AccessUVa Study

November 9, 2012
Joint Meeting of the Finance and Educational Policy Committees
AccessUVa Program
Undergraduate Financial Aid
Key Concepts

- Merit vs. Need-Based Aid
- Cost of Attendance = tuition and fees + room and board + personal expenses & travel + books
- Expected Family Contribution
- Financial Need
- Gross Price vs. Net Price
- Discount Rate
- Self Help
- Net Revenue
Key Financial Aid/Admissions Terms

• *Need-blind and meets full need*: This school is among an elite group of colleges that admits students based on academic qualifications and fit, without considering their ability to pay for college, and offers a financial aid package of loans, grants, and work study that meets 100% of a family’s demonstrated financial need.

• *Need-blind*: This school admits students regardless of their ability to pay and offers financial aid packages that may or may not meet 100% of a family’s demonstrated need.

• *Need-aware*: While this school generally admits students based on academic qualifications and fit, in selecting students for admission, it also takes into consideration their ability to afford the cost of attending.
Current Design Principles

- Programmatic:
  - Access and affordability: operate need-blind admissions and meet 100% of need of both in-state and out-of-state students
  - Diversity (socio-economic): award all-grant packages to low-income students both in-state and out-of-state
  - Student experience: reduced work component to enable students to participate more fully in University life
  - Career Choice: cap amount of loans outstanding upon graduation so as not to constrain students’ career goals

- Financial:
  - Adequacy: cost of attendance drives expenditures
  - Equity: no distinctions among students other than calculated need
Financial Aid at UVa – AccessUVa

- Meets 100% of demonstrated need for all admitted students

- Replaces need-based loans with grants for students whose family income is within 200% of the Federal poverty guidelines

- Caps need-based loans for standard academic year costs.

- Financial Literacy Initiative
Visitors' Metrics for AccessUVa

- Percentage of Low-Income Students (under 200% of poverty level, or $44,700 for a family of four in 2012-13)

- Percentage of Middle-Income Students (under 500% of poverty level, or $110,750 for a family of four in 2012-13)

- Percentage of Pell Grant Recipients (13.3% for 2011-12 up from 7.8% in 2004-05)

- Percentage of Students with Need (33.5% in 2011-12 up from 24.5% in 2004-05)
Percent of Low- and Middle-Income Students

Middle Income Students

Low Income Students

99-00 00-01 01-02 02-03 03-04 04-05 05-06 06-07 07-08 08-09 09-10 10-11 11-12
UVa Pell Grant Recipients and Students with Need

Students with Need

Pell Recipients

98-99 99-00 00-01 01-02 02-03 03-04 04-05 05-06 06-07 07-08 08-09 09-10 10-11 11-12
AccessUVa Program Review
Reasons for Program Assessment

- Priorities:
  - Attracting and retaining a diverse and high-quality student body
  - Maximizing use of scarce unrestricted resources; assessment of comparative return on investments in financial aid
- Changing context:
  - Federal financial aid in jeopardy
  - Changing demographics of financial aid recipients
  - Fiscal pressures on UVa and peers given rapid escalation of costs for commitment to financial aid
  - Increased competition for top students
- Healthy practice:
  - Full implementation achieved in 2008-09; appropriate in lifecycle for regular assessment of program objectives
Art & Science Group Research
Three-Part Research Design

- In order to understand the effectiveness and costs of AccessUVa, it was necessary to:

  1. Examine what would happen to revenues and class makeup if you had made changes specifically in how you were awarding aid.

*Financial Aid Optimization Study*
Three-Part Research Design

2. Understand the effects of aid relative to all factors in the enrollment decision—cost of attendance and market position as well as aid.

Study AccessUVa-eligible students and all others.

*In-depth survey of prospective students*
Three-Part Research Design

3. Gain perspective from peers facing similar challenges.

*Peer Benchmarking Study*
Financial Aid Optimization Study

- Mapping of recent awarding of aid at UVa, and econometric modeling of alternatives.

