Preliminary Report
of the
Financial Aid Leveraging Committee

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Introduction

The Financial Aid Leveraging Committee was first convened by the Provost in mid-June of 2005, and charged with examining the status of financial aid at the University of Rhode Island (URI) and its possible use as a strategic recruiting device. For the most part, the committee focused on the entering class of 2005. Of the total 2600 students 1919, or 76%, receive financial assistance.

Financial assistance is traditionally divided into two categories—need-based and non-need-based. The bulk of non-need-based is awarded on academic merit. It is important to note that in many reports, including the Common Data Set, the dollar amounts shown in these categories are based not on the source of funds, but rather on the financial needs of the recipient. A scholarship based on academic performance such as URI's Centennial scholarship will be recorded as "need-based" for those recipients showing financial need but "merit-based" for those without financial need. Last year URI awarded 455 students with no financial need an average of $7,526 or a total of $3,424,732.

Status of financial aid at URI

A general review of the status of financial aid at URI reveals certain factors that seriously impact our ability to recruit a freshman class and retain our upperclassmen:

- The available federal dollars remains constant and is unlikely to increase in the current political climate. The amount of Federal College Work Study and Federal Supplemental Educational Opportunity grants has not increased since 1993.

- The annual aggregate limits for the direct loan program have not increased. Because of the $2,625 limit for freshman, we seriously diminish our ability to fund student financial needs, even with loans.

- RI State scholarship level remains constant for our instate students for AY 05-06.

- One can easily observe the financial strain on families by viewing the alternative loans and parent loans that families are now borrowing. In academic year 93-94, parents borrowed through alternative loans $1.2 million dollars. For this year, parents will borrow over $12 million, an increase of 900%— more than 26 times the inflation rate of 34% over the same period. With parent loans, the increase is from $2.3 million to over $15 million. Clearly, this borrowing demand impacts our recruitment and retention ability.

- Current total unmet need for the 2005 entering class is $8,327,351. Average unmet need for in-state students is $3,823, out-of-state $8,151 and regional $3,087.

- General fund grant dollars has increased from \$3.7 million to \$4 million while in-state increases in tuition, fees, room and board have amounted to \$862. URI needs a \$1.4 million increase so that the 1700 students currently receiving University grants, can stay even. With out-of-state increases in the \$1,900 range, either alternative loans will once again increase or we will fail in our retention efforts.

URI compared to our peers and competitors

The committee examined information from the Common Data Set for 2004-5. There are many difficulties in making comparisons across different institutions, and we attempted to deal with these difficulties by making various adjustments. These adjustments mean that our conclusions are estimates, but we believe they capture the general picture.

The Common Data Set includes total dollar amounts of scholarships and grants which we divided by FTE enrollment to adjust for institution size. The results are shown in Table 1. Column 1 shows need-based financial aid per FTE. Column 2 shows non-need-based financial aid per FTE. Column 3 shows the percentage need met for students that were awarded any need-based aid. It should be noted that these tables do not include athletic scholarships which are reported in separate charts by institutions. URI's reported numbers in both need and non need based charts include URI Foundational and alumni scholarships. Among our peers, need-based scholarships and grants range from \$2,154 at UConn to \$3,007 at UMass Boston.

- URI is near the upper end of need-based scholarships and grants at \$2,942.

- Among our peers, non-need-based scholarships and grants ranged from \$45 at UMass Boston to \$1,185 at UNH.

- URI is near the bottom of non-need-based scholarships and grants at \$167.

- URI is at the bottom of our peers with respect to the percentage of need met for students that were awarded any need-based financial aid. We meet only 57% of need compared to a high of 89% at UMass Boston.

This final comparison is a bit deceptive because it depends on the in-state/out-of-state mix. URI has a higher proportion of out-of-state students paying higher tuition rates, and hence greater unmet need for those students. The final column of table 1 is an attempt to correct for that problem. By using in-state and out-of-state tuitions as well as in-state and out-of-state enrollments one can estimate total tuition revenue. The ratio of total financial aid dollars to total tuition revenue is defined as the discount rate. Comparisons across peers as well as private competitors can thus be made.

- The discount rate ranges from a low of 24.2% at UConn to a high of 37.5% at UNH. Because fees are not included UMass's discount rate is misleading.

- URI is in the middle with a discount rate of 28.5%

Table 1 uses estimates of total tuition revenue. The actual numbers for URI are
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Total Undergrad Tuition $101,449,316
Discount $25,620,738
Undergraduate Discount Rate 25.25%

Yield Rates

The purpose of financial aid leveraging is to increase yield as well as make more effective use of financial aid dollars. It is hoped that the strategic use of financial aid will induce students to enroll at URI who otherwise would not and to limit funds to those who would enroll anyway. To make use of financial aid leveraging it is important to examine yield rates in as much detail as possible. At this date, we have learned the following about yield rates for this fall's entering class.

- The overall yield rate is 23%.
- The yield rate for men is higher than that for women—24.8% vs. 21.9%.
- Yield rates are higher for men in every college except CELS and NURSING. It should be noted that the higher yield rate for women in CELS exists only for in-state students. The out-of-state students in CELS show the typical pattern of higher yields for men than women.
- Yield rates differ across colleges from a low of 17% in BUSINESS to a high of 47.3% in PHARMACY.
- In-state students have higher yield rates than out-of-state students —43.3% vs. 15.3%
- The higher yield rate for in-state students is true for all colleges except PHARMACY.

