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Market Analysis for Law School Admissions

Final Report

**The Alliance for Higher Education and Democracy (AHEAD)
The University of Pennsylvania**

**Robert Zemsky, Principal Investigator
Patricia Burch
Richard Morgan**

January 15, 2017

The numbers are truly astonishing. Between 2011 and 2015, total enrollments in the 200-plus United States law schools whose data are regularly tracked by the American Bar Association (ABA) decreased by more than 20 percent. The total number of “missing students” was just shy of 30,000, an amount which translates into the total enrollments of 38 average-sized law schools—24 private not-for-profit and 14 public.

Figure 1

An Astonishing Enrollment Contraction

Private Law Schools	2011	2015	Delta	% Delta
Total Enrollment	96,838	76,358	(20,480)	-21%
Full Time	80,075	63,961	(16,114)	-20%
Part Time	16,763	12,397	(4,366)	-26%
 Public Law Schools	 2011	 2015	 Delta	 % Delta
Total Enrollment	51,563	42,068	(9,495)	-18%
Full Time	46,368	38,790	(7,578)	-16%
Part Time	5,195	4,171	(1,024)	-20%

Almost equally astonishing, however, is the fact that so little actually changed. None of the 200-plus law schools that reported their enrollment data to the ABA closed. The 65-35 percentage split between private and public enrollments was maintained. While total net revenue from JD tuitions declined by more than \$400 million dollars, or 13 percent, law school staffing levels also declined, but much less dramatically. There was some reduction in the market-prices some law schools charged (defined as average net tuition revenue per full-time JD student), but

there were also increases particularly among top-tier law schools, many of which increased their total JD enrollments despite the overall contraction in the market.

Those variances in price suggest that there might be considerable complexity behind the enrollment contraction and the price behavior it engendered—a complexity largely masked in the summary reports detailing a significantly smaller market for law school admissions after 2011. Drawing on our previous work for two major law schools, and our modeling of the price behavior across the market for collegiate undergraduate admissions, we set out to develop a set of statistical models capable of predicting the market-prices U.S. law schools were able to charge in 2015. The data for this analysis came from the ABA via the Access Group’s Center for Research and Policy Analysis website—complete enrollment, admissions, program, and staffing data for 171 law schools.*

Figure 2

Two Regression Models Predicting Market-Price

	Public Law Schools	Private Law Schools
R Square	0.42	0.42
	Coefficients	
Median LSAT	\$680	\$980
First Year Attrition	not significant	\$49
Admit Rate	not significant	not significant

*Our analysis included 171 of the 202 and 204 Law Schools for which the Access Group and the American Bar Association reported data for the years 2011 and 2015, respectively. We initially removed 14 Law Schools that were missing data for 2011, 2015, or both, in the categories of bar passage rate, employment data, tuition data, or percent of in-state enrollees. As our analysis progressed, we removed another 19 schools determined to be outliers since their decreases in net revenue over the period 2011-2015 was greater than 50 percent, or their increases in net revenue during that period were greater than 50 percent.

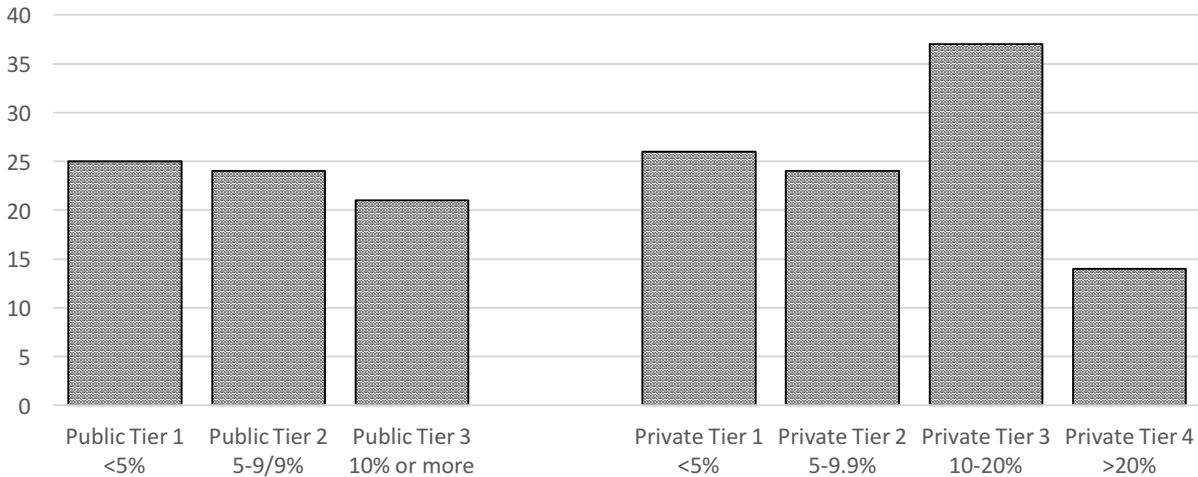
As it turned out, the modeling itself was straightforward. We started with our definition of a market-price as the dependent variable and then drew a set of independent variables from the ABA's data set as posted by the Access Group: control—private not-for-profit or public; admit rate for full-time JD students; yield rate for full-time admitted JD applicants; percent minority; percent part-time; total number of graduates from 2014 employed; Bar Exam School Pass Percentage (Bar Passers/Bar Takers); and the 50th percentile LSAT scores for applicants to a full-time JD program.

