Approaching Administrative and Financial Aid Challenges from a Strategic Perspective
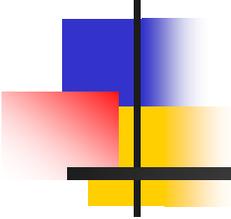
Sam Veeder, EASFAA President
Associate Dean of College Enrollment/ Director of Financial Aid
University of Rochester

VASFAA Conference
June 6, 2018
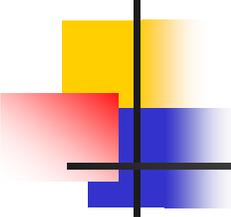
Agenda

- Definition of strategic planning
- Administrative challenges in financial aid
  - Operational case study
- Strategic challenges in financial aid
  - Data analysis progression
  - Four key questions to answer
  - Data-driven planning and decision making
  - Cost/benefit analysis case study
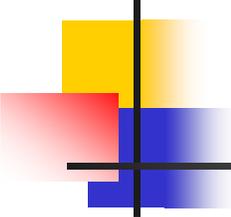
Definition of Strategic Planning

The development of a set of ideas and actions that enables a school or department to achieve a sustained, competitive advantage in an environment of limited/or declining resources and increased competition.

Definition of Strategic Planning

- *Where are we going?*

- *How will we get there?*
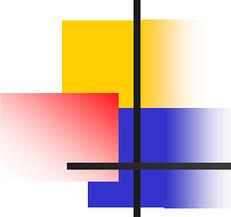
Definition of Strategic Planning

- Identify your purpose
  - Vision/mission statements
  - Scan the internal & external environments
- Determine goals
  - Overall accomplishments to achieve
  - Overall methods to for achievement
- Plan deliberate actions
  - Specify objectives for each strategic goal
  - Make strategy everyone's everyday job
- Monitor and update the plan

The Ability to Execute Strategy

- More important than the quality of the strategy itself

- Shift from managing tangible assets to managing knowledge-based strategies (intangible assets)
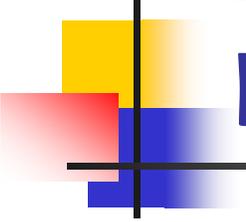
Administrative Challenges in Financial Aid

- True partnerships
  - Reporting lines don't matter – shared goals do!

- Goal setting is a shared process
  - Joint accountability for success *and/or* failure

- All grants and scholarships are green!
  - Use institutional financial aid efficiently and effectively to meet enrollment goals
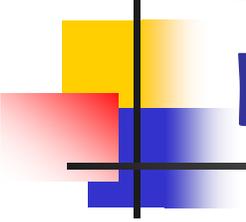
Administrative Challenges in Financial Aid

- Service to students is job #1
- Staff must have tools to perform job requirements
  - Case for affordability
  - Strong system support
  - Staff training
- Timing is everything!!!!
- Data must be merged for effective research
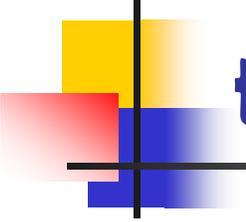
Operational Case Study: Making the Case for Affordability

Do you have the appropriate tools in the toolbox?

- Financial aid calculators
  - How accurate is your NPC?
- Family income profiles
- Sample aid packages
- Guaranteed merit awards

My Estimated Net Price for Academic Year 2013-14 is $ 23,631

How did we calculate your net price? Your net price is the cost of attendance (estimated below) minus grants and scholarships (money you do not have to pay back) that you may receive.