The following results are based on those accepted freshmen who also applied for financial aid (a subset of all those accepted).

- When controlling for SAT level yield rates for students with centennial scholarships is significantly higher than for those without.
- Yield rates decline as SAT level rises. The 750-849 cohort has a yield rate of 79.8% while the 1350-1449 cohort has a yield rate of 28.7%
- The yield rate steadily declines with one exception. The 1150-1249 cohort drops to 25%. This pothole in the data appears in AS, BUS, CELS, and HSS. This has been attributed to the increase in the SAT cutoff for centennials, and is another indication that targeted financial aid increases yield.

Recommendations

There is enough evidence to suggest that the strategic use of financial aid to woo various applicants but not others has a qualitative as well as financial payoff. However, a great deal of research must be done and repeated annually to gain the necessary knowledge to successfully target those that could be induced to attend with awards and to reduce funding of those that would come without such inducement.

Summary of important findings

Summary point 1
Yield for centennial scholars has gone down over the past few years because the scholarship allocations have remained constant while the tuition and fees have increased and federal and state grant monies have remained constant. Centennial scholarships over the past four years have lost "buying power."

Summary point 2
The yield of students with financial need who were awarded financial aid but did not enroll at URI with SAT scores in ranges between 1000-1190 was considerable with a total of 1527 students. Most of these applicants were below the centennial scholarship range. In the 1200-1290 SAT range a total of 473 students did not enroll who were awarded aid. This latter group is the cohort where centennial scholarship may not have been enough.

Summary point 3
URI has less variety in across-the-board merit scholarships than other peer institutions. We offer centennial scholarships for a particular academic level where other institutions offer across-the-board merit scholarships at a variety of levels of academic achievement. While it is difficult to argue that need-based aid is important, it is also important to note that failing to enroll an adequate number of low-need/merit aid students, who tend to pay a greater portion of institutional costs, can lead to institutional inefficiency and greater costs for remaining students.

Summary point 4
URI must annually analyze yields across various categories in order to understand how to leverage with greatest success. We should establish a series of reports (yield reports) to allow the tracking of yields for various groups.

Recommendations:
Broaden the support for centennial scholarships to increase yields for students especially above the 1200 SAT and to help keep pace with inflating costs.

Create other across-the-board tiers of merit scholarships targeted to yield higher levels just under the centennial scholars in terms of SAT and class rank/GPA – those with SAT scores between 1000-1190 and perhaps a class rank of top 40%. These could be called *"Presidential" or "Deans" Grants or Scholarships*

Allow flexibility by the Admissions/Enrollment Management staff in the offering of scholarship amounts to award both need based, non need based, and instate and out of state merit applicants along with the timing of making those awards to potential applicants.

- Future FA Research

1. Assess student recruitment and admission trends. Generate regular data on demographic and financial characteristics of the student applicant pool, both enrolling and non-enrolling.
    a. Research should include an evaluation of whether or not inquiries and rates of conversion from inquiry to application have been increasing or decreasing.
    b. If applications have declined, are we disproportionately losing students who would be paying our full price?
    c. URI should track the average net tuition revenue generated in each segment (low need, low quality, how need, high quality, high need, high quality; high need, low quality).

2. Obtain an understanding of our price position against primary competitors.
    a. Compile detailed information about competing "overlap" institutions – both public and private, including data on institutional characteristics such as enrollment trends, location, faculty credentials, enrollment by select academic programs, use of technology as a pedagogical tool, and available scholarships.
    b. The analysis should examine the relative competitiveness among entering students in terms of standardized test results, high school grade point averages, and class rank.
    c. Student characteristics should be analyzed and include gender and ethnic distributions, geographic origin, percentage of students residing on campus, and other descriptors.

3. Recently, URI disseminated the College Board's *Admitted Student Questionnaire* that asks admitted students to tell us what they really think of our programs, recruitment literature, competition, and, more importantly, financial aid packages.
    a. Students also rate us on institutional image—e.g., highly respected, expensive—and characteristics—e.g., academic reputation, cost of attendance, and quality of academic facilities.
    b. The feedback will allow us to compare competitor polices, practices and awards distribution to better evaluate the price sensitivity of our students and appropriate financial aid allocation.

4. Review the impact of financial aid on student retention. Obviously, because of the frequent changes in federal, state and institutional financial aid policies, it is often a challenge to make definitive comments on effects of financial aid on

student persistence and retention. Given this typical scenario, URI should annually analyze the effects of financial aid on matriculation and persistence. Furthermore, an institutional student tracking and financial aid database should be created, utilizing data warehousing technology, to focus on access, retention and degree-completion and financial aid of low-income, first generation and student of color enrollees.

NOTE: There is no one methodology to pricing and tuition discounting that will work for every college or university. It is critically important for each institution to chart its own path in the higher education arena, using information on competitors and its own historical data on the behavior of admitted students in order to understand its market niche, weigh strategic directives, and arrive at the best approach.