Only four of these variables, however, proved necessary for predicting a law school's market-price: control, first-year attrition rate, admit rate, and median LSAT score of applicants to a full-time JD program. The median LSAT score was by far the dominant independent variable in the regressions. On average, for public law schools, a one point increase in the median LSAT scores for applicants translated into a \$680 increase in market-price. The boost for private law schools was \$980 per one point increase in their median LSAT score. At the same time, among private law schools, a one percentage point increase in first-year attritions translated into a \$49 increase in market-price. What that result suggests is that private law schools were increasing their market-prices slightly to offset losses through attrition in a tough, contracting market.

We also noted that the attrition rates were playing a second, somewhat more important role, in organizing the law school admissions market. To test this possibility, we segmented the private and public law school markets into separate tiers based on each institution's reported first-year attrition rate as follows.

Figure 3

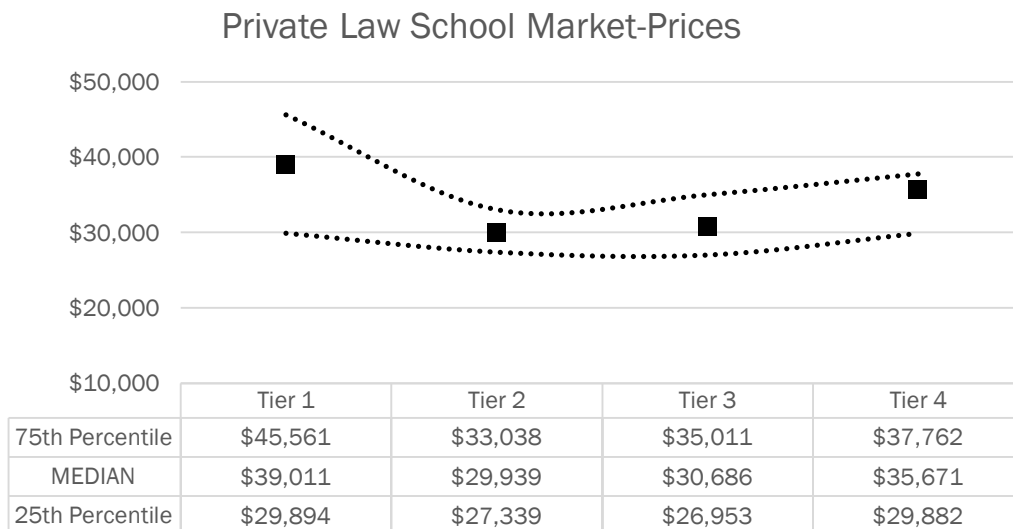
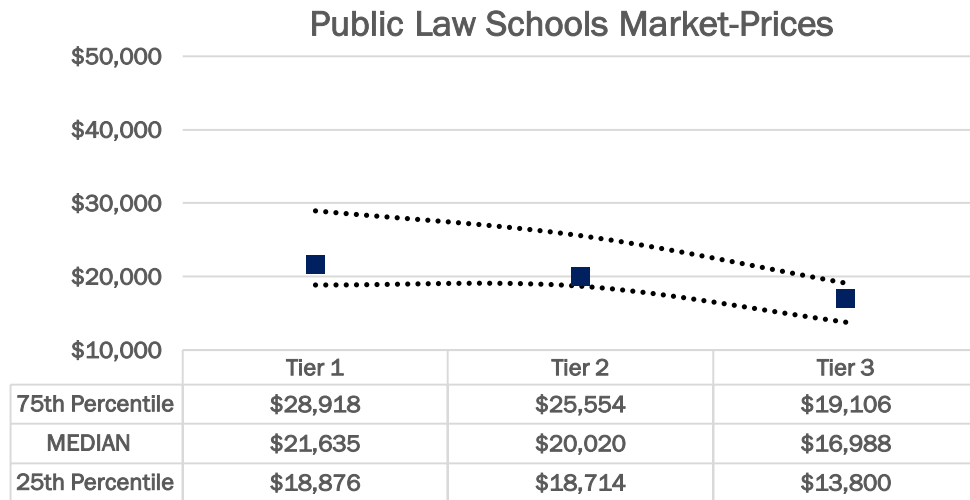
**Segmenting the Law School Admissions Market
by Tiers Based on First-Year Attrition Chart**



