

**INCREASING ACCESSIBILITY:
LESSONS LEARNED IN
RECRUITING IN CANADA AND
THE U.S.**

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Presenters

Susan Gottheil, M.A.

**Executive Director, Enrollment Management & Registrar
Mount Royal College, Calgary, Alberta, Canada
sgottheil@mtroyal.ca**

Clayton Smith, Ed.D.

**Vice-Provost, Students & Registrar
University of Windsor, Ontario, Canada
csmith@uwindsor.ca**

The Schedule

- *Introduction: The SEM Role for Financial Aid*
- *The Financial Aid Environment*
- *Financial Aid Strategies*
- *What Strategies are Best: Pitfalls and Solutions*
- *Discussion, Questions & Comments*

Introduction: The SEM Role for Financial Aid

Introduction

- **Before the late 1970's:**
 - *Financial aid generally used to meet students' demonstrated financial need*
 - *An incentive for enrollment*

- **Modern financial aid practices focus on:**
 - *Both students' willingness to pay & ability to pay*
 - *Increasing institutional brand, reputation & rankings*

Introduction

- College costs increasing
- Increased competition
- Student consumer behavior increasing

The Result: Financial aid has shifted from being a student support service to a key SEM activity

The Financial Aid Environment



Canada & the U.S.

- **Cuts in public funding coupled with larger tuition increases**
- **Differences in the use of financial aid becoming fewer**
- **Competitive student recruitment environment**
- **Growing perception by low income students that they cannot afford college**

Canada & the U.S.

- **Rising tuition has become a public concern, although varying economics by sector**
 - *Tuition relatively small share of total costs for students attending community college*
 - *Tuition most significant expense at private institutions*

- **Americans see the Canadian university tuition/quality ratio attractive**
 - *~ 5,000 U.S. students enrolled in Canadian schools*
 - *86% increase over last 3 years*

Canada & the U.S.

- **Tuition costs mask affordability**
- **Difference in affordability varies less between Canada & U.S. than within the 2 countries:**
 - *Geographic neighbors: Quebec (1) & Ontario (40); Nevada (3) & Oregon (38)*
 - *5 most affordable jurisdictions: South Carolina, Vermont, Ohio, Rhode Island & Pennsylvania*
 - *The least affordable: Nova Scotia*
 - *Poorer states more affordable than poorer provinces*

Canada & the U.S.

- In Canada, poorer provinces tend to be less affordable because:
 - *Tuition is higher than in other provinces*
 - *Wealthier provinces spend more heavily on student aid which counteracts the equalizing effects of federal student aid programs*

- American institutions more affordable because U.S. students receive more financial aid
 - *Grant aid: \$1,288 vs. \$955 (US\$) per student*
 - *Loans: \$7,248 vs. \$4,601 (US\$) per student*

- U.S. provides 58% more in form of grants per student than Canada (“Welfare state”)

In Canada

- **Tuition has been rising—by 70% over the past 10 years**
 - *Taking both tax credits & inflation into account, tuition has increased by only 25% since 1995-96*
 - *Decreases in grants means net tuition for poorer students has increased much faster than for wealthier students*
 - *Burden of funding post-secondary education shifted from government sources to students and their families*

In Canada

- **Much misinformation about costs/financial aid**
 - *Low income Canadians overestimate costs of post-secondary education by 75% & underestimate benefits by 40%*
 - *64% of parents believe their child will receive Government assistance, but only 28% of students entering university do*

In Canada

- **In 2000 federal government established new grants (Canadian Millennium Scholarship Foundation)**
 - *\$350 million/year*
 - *Some provinces provide resources based on family income rather than on basis of educational expenses (Prince Edward Island, Manitoba)*

- **Examining impact of grants on low-income students' ability to access & complete postsecondary studies**
 - *Has found significant retention gap between those who receive a loan & a grant vs. those who receive only loans*

In Canada

- **Concern that rising interest rates & planned aid reductions for federal programs will lead to cuts in student aid**
 - *Canada Millennium Scholarship Foundation slated to wind down activities in 2009*
 - *Increased Government use of tax credits & tuition freezes/reductions have spread money thinly*
 - *Substantially increased costs have left little for important targeted loans & grant programs*
 - *Federal Government may abandon the field of student financial assistance as part of a general program of rebalancing*

- **Student Access Guarantee - Ontario**

In the U.S.

