

# CORNELL'S FINANCIAL AID POLICIES UNIMAGINABLE OUTCOMES?

OCTOBER 21, 2015

## **FACULTY FORUM**

***Cornell's Financial Aid Policies: Unimaginable Outcomes***

**700 Clark Hall**

**4:30-6 PM; Reception follows**

**October 21, 2015**

**Joe Burns, Dean of University Faculty, moderator**

**Paul Streeter, Vice President for Budget & Planning**

**Barbara Knuth, Sr Vice Provost (Admissions & Financial Aid)**

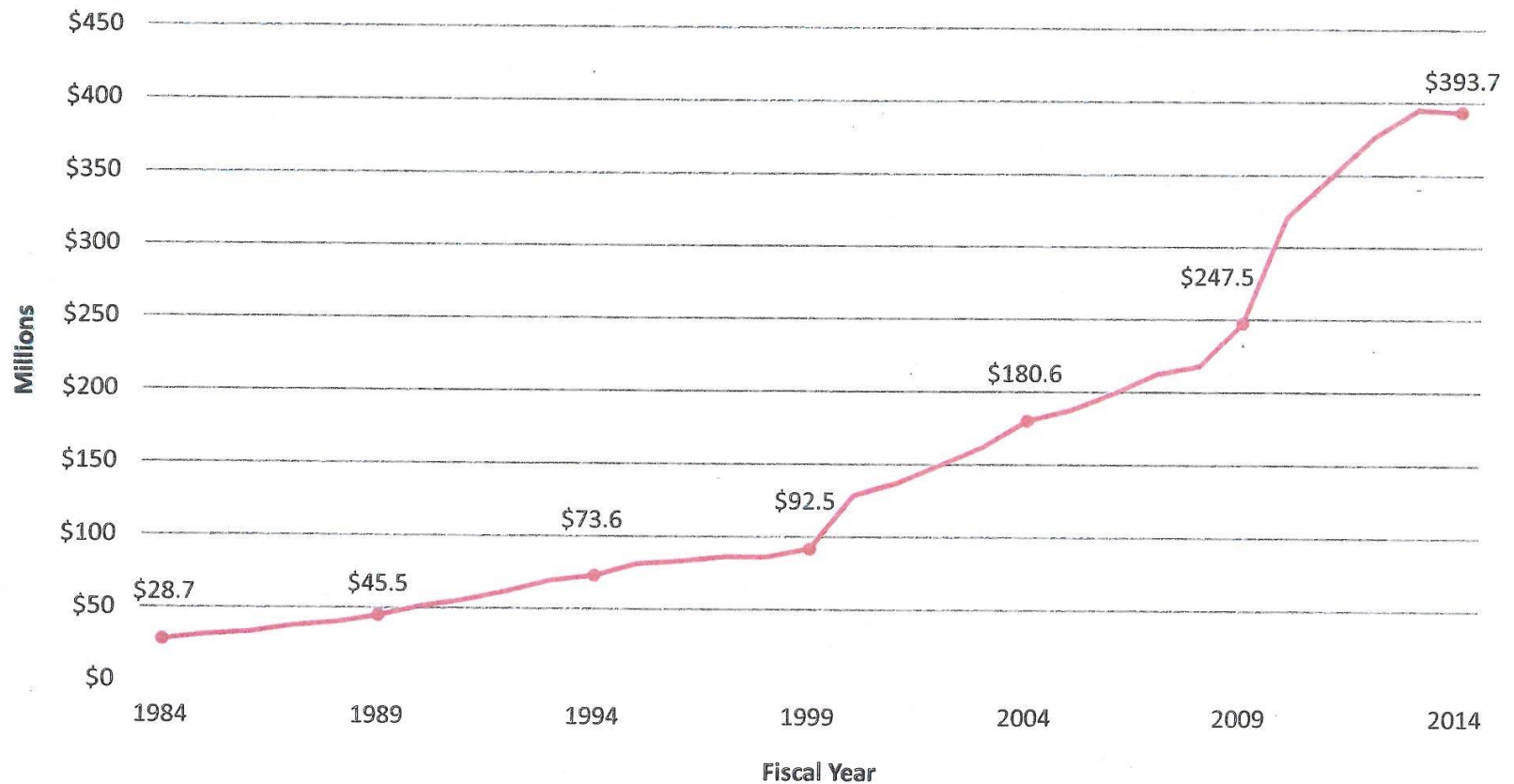
**Suzanne Mettler, Government, Author of *"Degrees of Inequality: How Higher Education Politics Sabotaged the American Dream"***