Segmenting the public and private law school markets in this way taught a host of important lessons. First, first-year attrition was much more prevalent among private law schools. Half of these institutions had first-year attrition rates of 10 percent or more. The equivalent figure for public law schools was that less than a third had attrition rates of 10 percent or more. Second, the top tiers had much more ordered and hence predictable market-prices. For the Tier 1 private law schools, the same three variable regression models we used to predict the price behavior of all institutions explained 64 percent of the variance. And for these 26 top-tier institutions, a one point increase in median LSAT scores, on average, translated into a \$1349 increase in market-price. The regression model for Tier 2 private law schools yielded an even better fit—73 percent of the variance explained—but a much lower boost in market-price per one point increase in median LSAT score (\$767). The bottom half of the public law school market segment was more chaotic than organized, yielding models that did not produce significant results. Here it is interesting to note that for the very bottom of this private law school sector—

Tier 4, with first-year attrition greater than 20 percent—each school’s admit rate proved the most significant variable for predicting market-price. As admit rates increased so did market-price.

Figure 4



The regression models for the three public law school tiers also yielded weaker models. The model for the Tier 1 schools explained 55 percent of the variance and the model for Tier 2 explained 40 percent. As was the case for the private law schools, the bottom tier did not yield a significant model.

The third lesson learned in segmenting the law school admissions market by tiers based on first-year attrition rates was that the resulting structure provides a remarkably clear and ordered picture of the market itself.

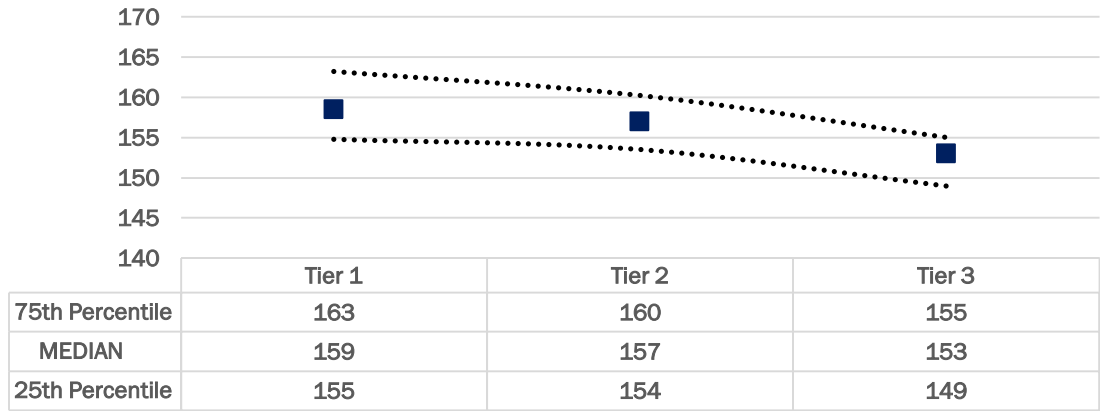
Figure 4 makes clear the ordered nature of the pricing of JD education, particularly among public law schools in the United States. The dotted lines represent the 25th and 75th percentile for each price range for each tier. The narrowness of the gap between these upper and lower bands testifies to the well-ordered nature of this set of market-prices.

