuition — roughly $23,000.

Among the 27 private law schools ranked 100-146, three law schools had net tuition more than $32,000, with the highest being $40,499, while four law schools had net tuition less than $20,000, with the lowest being $12,893. Seventeen of these law schools had net tuition within $5000 of the average of $26,900.

Among the 30 alphabetically-ranked private law schools (two of the 32 that were part of the mix in 2013-14 had closed as of 2018-19), four law schools had net tuition above $35,000, with the highest being $38,241, while four law schools had net tuition below $20,000, with the lowest being $12,086. Fifteen law schools had net tuition within $5000 of the average of $28,800.

What happened in 2019-20 and what is happening for 2020-21?

Where do things go from here? What the data above show is that on average, net tuition "bottomed" across all private law schools in the 2016-17 academic year. While a majority of private law schools have seen net tuition increase modestly since then, a number of private law schools have continued to see net tuition decline such that on the average net tuition increased only modestly in 2017-18 and then largely remained the same in 2018-19.

With the applicant pool continuing to grow slightly in 2019-20, and growing slightly stronger as well, one would anticipate that when the scholarship and grant data for the 2019-20 academic year are reported in December 2020, we may see that across private law schools on average there was a further modest increase in net tuition. The 2020-21 admissions cycle, on the other hand, is more complicated for a variety of reasons. Up until June, it appeared that applicants were going to be down, because of the transition to the digital LSAT in July 2019, which meant a large number of the July 2019 LSAT takers canceled scores and had to retake, and because the Covid-19 Pandemic resulted in the cancellation of the March and April administrations and the implementation of the "Flex" LSAT beginning in May. In the end, the applicant pool for 2020-21 has increased by a little over 1% due to a late surge in applicants. The pool also is stronger compared to the prior year.

But law schools had to make scholarship decisions in January, February, March and April, when the applicant pool looked like it might be slightly smaller (even if slightly stronger), and when there was some concern — by March and April — that applicants might be disinterested in attending law school if their legal education were going to take place completely or mostly in an online format as a result of the Covid-19 Pandemic. I think that when the 2020-21 scholarship and grant data are reported in December 2021 the data will show that net tuition did not change very much. Concerns about the impact of Covid-19 and the competition for strong applicants in an applicant pool that seemed like it might be smaller probably constrained a number of law schools from cutting back too much on scholarships such that the weighted average net tuition across all private law schools may not have changed much at all. On the other hand, to the extent that tuition discounting has reached a point where it is not sustainable, it may be that some schools made a concerted effort to generate additional revenue by reducing scholarships and increasing net tuition, which would suggest the possibility of some continuing modest increase in net tuition.

WHAT WILL HAPPEN IN THE NEXT ADMISSIONS CYCLE?

The 2021-22 admissions cycle will open on September 1 and it promises to be a particular challenge. There is a real possibility that there will be a growth in applicants if the economy remains challenged by the Covid-19 Pandemic and college graduates do not have other meaningful opportunities. There has been an understanding that legal education is counter cyclical — that the number of applicants increases when the economy struggles. That is certainly what we saw in 2009 and 2010 in the midst of the Great Recession. On the other hand, if the lived experience of first-year and upper-level law students in the coming academic year is less than robust under a predominantly online or hybrid learning structure, some potential law students may decide to wait things out until law schools can provide the traditional in-person learning experience they want. If there is a functional vaccine for Covid-19 by early in 2021, however, that may mean in-person learning is more of a possibility, but it also may mean a growing economy that may reduce the number of applicants to some extent.

One might think that the analysis of net tuition will largely be a function of the applicant pool – of whether there is growth in "demand" — and thus be hard to predict without a little more clarity regarding what is happening with applicants in the new cycle. But there is a separate economic reality that likely will have a ripple effect on law schools and on net tuition.

Those law schools that are part of a college or university are likely going to be facing particular budget pressures that mandate an increase in net tuition, if at all possible. The revenue losses that colleges and universities have experienced and will experience as a result of the Covid-19 Pandemic are unlike anything we have seen in our lives. Colleges and universities are not going to be in a position to be a financial "backstop" for law schools, and well may be looking to their law schools to help make up for some of the revenue shortfalls experienced due to Covid-19.

Thus, if the applicant pool does increase AND grows stronger, average net tuition is very likely to increase in the 2021-22 academic year. But even if the applicant pool does not increase meaningfully in size or strength, the financial realities confronting colleges and universities likely will mean net tuition will have to increase at a significant number of law schools in the 2021-22 academic year.

(I am grateful to Bernie Burk and Scott Norberg for comments on a previous draft of this blog post.)