**Ronald Ehrenberg, ILR and Economics, Author of *"Tuition Rising: Why Higher Education Costs So Much"***

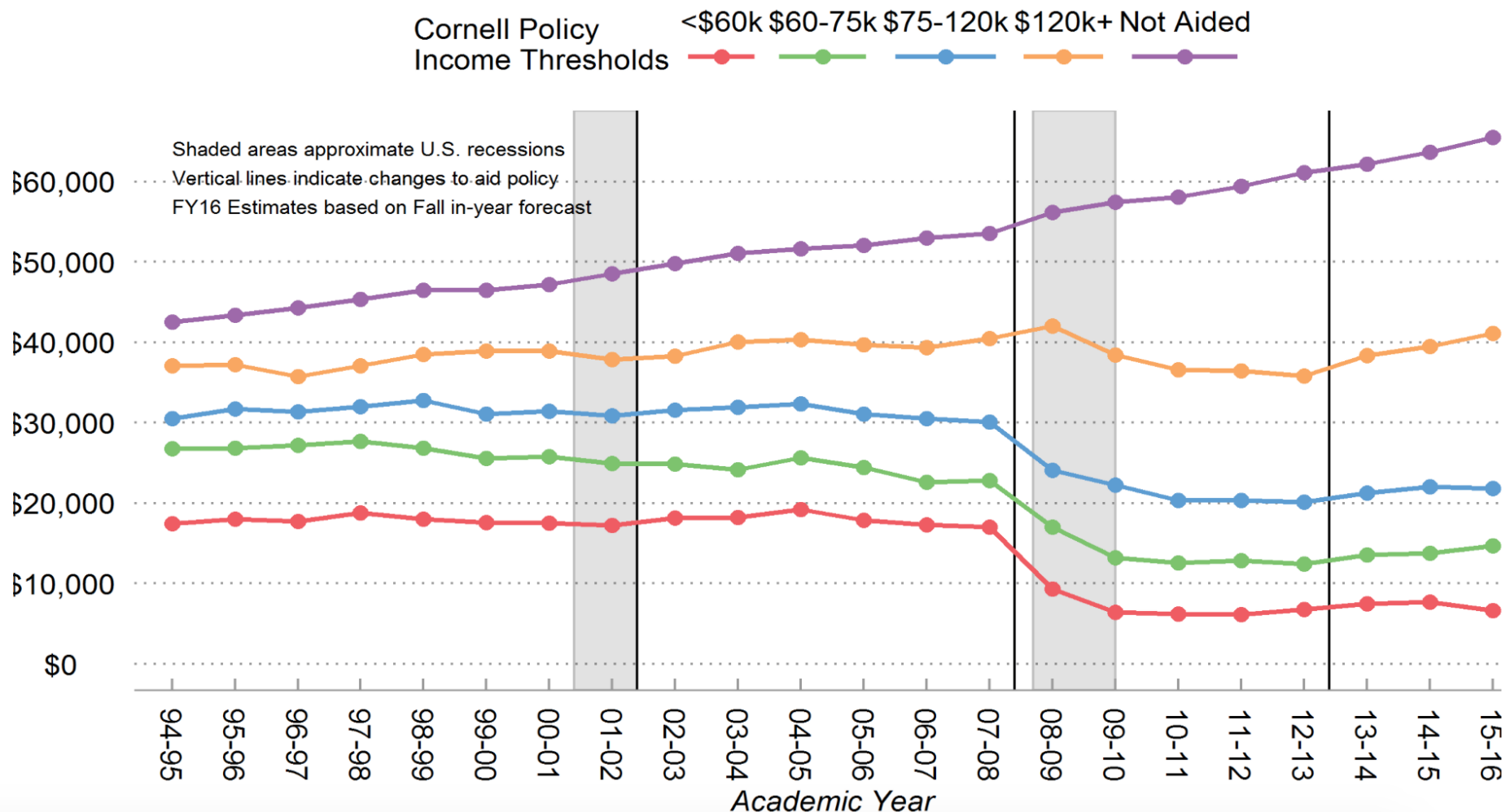
**Barton Winokur, Trustee (Cornell, Harvard Law, Brandeis), Dechert LLP**