The other is the fact that the market-prices are monotonically ordered both top to bottom and left to right across the public law school sector. The market-prices across the private law school sector are not nearly as well ordered. The gap between the upper and lower bands is greater and prices rise in Tiers 3 and 4 compared to prices in Tier 2.

Even more tightly banded were the median LSAT scores both public and private law schools reported to the ABA. Nor should it surprise, given the importance that law schools attach to LSAT scores and rankings, that the graphs noting LSAT scores and those for the distribution of law school rankings by *U.S. News & World Report* are basically the same, further testifying to the strength of the structure we have defined by grouping law schools in terms of their first-year attrition rates.

Figure 5

**Public Law School Median LSAT Score
Applicants to Full-Time JD Programs**



**Private Law School Median LSAT Score
Applicants to Full-Time JD Programs**

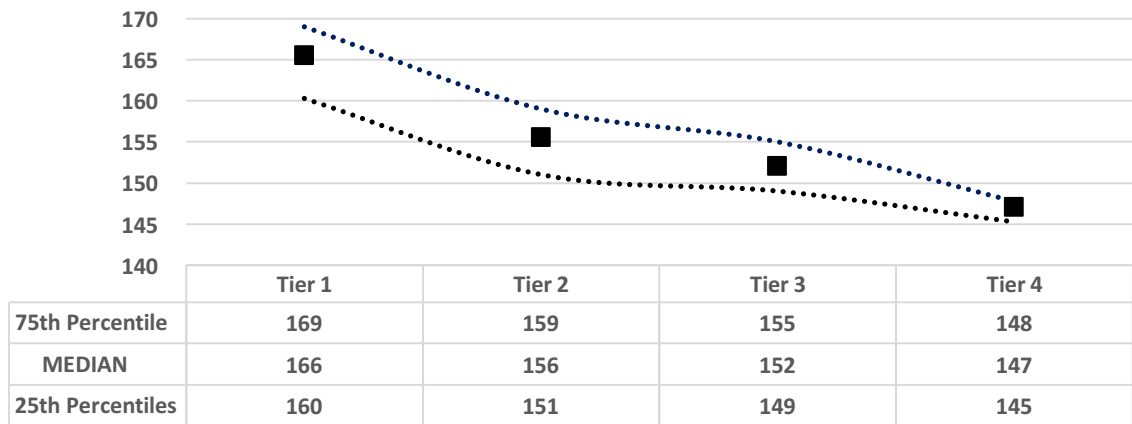
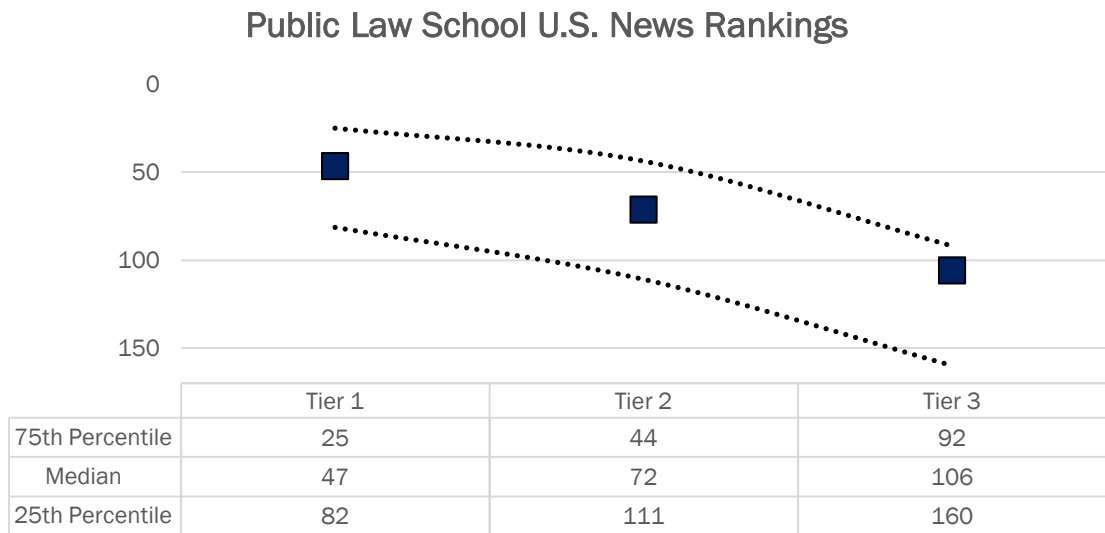
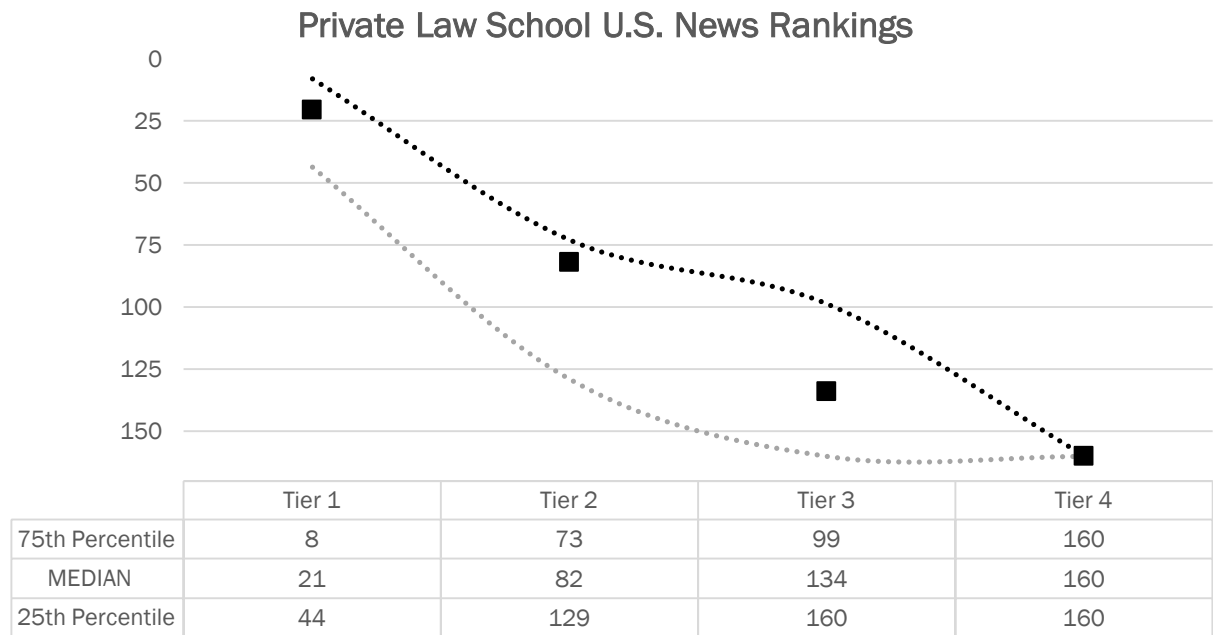