- **Over past 5 years, major cuts in state higher education funding resulted in dramatic tuition increases**
 - *Tuition increased the most in Iowa (52%), Massachusetts (49%) & Minnesota (47%)*
 - *Nationwide fees rose by 32.3%*

- **In 2005-06, public colleges & universities increased tuition & fees by 7.1%**
 - *An improvement over the double-digit increases in past years but still outpacing inflation, wages, or financial aid*

In the U.S.

- **Over half of institutional grants (2003-04) went to students without consideration of financial need**
 - *\$2 billion went to families with incomes in excess of \$108,000*
- **Earlier this year, Congress cut over \$12 billion in student aid as part of the budget reconciliation bill, amounting to 32% of the reconciliation**
 - *Even though student aid accounts for less than 1% of federal spending*
- **Almost 2/3 of U.S. students at 4-year colleges now borrow to pay for their education (in 1993 less than half did)**
- **Higher cost private loans increased from 10% of total borrowing to 18% in last 6 years (College Board)**

In the U.S.

- **Tax breaks have provided greater assistance to wealthier students**
- **Although total aid spending has increased over past few years, low-income students receiving smaller share of the pie**
 - *States distributed a total of \$7.9 billion in financial aid in 2004-05, 8% more than the prior year...but need-based aid dropped from 81% of the total aid (1999) to 73%*
- **In Florida, \$61 million more was provided for the Bright Futures Scholarship program where students who achieve a 3.0 high school average & get at least 970 on SAT have 100% of their tuition covered at the state's community colleges**

In the U.S.

- **Increasing public attention to accessibility for lower socio-economic groups**
- **74% of students with top math scores in high school, who are in the top quintile of family income, go on to receive a bachelor's degree**
 - *Only 29% of students with top math scores coming from low-income families earn a bachelor's degree*
- **Spellings Commission report calls for major expansion of need-based financial aid, especially the Pell Grant (to 70% of in-state tuition; now only 48%)**
 - *Supported by 6 national educational organizations*
 - *Would increase maximum award from \$4,050 to \$6,150*
 - *Would result in increased spending of \$10 – 25 billion annually*
- **Oregon plans to increase need-based aid by 77% to \$78 million from \$44 million**
 - *Most of the increase will benefit part-time students attending community colleges*

Financial Aid Strategies



Awarding Philosophies

- **Preferential packaging**
 - *Increased aid to students enrolling in low-enrollment & high cost programs*

- **Gapping**
 - *Strategically narrowing the unmet need gap*
 - *Separates have & have not institutions...generally requires endowment cash*
 - *Keeps students' short-term financial worries under control*

- **Front-loading**
 - *Renewable entrance awards with high GPA renewal requirements*

Awarding Timetable

- **U.S.: financial aid awards (containing combinations of scholarships, grants, work-study & loans) sent to students with offer of admission or shortly afterwards (March/April)**
- **Canada: scholarship awards distributed with admission offers (April) but need-based grants/loans awarded during summer & work-study in September**
- **Canadian federal government does needs assessment (same award no matter what university student attends)**
- **Aid varies in U.S. based on institutional student budgets**

Tuition Discounting

- **Use of institutionally funded grants to help defray college costs**
 - *Standard practice at U.S. 4-year colleges since the late 1970's*
 - *Increasingly used in Canada, especially last 10 years*
 - *Results in lowering the net price for eligible students*
 - *Hoping to raise net revenue, institutions offer funding where it will attract the most students*
 - *Used as a tool to strategically tailor enrollment*
 - *Geographic diversity, academic quality, representation of first generation students, or fill empty seats in low demand academic programs*

Tuition Discounting

- **Some institutions have improved their enrollment & financial situations & have become stronger**
 - *Stops working when large number of institutions get in game & simply drive one another's costs up by competing with one another*