# University wide commitment to financial aid remains strong

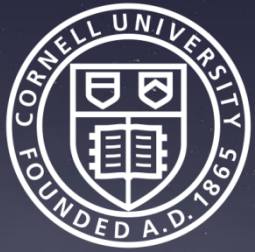
## Financial Aid Expense



# Median Cost After Grant from all Sources, Endowed Sector Inflation-adjusted Dollars



**PAUL STREETER**



# Faculty Forum

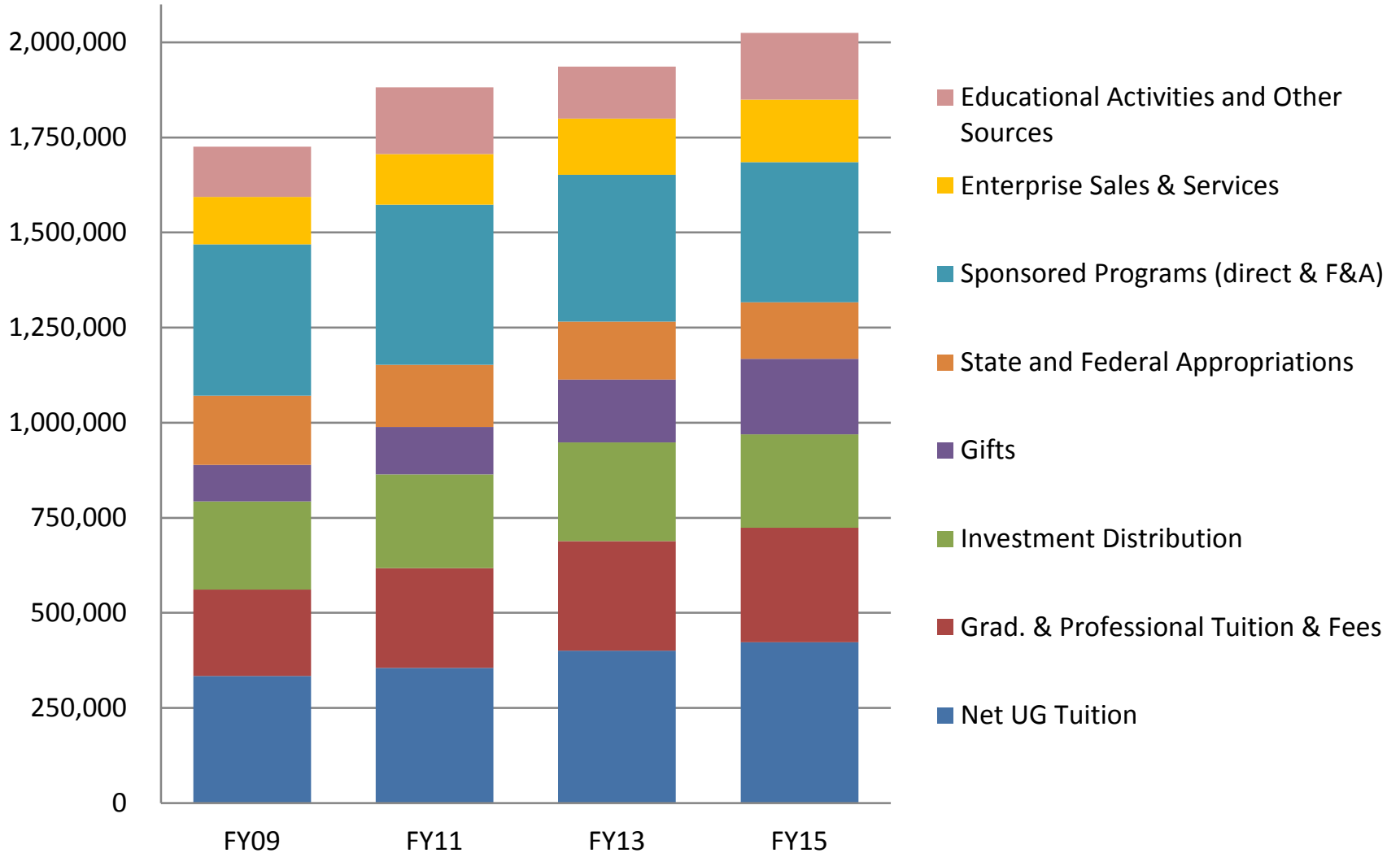
## Ithaca Campus Financial Resources

October 21, 2015



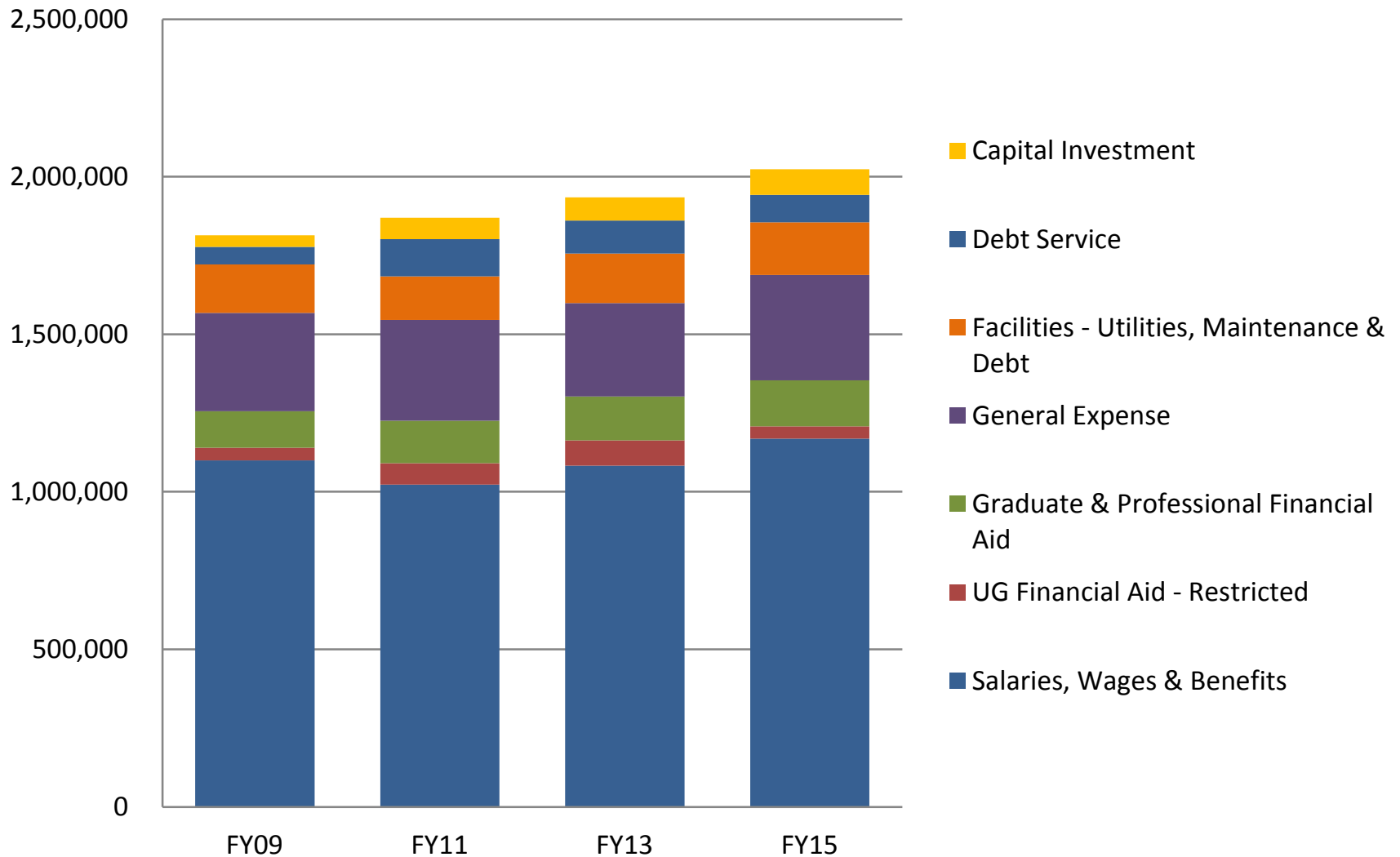
# Ithaca Campus Resources

(in Thousands)