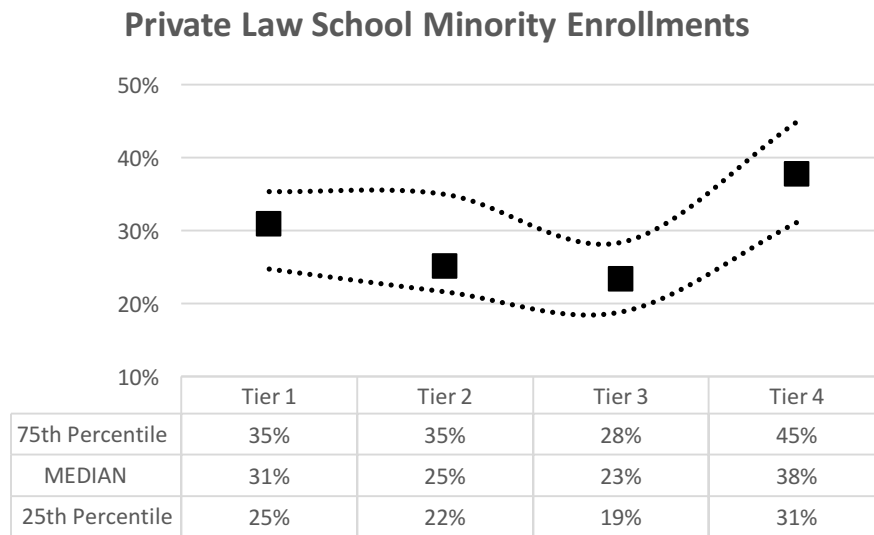
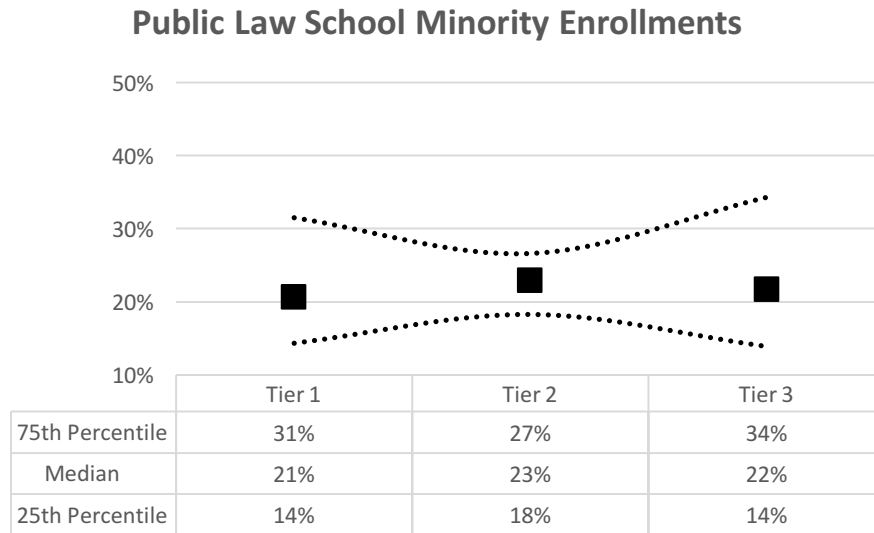
Figure 6