- **Tuition discount rate: total grant aid awarded by an institution divided by the total gross revenue it receives from tuition/fees**
 - *Currently 38.6% at independent institutions*

Tuition Discounting

- **Critique: restricts access for low-income students to grant aid & reduces college choice**
 - *Trend toward awarding increasing amounts of aid to affluent students*

- **Recent moves to guarantee low-income students enough grant money to cover their expenses:**
 - *Harvard University eliminated family contribution for students with family incomes under \$40,000*
 - *University of Pennsylvania pays tuition & room/board for students with family incomes under \$50,000*
 - *MIT will match Pell grants*
 - *Columbia University will replace loans with grants for financially needy students*
 - *Similar programs at Universities of North Carolina, Virginia, Michigan, Maryland & Nebraska, among others*

Tuition Discounting

- **Potential to negatively impact institution if continue to lose net tuition revenue to discounting**
 - *Institutions with greatest increases in discount rates raised their spending on grants by an average of \$4,475 per FTE student, but their tuition & fee revenue grew by \$3,069 per student*
- **Institutions that pay for discounting by shifting funds from instructional & student services may impede efforts to improve student retention**
- **Tuition discounting does not always increase student quality (fewer than 2 in 10 colleges increased their SAT verbal scores by 11 points or more)**
- **Price sensitivity is complex & can't be explained solely by parental education & incomes...other factors include students' perceptions, expectations & preferences**

Financial Aid Leveraging

- **Mostly private institutions**
- **A more “scientific” approach to tuition discounting**
- **Applies a matrix principle**
 - *Ability to pay (no need, low need, moderate need, high need) on one axis*
 - *Willingness to pay (academic indicators, geographic proximity, ethnicity, or any other variable where reliable & valid yield rate differences exist) on the other axis*
- **Premise: Yield rates can be influenced by the aid offered in each cell of the matrix**
- **Warning: Different awards for similar quality sometimes produces a few phone calls to the president**

Leveraging...an example

Student Quality Level	No Need	Low Need	Moderate Need	High Need
Low SAT/ACT	No aid	No aid	No aid	No aid
Moderate SAT/ACT	No aid	University grant	University grant	University grant plus Dean's scholarship
High SAT/ACT	Merit scholarship	Dean's scholarship	Dean's scholarship	Presidential scholarship
Very High SAT/ACT	Merit scholarship	Dean's scholarship	Dean's scholarship	Presidential scholarship plus room waiver

Athletic Scholarships

- **Plays a significant role at U.S. colleges (16% of institutional financial aid at public flagships; 18% at other public 4-years), most of which do not go to financially needy students**
- **Awarded by athletic departments/coaches**
- **Exist in Canada, but much more limited:**
 - *British Columbia, Ontario, Atlantic Canada*
 - *Usually limited to tuition/fees*
 - *Nothing similar to U.S. for top-tier athletes*

Merit Scholarships

- **Can strengthen an institution's brand/reputation**
 - *This can then attract more full-tuition paying students whose money can be used for need-based aid*

- **Size of endowments much smaller in Canada**
 - *Many institutions relying on operating budgets to fund merit scholarships*
 - *Recent increases in Canada fueled by tuition reinvestment fund in Ontario & oil money in Alberta*

Work-Study Programs

- **Federal, state & provincial need-based programs**
- **Institutional need-based program**
- **Institutional non-need-based programs**
 - **Co-op & work-placement programs**
 - *Students work (paid) & study in alternating semesters (2-4 work terms)*
 - **Carolina “Covenant”**
 - *Federal Grant recipients work 10-12 hours per week*
 - **SUNY College of Agriculture & Technology at Cobleskill**
 - *Student Ambassador scholarship recipients work 5-6 hours per week in Admissions Office as telecounselors & tour guides*
 - **University of Windsor**
 - *“Outstanding Scholars” scholarship program: students work 10 hours per week for their academic department*
 - *Focused on increasing student-faculty engagement*