Estimated Cost of Attendance ❓

Tuition & Fees ❓	$	29,426
Room & Board ❓	$	12,100
Books & Supplies ❓	$	1,100
Transportation ❓	$	400
Personal Expenses ❓	$	1,000
Estimated Total Cost of Attendance	$	44,026

Estimated Grant/Gift Aid ❓

Estimated Federal Pell Grant	$	3,495
NYS State Grant	$	2,900
Nazareth Grant	$	2,000
Nazareth Scholarship	$	12,000
Estimated Total Grant/Gift Aid	$	20,395

ESTIMATED NET PRICE ❓	$	23,631

Estimated Self Help ❓

Student Loan	$	5,500
Student Work	$	2,500
Estimated Total Self Help	$	8,000

ESTIMATED REMAINING COST ❓	$	15,631

Calculated Family Contribution

Parent Contribution:	$2,123
Student Contribution:	$0
Total:	$2,123

The total family contribution is the amount of money a family is expected to contribute towards a student's college costs. For dependent students it is divided into two separate sections: a parent contribution and a student contribution, which, when added together, equal the family contribution. The parent contribution is arrived at by evaluating the income and assets of the student's parents. The student contribution is arrived at by evaluating the income and assets of the student.

NOTE:

The estimate provided using this net price calculator does not represent a final determination, or actual award, of financial assistance. The price of attendance and financial aid availability may change. This estimate shall not be binding on the Secretary of Education, this institution of higher education or the state in which this institution of higher education is located.
Students must complete the Free Application for Federal Student Aid (FAFSA) in order to be eligible for, and receive, an actual financial aid award that includes federal grants, loans or work-study assistance.
For more information on applying for federal student aid please go to www.fafsa.ed.gov.

Strategic Challenges in Financial Aid

Without data, you're just another person with an opinion.
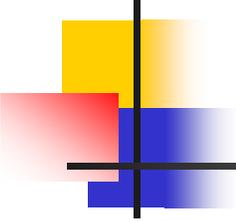
Data Analysis Progression

No Data

Strategic Use Of Data

Historical Data Captured & Retained But Files Not Merged

Data Files Merged But Strategic Questions Not Asked

Aggregate Data Analysis

Segmented Data Analysis

Regression Analysis

Modeling & Simulations

(group data)

(individual data)

12
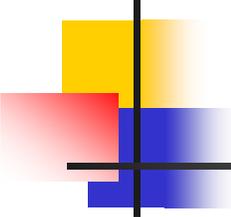
How Do You Know What is Right For Your Institution?

- To assess how effectively your aid program is currently responding to market forces, there are four key questions to answer about your current position:

  - Are we perceived as worth the price we're charging?

  - Have we convinced prospective students that we are affordable?

  - How much aid do we need to spend to meet our enrollment goals?

  - How can we be sure we are spending our aid wisely?
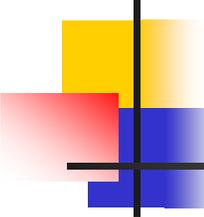
Question #1: Are we perceived as worth the price we're charging?

- Monitor trends in your pool:
  - Are your inquiry sources changing?
  - Is the geographic distribution changing?
    - Is your "footprint" growing or shrinking?
  - Is the quality of your applicant pool changing?
    - Can reflect your perceived prestige.
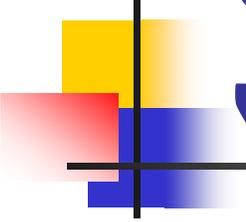
Question #1: Are we perceived as worth the price we're charging?

- Identify your competition
    - Surveys of admitted students to assess overlap at admission and head-to-head competition
    - List of institutions on the FAFSA
- Benchmark against the competition
    - Are your price and prestige positions in sync
    - What is your competition doing with merit scholarships and other aid strategies?
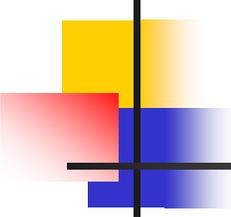
Sample Benchmarking

College/ University	Tuition & Fees 20011-12	Discount Rate 2011-12	Net Tuition	Accept Rate 2011-12	Middle 50% SAT 2011-12	US News Ranking - 2013 (America's Best Colleges)
A	$11,160	16.0%	$9,374	75%	1000 – 1190	Universities–Master's (North)
B	$18,720	31.0%	$12,917	65%	870 – 1060	Master's (North), third tier
C	$22,100	46.5%	$11,824	79%	980 – 1180	Universities–Master's (North)
D	$25,990	50.7%	$12,813	79%	1020 – 1230	Master's (North)
E	$26,068	57.3%	$11,131	75%	1030 – 1200	Master's (North)
F	$26,950	44.0%	$15,092	62%	1000 – 1230	Comp. Colleges–Bach. (North)
G	$27,700	64.0%	$9,972	70%	960 – 1200	Master's (North)
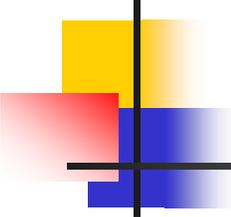
Question #2: Have we made the case for affordability?