We also asked whether our attrition tiers were useful in explaining the distribution of minority enrollments. And the answer was a decided, yes; on average, just under 40 percent of

the enrollments in private Tier 4 law schools came from minority students and, in the top band of this tier, minority enrollments exceeded 45 percent.

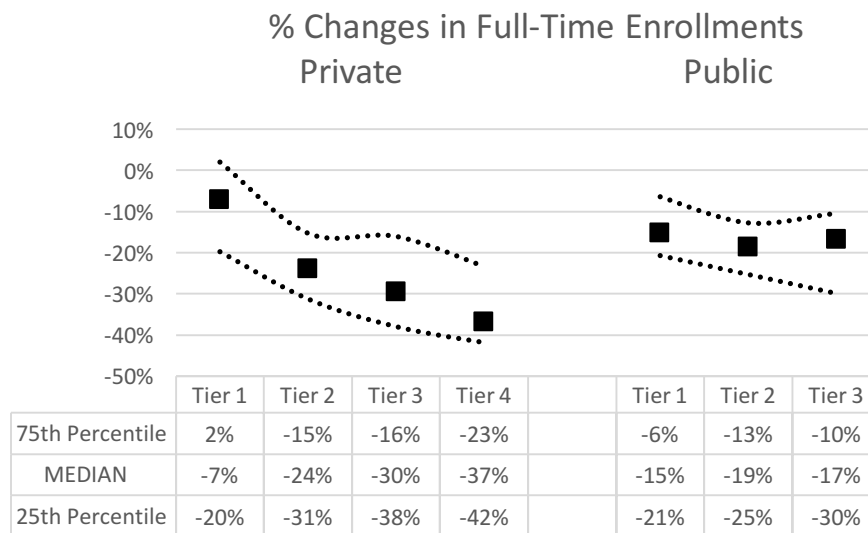
Figure 7



We can now use our segmented tier structure to ask, “What did and did not change over the last five years?” Clearly, overall enrollments were reduced, but not in an even manner. The greatest variances were among private law schools. The top quarter of Tier 1 institutions

increased enrollments by two percent while institutions in the bottom quarter of the private market had lost in excess of 40 percent of their enrollments by 2015. Public law school enrollments, on the other hand, were more constant: on average a 15 to 17 percent loss across all three public tiers.