- Findings presented at February Board meeting, and showed that the University is generally well-optimized for in-state students.
Survey Methodology

- Centerpiece is scenario testing of pricing/aid and positioning options.
  - Tested potential changes in total cost of attendance.
  - Determined price sensitivity, mindful of parameters of any potential in-state tuition increases.
  - Findings from numerous studies indicate that students accurately mirror parents’ responses.
Survey Respondent Profile

Inquirers: 904
- 523 In-state
- 381 Out-of-state
- 285 Non-Applicants
- 619 Applicants

Admitted Applicants: 775
- 400 In-state
- 375 Out-of-state
- 456 Admit-Declines
- 319 Matriculants
Benchmarking Study

• Focus: need-based financial aid costs and performance since the economic crisis

• Data sharing, materials review, interviews

• Participants: UC-Berkeley, University of Michigan, University of North Carolina, Virginia Tech, Cornell, Duke, Vanderbilt
Today’s Presentation

• Still at the **findings** stage.

• Focus today is on the major **financial** findings.

  • Ultimate decisions about price and aid will take account of UVa’s other commitments and objectives.
Revenue, Not Cost

• The financial calculation that matters in this discussion is net tuition revenue.
  • From a financial perspective, aid is best understood as a discount, not a “cost.”

• Consequently, we want to understand both price sensitivity and aid sensitivity. The two can be very different…
  • from one another
  • for one university’s market versus another’s
  • for one segment of your market versus another
Major Conclusions

- The design of UVa's need-based aid program limits net tuition revenue.

- UVa's prospects are much more aid-sensitive than price-sensitive.

- Reductions in levels of aid to students receiving aid would have had negative enrollment effects.
  - Analysis necessarily excluded lowest-income applicants.
  - The effects would have been relatively modest in-state and more significant out-of-state.
Major Conclusions

- UVa could increase net tuition revenue modestly by increasing the cost of attendance, or by combining increased tuition and aid.

- In terms of market demand, UVa is underpriced -- in-state and out-of-state.
Lower Revenues

- UVa’s aid program is generous for a public institution:
  - Meets full need of out-of-state students.
  - Only one other public institution studied—with far fewer out-of-state students—meets full need out-of-state.
  - No work-study requirement for low-income students.
  - Debt cap based on cost of attendance rather than family income.
  - No minimum student contribution included in calculation of expected family contribution.
Aid at UVa Relative to Peers

- Relative to peers, a much higher percentage of aid recipients at UVa are middle income.
  - Ratio of middle:low income recipients out-of-state is 2:1.

- Over the past two years, UVa has experienced the highest rate of budget growth and cost per student aided.
Effects of Changes to Price and Aid

- Increasing price at increments that might be considered in-state or at the lower increments we tested out-of-state would have no negative effect on prospects’ decisions.

- *For example purposes only*, if UVa raised out-of-state cost of attendance by 6%, it would realize net tuition revenue gains of approximately $1.5 million.
Effects of Changes to Price and Aid

- The same finding holds true for lower-income prospects in-state or out-of-state, as well as for middle-income, under-represented minorities, and highest SAT scorers.
Effects of Changes to Price and Aid

- UVa could achieve marginally higher revenues by offsetting larger price increases with aid increases, but that would require aiding all students.
Awareness of Cost and AccessUVa

- Prospects do not have an accurate awareness of cost of attendance or components of the AccessUVa program.
  - Overwhelming majority of students overestimate cost of UVa—a common finding but notable here.
  - UVa is not thought to be as generous as competitors with need-based aid.
  - Majority of prospects perceive UVa to be need-blind, but not meeting full need.
  - Half of respondents think UVa does not have a debt cap or don’t know.
Peers’ Situation and Responses

- All peers reported:
  - Changes in state and federal funding
  - Broader range of incomes among families seeking aid
  - Increase in expenditures on need-based aid
  - Larger average grants

- And, in the face of that:
  - Their policies have not changed
  - They are assessing their aid programs
  - They have clarified their objectives
Peers’ Funding and Fundraising

- Most of the peers have:
  - Diverted other university funds to aid
  - Pursued creative funding initiatives: loan caps, housing allowances, summer school, study abroad
  - Raised substantial funds for need-based aid
AccessUVa Program Review
Timeline
Timeline

• To allow for 2014-15 academic year implementation:

1. Benchmarking & Overview of Survey Research Findings – November 9, 2012


3. Tuition and Fees – Special Meeting in April 2013

4. Final Approval of AccessUVa program modifications – May 20-21, 2013