- Does your competition change between the inquiry and applicant stage?

- Has the distribution of applicants by socio-economic level changed over time?

- What are yields (retention rates) for students who apply for scholarships but are denied?
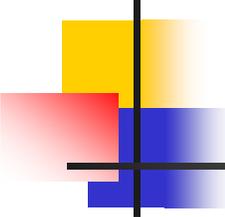
Question #3: How much aid do we need to spend to meet enrollment goals?

- It DEPENDS!!!

- If at capacity, the focus should be on increasing net tuition revenue *per student*. and the cost of trading off desired characteristics.

- If not at capacity, rather than thinking of aid as an expense item to be controlled, the priority has to be the maximization of *total* net tuition revenue.

- At some institutions, the answer to this question may vary significantly by program.

Question #3: How much aid do we need to spend to meet enrollment goals?

What is the "discount rate"?

(a)		Gross Tuition and Fee Revenue
(b)	LESS	Institutionally Funded Financial Aid
(c)	=	*Net Tuition Revenue*
(b)/(a) =		*Tuition Discount Percentage*

(From NACUBO Institutional Aid Survey Executive Summary)
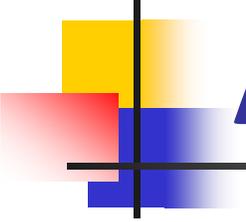
Defining the Tuition Discount, A Component Analysis

% of Students Receiving Aid X from Institution	Average Grant as % of Tuition and Fees =	Tuition Discount Percentage

60%   X   ($12,000/$35,700) = 33.6%

(From NACUBO Institutional Aid Survey Executive Summary)

Average Tuition Discount Percentages for Full-Time Freshmen
(10-Yr Participants)

Institutional Type	Number of Respondents	Fall 2000	Fall 2009	Fall 2010	Fall 2011	Fall 2012
Small Institutions enrollment < 4,000	297	39.0%	42.8%	43.3%	45.6%	46.2%
Research Institutions doctoral degree granting	34	32.0%	38.9%	38.8%	40.9%	41.4%
Comp/Doc Institutions enrollment > 4,000	52	33.0%	36.3%	36.0%	38.8%	40.0%
All Institutions	383	37.2%	41.6%	42.0%	44.3%	45.0%

(Source: NACUBO Tuition Discounting Study – 2012
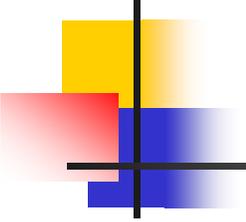
But what drives the discount rate?

- Merit aid
- "Mission critical" aid
- Up-front discount
- Changes in outside support
- Institutional commitments to diversity, quality, geographic mix, etc.
- Percentage of students applying for aid
- Market Forces
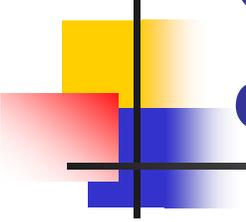
Question #4: How can we be sure we are spending our aid wisely?

- Is aid offered in time to make a difference in the matriculation decision?

- Is aid targeted to subpopulations where yield rates are low?