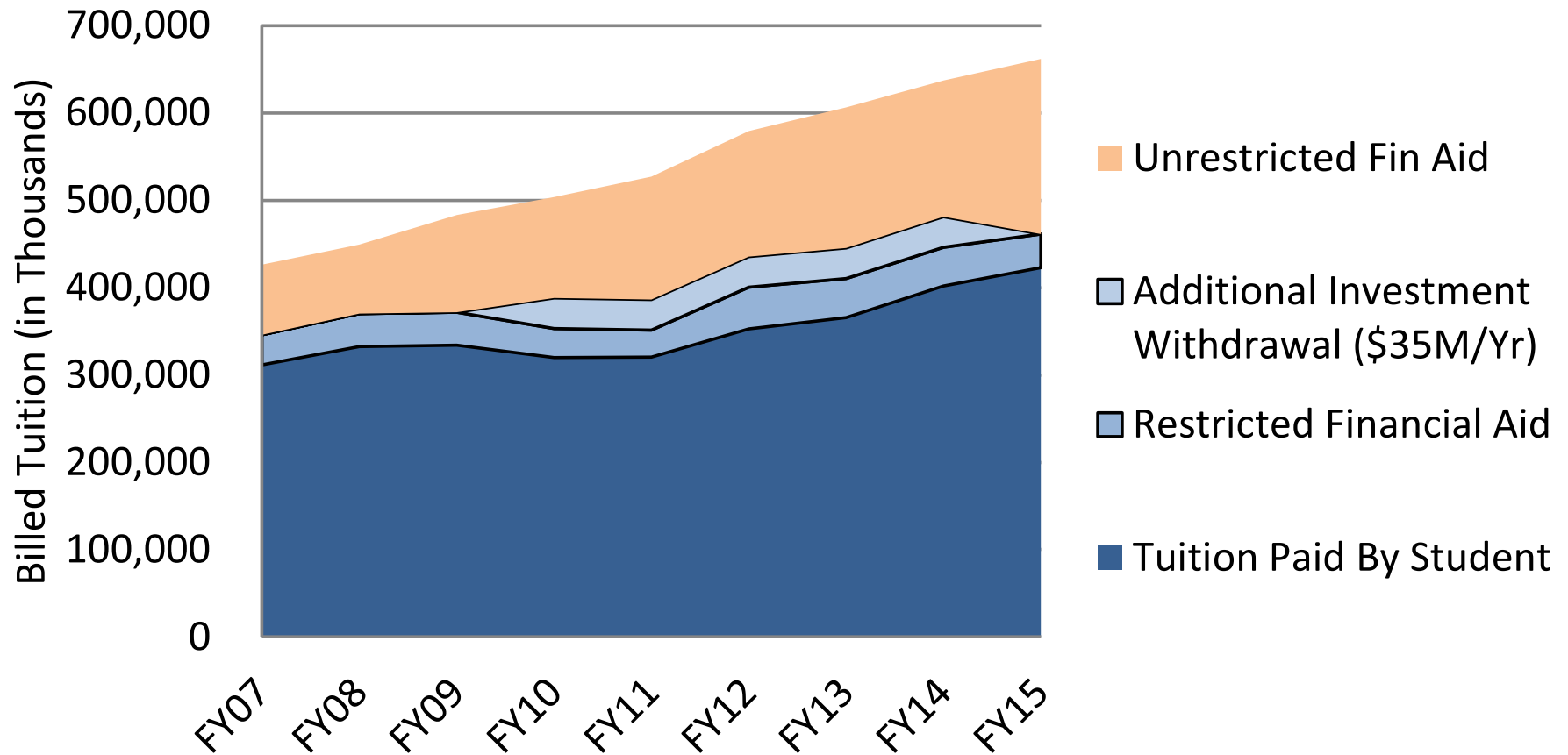
(in Thousands)

