



# The Effect of Net Cost on Yield Rates of U.S. Private Law Schools

Justin Meyer and Magdalena Ceja Mendoza

*Linfield Department of Economics • Spring 2019*

## I. Abstract

In this paper, we define a law school's net cost as tuition and fees plus living costs minus grant aid and estimate the effect of net cost on yield rates at private law schools. Our data is drawn from Standard 509 Reports for 51 ABA-accredited private law schools with LSAT scores from the 25th and 50th percentiles over the academic years 2011-2012 through 2016-2017. Our research uses fixed effects to control for school and year-specific effects. The results indicate that each 1% increase in net cost is associated with an approximate 0.2% decrease in the yield rate.

## II. Empirical Model and Variables

$$YIELD_{it} = f(NETCOST_{it}, ACCEPT_{it}, EF_i, TF_t)$$

- YIELD - is the percent of accepted students who choose to enroll in the first year of law school
- NETCOST - natural log of total costs of attending law school, which includes tuition, fees, and cost of living, less average institutional grant aid awarded
- ACCEPT - natural log of the percent of students accepted into the first year of law school
- EF - Entity fixed effects which control for aspects of law schools that do not change over time
- TF - Time fixed effects for the periods of 2011 through 2017 which controls for time varying effects which are constant across schools

## III. Theory and Hypothesis

- NETCOST is hypothesized to have a negative relationship with YIELD. We expect an increase in net cost to decrease the number of admitted students who choose to attend a law school.
- ACCEPT is hypothesized to have a negative relationship with YIELD. Schools with higher acceptance rates are less efficient in identifying students who are good matches for the institutions, leading to reduced yield rates.
- EF are entity fixed effects. By incorporating entity fixed effects we control for cross-school differences that do not vary over time.
- TF are time fixed effects that control for time varying effects that are constant across law schools.

## IV. Data

- Our data is drawn from Standard 509 Reports for 51 ABA-accredited private law schools with LSAT scores from the 25th and 50th percentiles over the academic years 2011-2012 through 2016-2017.
  - Data Source:
    - American Bar Association
- (<http://www.abarequireddisclosures.org/Disclosure509.aspx>)

## V. Empirical Results

NETCOST	-0.15 (-1.53)**	-0.21 (-2.23)*
ACCEPT	-0.33 (-2.33)*	
Adjusted R <sup>2</sup>	0.76	0.76

t-statistics are shown in parentheses.  
\* indicates significance at the 5% level.  
\*\* indicates significance at the 10% level.

## VI. Conclusion

- Our results indicate that each 1% increase in net cost is associated with an approximate 0.2% decrease in the yield rate. This is a relatively inelastic response. This low price response may indicate that law students' commitments to attend specific institutions are less affected by marginal variation in net costs.
- Our results provide important information to assist private law schools within the 25th and 50th LSAT percentile range when assessing student price sensitivity levels.