Financial Aid and Admission: Tuition Discounting, Merit Aid, & Need-Aware Admission

Donald E. Heller
Overview

- Existing grant aid
- The NACAC survey
- Comparisons by selectivity
- Comparisons with 1994
- Implications of the survey results
- Questions and discussion
Grant aid to undergraduate students

2006-2007 (total $51.8 billion)

- Institutional merit: $11.1 billion (22%)
- State need: $5.3 billion (10%)
- State merit: $2.1 billion (4%)
- Federal: $16.5 billion (32%)
- Private & employer: $7.3 billion (14%)

Author’s calculations from College Board, NPSAS, NASSGAP
Changes in grant aid

1995-1996, $17.7B
- State need: $2.60 (11%, 15%)
- State merit: $0.20 (1%, 1%)
- Federal: $6.10 (25%, 34%)
- Institutional need: $4.50 (14%)
- Institutional merit: $2.40 (14%)
- Private & employer: $1.90 (1%, 14%)

2006-2007, $51.8B
- State need: $5.30 (14%, 10%)
- State merit: $2.10 (4%, 106%)
- Federal: $16.50 (18%, 32%)
- Institutional need: $9.50 (22%, 113%)
- Institutional merit: $11.10 (14%, 906%)
- Private & employer: $7.30 (1%, 287%)

Author’s calculations from College Board, NPSAS, NASSGAP
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The NACAC survey

- Distributed to all baccalaureate-grant institutions (n=1,916)
- 382 surveys returned, 20% response rate
- Representation: sample vs. population
  - More private
  - Larger institutions (>10,000 undergraduates)
  - New England and Midwest
  - Higher SAT scores
  - Lower yield
Control over financial aid policy?

Who has primary authority over financial aid policy?

- President or CEO: 11% (Public), 11% (Private)
- Other administrators: 19% (Public), 24% (Private)
- Trustees/board: 3% (Public), 10% (Private)
- Faculty/faculty group: 0% (Public), 3% (Private)
- Chief EM officer: 1% (Public), 15% (Private)
- Chief FinAid officer: 14% (Public), 28% (Private)
- State agency: 6% (Public)
- No response: 12% (Public), 14% (Private)

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Need assessment in admissions

Need blind admissions
Need blind until May 1
Need conscious

Review of policy?
Currently under review
Reviewed in last year
Reviewed in last 3 years
Not reviewed recently

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Aid packaging policies

Packaging policy

- FM: 81%
- IM: 0%
- Combination: 14%

Meet 100% of need
- Public: 60%
- Private: 77%

Meet <100% of need
- Public: 61%
- Private: 78%

Who gets gapped?

- All students: 61%
- Academic qualifications: 34%
- Students not targeted group: 5%
Use of merit aid

Affect need-blind admis?:
- Yes: 93% (Public), 90% (Private)
- No: 0% (Public), 6% (Private)

Criteria used:
- HS grades: 79% (Public), 76% (Private)
- SAT/ACT: 74% (Public), 83% (Private)
- HS rank: 47% (Public), 40% (Private)
- Legacy: 11% (Public), 12% (Private)
- Athletics: 19% (Public), 29% (Private)
- Talent: 30% (Public), 44% (Private)
Financial aid spending, cont.

Student aid as % of E&G
- Public: 26%
- Private: 26%

Change over 5 years

- Decreased
  - Public: 4%
  - Private: 7%

- Stayed the same
  - Public: 20%
  - Private: 26%

- Increased
  - Public: 28%
  - Private: 35%
Institutional selectivity (acceptance rate)

% of institutions in each selectivity quartile

<table>
<thead>
<tr>
<th>Quartile</th>
<th>Public</th>
<th>Private</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st (most selective)</td>
<td>18%</td>
<td>46%</td>
</tr>
<tr>
<td>2nd</td>
<td>28%</td>
<td>65%</td>
</tr>
<tr>
<td>3rd</td>
<td>33%</td>
<td>65%</td>
</tr>
<tr>
<td>4th (least selective)</td>
<td>29%</td>
<td>90%</td>
</tr>
</tbody>
</table>

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Admissions selectivity and meeting full need

- 1 (most selective)
- 2
- 3
- 4 (least selective)

Public institutions

Private institutions

Do not meet need
Meet full need

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Institutional aid as % of all administered aid

<table>
<thead>
<tr>
<th></th>
<th>1 (most selective)</th>
<th>2</th>
<th>3</th>
<th>4 (least selective)</th>
<th>1 (most selective)</th>
<th>2</th>
<th>3</th>
<th>4 (least selective)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public institutions</td>
<td>14%</td>
<td>15%</td>
<td>19%</td>
<td>16%</td>
<td>57%</td>
<td>47%</td>
<td>42%</td>
<td>40%</td>
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<tr>
<td>Private institutions</td>
<td></td>
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Merit grant proportion of all institutional grants

Public institutions

<table>
<thead>
<tr>
<th>Selectivity</th>
<th>Public Institutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 (most selective)</td>
<td>41%</td>
</tr>
<tr>
<td>2</td>
<td>33%</td>
</tr>
<tr>
<td>3</td>
<td>29%</td>
</tr>
<tr>
<td>4 (least selective)</td>
<td>55%</td>
</tr>
</tbody>
</table>

Private institutions

<table>
<thead>
<tr>
<th>Selectivity</th>
<th>Private Institutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 (most selective)</td>
<td>31%</td>
</tr>
<tr>
<td>2</td>
<td>47%</td>
</tr>
<tr>
<td>3</td>
<td>44%</td>
</tr>
<tr>
<td>4 (least selective)</td>
<td>53%</td>
</tr>
</tbody>
</table>
Comparisons with 1994 NACAC survey

- **2007**
  - 4-year institutions only
  - 28% public

- **1994**
  - 4-year and 2-year
  - 7% of total were 2-year
  - 31% of 4-year institutions were public
Key changes from 1994

- Increased control over financial aid policy for CEM or FinAid officer: increased from 35% to 44%
- Public institutions meeting full need: increased from 19% to 32%
- Growth in merit grants as % of all institutional grants
  - Merit aid grew from 27% in 1994 to 43% in 2007
  - Need aid has decreased from 66% in 1994 to 49% in 2007
Student aid as a % of E&G expenditures

<table>
<thead>
<tr>
<th>Year</th>
<th>Public Institutions</th>
<th>Private Institutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1994</td>
<td>77%</td>
<td>64%</td>
</tr>
<tr>
<td>2007</td>
<td>77%</td>
<td>64%</td>
</tr>
</tbody>
</table>

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Conclusions

- While need-blind admissions appears strong, less than 1/3 of all institutions meet full need.
- Differential packaging is heavily utilized by private institutions, with a variety of criteria used.
- Institutional grants are consuming a larger proportion of budgets, particularly in private institutions.
- Merit aid is growing at the expense of need-based aid.
- Financial aid policies are related to admissions selectivity.
Just in case you thought that testing and merit ends in college. . . .

“You’re kidding! You count S.A.T.s?”
Questions and discussion

http://www.personal.psu.edu/deh29