April 19, 2004

Dr. William E. Cooper  
President

Re: Pricing Policy Task Force Report

Dear Dr. Cooper:

The Pricing Policy Task Force was charged with examining three dollar levels for a special tuition increase--$3,000, $5,000 and $7,000. The examination would include the pros and cons of each level of increase and the evaluation of the experiences of other schools that have taken similar courses of action in the past, what the increase may have cost them in terms of applications, acceptance and enrollment rates, and what they accomplished in their programs.

We examined the outcomes at four schools--Northwestern, Wake Forest, Washington University in St. Louis and Richmond. A summary of our findings is attached in Exhibit A which includes significant positives and negligible negatives. Each of the schools benefited from the additional resources with only minor setbacks, if any, in admission statistics.

Our examination of the “pros and cons” revealed a number of observations, some of which are repeated at each pricing level. Exhibit B presents these findings. The list of “cons” notwithstanding, the Task Force is anxious for the University to move ahead with an increase.

Exhibit C presents in graph form the effects of increases of $3,000, $5,000 and $7,000 as our prices would relate to our peer/aspirant schools immediately and over time. An increase of $5,000 would put us between the median and average of this group and an increase of $7,000 would put us near the top of this group.

Exhibit D presents in graph form the effects of increases of $3,000, $5,000, and $7,000 as our prices relate to the schools with which we currently compete most directly for admitted students. An increase of $5,000 would put us at the level of Wake Forest, Vanderbilt and Boston College, and an increase of $7,000 would put us near the top of this group.

Exhibit E extracts information from a price sensitivity study authored by Christopher Avery and Caroline M. Hoxby. The study found that students respond more positively to additional financial aid (including loans and work study) than they do negatively to additional tuition. It also found that tuition increases generate less negative reaction than do room and board increases.
Exhibit F is a letter from Dr. James W. Monks, Assistant Professor of Economics, which provides additional information on price sensitivity. Dr. Monks has studied pricing and tuition discounting at highly selective private schools, and he analyzed some of our own admission data as part of an in-house study last year.

Exhibit G presents the long-term impact of the three levels of increases on our undergraduate tuition discount rate in comparison with our present rate. We expect the discount rate to rise with the combination of our 100% of demonstrated need policy and tuition increases, but the projected rate remains below 39%, which is more fiscally responsible. Exhibit G also presents our institutional discount rate (includes law and SCS) in comparison with certain other colleges as of June 2002.

Since the fall of 2002, Richmond has provided financial aid packages that meet 100% of a student’s demonstrated eligibility for need-based financial aid. Combined with our need-blind admissions’ policy, students from diverse socio-economic backgrounds can consider Richmond without regard to cost. These policies will offset any perceived negative view of increasing our tuition cost.

The enhancements described in Exhibit A as a result of the $1,400 special tuition increase that we began implementing in September 2001 have combined to generate meaningful momentum for Richmond. We have a record number of undergraduate applications this year and are drawing outstanding students and faculty from all over the nation and the world. The Richmond experience has always been good and is measurably better as a result of the new investments. Much has been done, but there is much more to do to fully realize our aspirations. Our conclusion is that the University of Richmond should enact an additional special tuition increase to be phased in beginning with first year students entering in August 2005.

Sincerely,

Herbert C. Peterson, Chair

Pricing Policy Task Force
June R. Aprille, Provost and VP for Academic Affairs
Taylor B. Clark, Student/Business Management Committee
Cynthia B. Deffenbaugh, Director of Financial Aid
Leonard S. Goldberg, VP for Student Affairs
D. Ronald Inlow, Associate VP for Auxiliary Services
Louie W. Love, Director Business Affairs Initiatives
Carolyn R. Martin, Executive Assistant to the President
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Jennifer M. Sauer, Associate VP and Controller
Pamela W. Spence, Dean of Admission