Figure 8



Market-prices followed a similar pattern. Overall, most institutions increased their market-prices. Across public law schools, however, the price increases were largely modest and the overall structure of market-prices changed little. The more pronounced volatility was in the private law school sector. Across Tier 1, the median market-price increase was 18 percent. Elsewhere, there were more modest price increases except across Tier 4 law schools, which were trying to make up for lost enrollments by increasing prices, on average by 6 percent. The top quarter of this tier were more aggressive, increasing their market-prices by nine percent or more.

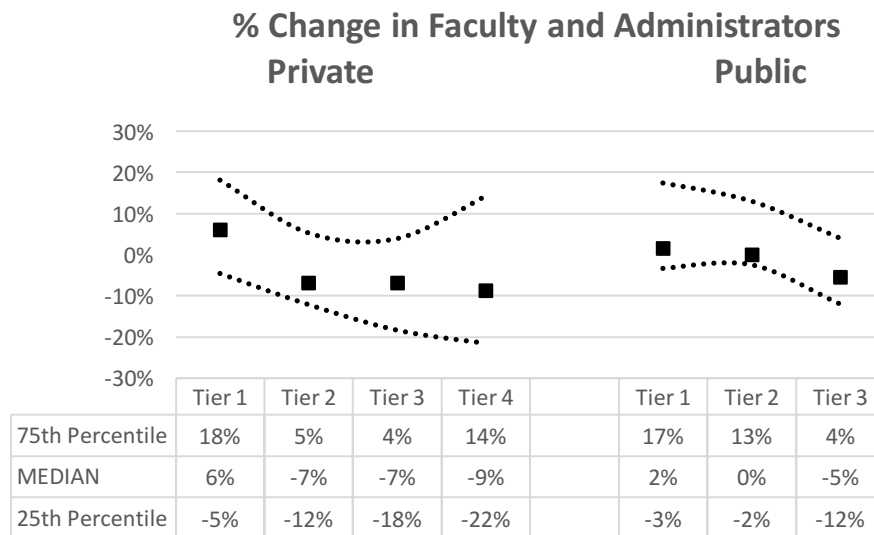
Figure 9



Figure 9 also reflects the growing variance in market-prices being charged by private law schools. Unlike in the public law school sector, the spread in private law school market-prices, both across and within tiers, increased substantially, suggesting that more disruptions are likely to follow if there is not a perceptible increase in private law school enrollments, particularly in Tier 3 and Tier 4 institutions.

There was a parallel spread in the number of faculty and administrators employed by the nation’s law schools. Despite the severity of the market contraction, significant numbers of law schools increased the size of their staffs.

Figure 10



On average, Tier 1 private law schools increased their staffs by six percent while the top quarter of that tier had staff increases greater than 18 percent. The growth in the staff sizes of Tier 1 public law schools was only slightly less dramatic. Almost nowhere in the public sector did staff reduction come close to matching the reductions in enrollments, and only among Tier 3 and Tier 4 private law schools were there substantial staff reductions. Recall, however, that enrollments in those two private law school tiers declined by 38% and 42%, respectively (see Figure 8 above), while staff reductions were held to 18% and 22%, respectively.

Taken together, Figures 8 through 10 suggest one possible future for American law schools. The rich will get stronger, growing their staffs, increasing their market-prices, and,

where and when possible, modestly growing their enrollments. Those institutions facing the most severe problems are likely to be from the bottom of the private law school market, Tier 3 and Tier 4 institutions. These private law schools have already suffered substantial student losses, both through increased attrition and significantly below average intakes of new students. Given that their loss of enrollments greatly exceeds their staff reductions these are institutions who may not have sustainable futures. Public law schools in the sector's bottom two tiers are generally better positioned—smaller declines in enrollment, more stable, but still declining market-prices, and staffing levels that have been reduced, but not dramatically. As we reported to the Access Group's 2016 Legal Education Research Symposium, these institutions along with mid-market private law schools (Tier 2) appear to be holding their breadths, hoping they can restore their enrollments before they have to fundamentally change their operations and educational programs. Our bet is that this “hold your breadth” strategy will not prove practical much longer.