- Is aid helping build demand as well as increasing yield?
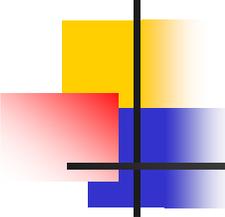
Aid Award Pitfalls

- Dogged adherence to the financial aid budget without regard to market conditions

- "Layering" or "stacking" can have unintended consequences

- The "copy cat" syndrome

- The "one case at a time" approach

- The "low-ball-and-then-negotiate" game

- Aid offers made late in the recruitment process
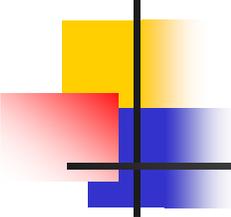
Data-Driven Discounting

- Are there market segments where yields differ significantly from the norm?

- Are there market segments where the "universal truths" don't hold?

- You should segment by:
  - Geographic region,
  - Target population (e.g., diversity), and
  - Academic program
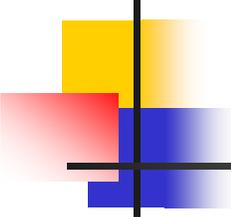
Cautions on "Table" Analysis

- Small numbers in cells can produce misleading results.

- Needs to be monitored annually.

- Aggregate numbers can mask differences between market segments.

Data-Driven Discounting: Sample Yield Table

Tuition = $15,000

		$0	$1-2500	$2500-5000	$5000-7500	$7500-10,000	>$10,000
	> 8000						
	6001-8000						
Gift Aid	4001-6000					55/100 55%	
	2001-4000					20/80 25%	
	1--2000					8/40 20%	
	$0						
		$0	$1-2500	$2500-5000	$5000-7500	$7500-10,000	>$10,000
					Need		

27
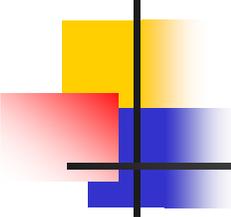
Cost Benefit Analysis

- Current NTR:
    - 8 * $14,000
    - 20 * $12,000
    - 55 * $10,000 =   83 enrolled - $902,000
- Projected NTR
    - 55% * 220 = 121
    - 121 * $10,000 = $1,210,000
- Projected Gain in NTR   = $308,000
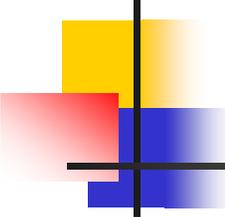
Goals of Econometric Modeling

- To identify factors that are important in the enrollment decision.
- To determine the impact of institutional grants on the probability of enrolling.
- To determine the revenue-maximizing levels of grants.
- To identify alternative financial aid packaging strategies.
- To suggest alternative admissions policies.
- To simulate the results of alternative admissions and aid strategies and policies.
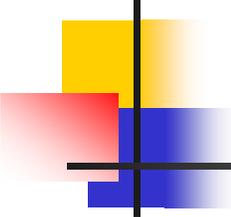
Advantages of Econometric Modeling

- Ability to consider many more variables in the analysis (solves the small numbers problem).

- Detailed simulations of potential policy and strategic changes.

- More powerful trade-off analysis.
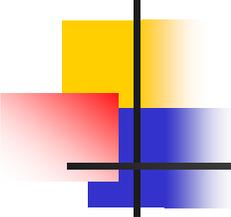
Econometric Modeling: Enrollment Probability Model

- The probability of enrollment for each student is a function of individual student characteristics appropriate for the institution.

    - Probability of Enrolling (Student)
        - = f (Student Need, Total Grant, Other student characteristics)
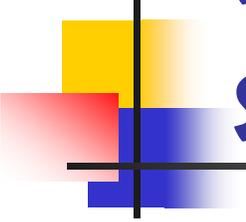
Econometric Modeling: Simulation of New Financial Aid Strategies

- Once a potential change in policy has been developed the model can then be used to simulate the impact of that change on net tuition revenue and, perhaps more importantly, on other characteristics of the entering class.
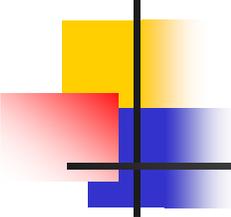
Conclusion: Ingredients for Successful Strategizing

Data and information resulting from table analysis and predictive modeling

+ Lessons learned from experienced practitioners

+ Intuition

+ Institutional context and values

= Well-founded and informed pricing and discounting policy decisions