Tuition Policies

- **U.S. has in-state & out-of-state tuition**
 - *Only province with out-of-province tuition is Quebec*
- **All provinces & states have international student tuition rates**
- **Tuition freezes in Manitoba & Quebec; previously in Ontario & British Columbia**
- **Tuition cut for Nova Scotia students attending in-province institutions; result of a transfer from the Federal Government**

Tuition Policies

- **Can be used as retention as well as recruitment tool**
 - *Georgia state colleges guarantee tuition for 4 years to encourage students to graduate in 4 years*

- **Western Oregon University's "Western Tuition Promise"**
 - *Guarantee incoming students fixed tuition rate for 4 years*
 - *Students returning for 5th year assessed tuition rate of class that entered in year immediately after them*

Tuition Policies

- **Tuition reduction – Muskingum College**
 - *Reduced tuition by \$4,000*
 - *Enhanced image (US News & World Report, Washington Post, New York Times, CBS News)*
 - *Immediate admissions impact*
 - *First-year class goal: 335*
 - *Enrolled: 394*
 - *Transfer #s grew from 35 to 57*

Tuition Payment Plans

- **Institutional payment plans**
 - *Minimum payment plus installments, often interest free (usually an enrollment fee)*
 - *Deferral payment plan for students who have not finalized their financial aid by the tuition due date*

- **External payment plans**
 - *Sallie Mae AMS Tuition Pay 10 month payment plan (enrollment fee, but no interest)*
 - *Tuition Management Systems payment plan (enrollment fee, but no interest)*

Tuition Tax Credits

- **Canada:** In 1995, worth \$80/month, limited to tuition
 - *In 2000 raised to \$400/month, can be used for extras*
 - *In Alberta & Ontario, indexed to inflation & now worth \$445/month*

- **US:** tax breaks relatively small share of student aid for low income students, but majority of aid for wealthier students
 - *Less than \$32,000: \$600*
 - *\$32,000 - \$59,000: \$900*
 - *\$60,000 - \$91,999: \$1,100*
 - *\$92,000 +: \$1,700*

Income-contingent repayment loan repayment programs

- **Borrowers repay loans as % of their incomes after graduation**
 - *Used in Australia, New Zealand, UK & US*

- **In US, students have several options for repayment (standard repayment, extended repayment, graduated payment plan or income-contingent repayment)**
 - *Repayment tied to income & calculated on basis of adjusted gross income, family size & total borrowed*
 - *Payments cover at least monthly accrued interest*
 - *Borrower must reapply each year*

- **Rejected in Canada**
 - *Proposed in Ontario in 1996 to accompany a 20% funding cut to post-secondary education*
 - *Widespread opposition from student groups & lenders*
 - *Seen as a guise for increasing tuition & leading to greater indebtedness for low-income students*

Debt Relief

- **Concern over unmanageable & rapidly rising student debt loads**
 - *Growing view that loans aren't relieving burden for low-income groups, merely deferring it*
 - *Debt seen as barrier/deterrent to recruitment & negative impact on retention*
 - *Steers students away from careers such as teaching, social work, & other professions that require a degree but may not be high paying*
 - *Critique that delays life decisions such as marriage, home purchases, etc.*

- **In U.S. more than 20% of borrowers drop out**

- **Nova Scotia has increased student debt relief bonuses**
 - *Graduates must stay in the province with a full-time job for at least 50 weeks over a 3-year span*
 - *Will result in a reduction of up to 51% of loan debt*

Putting it All Together

- **Establish your institutional enrollment goals**
- **Determine the role financial aid will play in supporting SEM at your institution**
- **Establish financial aid objectives**
- **Select the financial aid tools that will help you reach your financial aid objectives**

What Strategies are Best: Pitfalls and Solutions



Solutions...or Questions?

- Is higher education a private gain or a public good? How much of the “bill” should students be reasonably expected to pay?
- How do we square pressure to increase institution’s brand/reputation/rankings with maintaining the social goal of remaining accessible to students from all socio-economic backgrounds?
- How do we keep our integrity while still making the class?

Our response to these questions is critical!

Discussion, Comments & Questions