**Background**

In 2017, private nonprofit postsecondary institutions provided educational services for approximately 20% of higher education students in the United States. Under normal economic conditions, these institutions generate annual excess revenues, yet little is understood regarding the size and factors related to such earnings. Examining how such revenues are generated is paramount to understanding the financial health of private nonprofit institutions, as well as if and when federal subsidies are needed. A new study by Robert Toutkoushian and Manu Raghav examines the size of private four-year institutions' excess revenue, as well as their associations with institutional characteristics including size, revenue structure, and selectivity. Their findings are published in vol. 16 issue 1 of *EFP*.

**Findings**

Descriptive analysis revealed that revenues per student exceeded expenses per student by an average of 16% for the years included in the study, though there were wide variations across institutions. Such findings raise questions regarding why private institutions are granted the same tax-free status as public counterparts, considering private 4-year colleges do not generally provide subsidies to resident students to attend their institutions.

Cross-sectional regression models showed that excess revenues were higher for private 4-year colleges that were more selective in admissions and less reliant on revenues from tuition and grants. Fixed effects regression models showed that an increased reliance on tuition revenue or tuition discounting was associated with lower levels of excess revenues. Therefore, private institutions that are heavily reliant on tuition revenues are most at risk for not being able to generate enough revenues to cover their expenses. Likewise, those that have increasingly turned to tuition discounting to compete for students will have a more difficult time staying in business.

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