## Ithaca Campus - Use of Resources





# Undergraduate Tuition

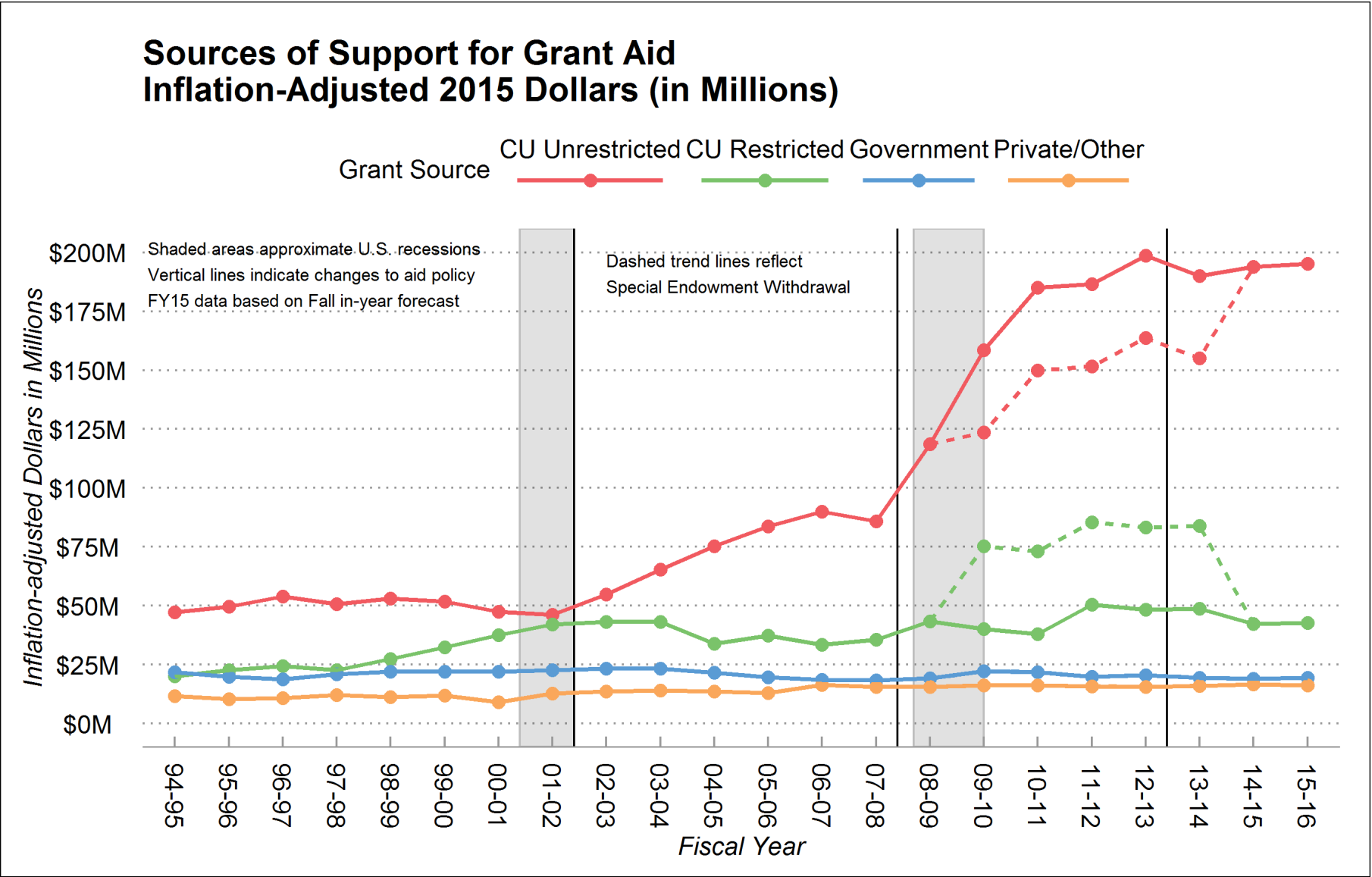


# Cornell Grant Aid, 2009-2015

- 2015-16\*    \$238 Million
  - 2014-15    \$238 Million
  - 2013-14    \$235 Million
- 
- 2012-13    \$240 Million
  - 2011-12    \$226 Million
  - 2010-11    \$204 Million
  - 2009-10    \$179 Million

\*based on FY16 in-year forecast as of 9/14/2015

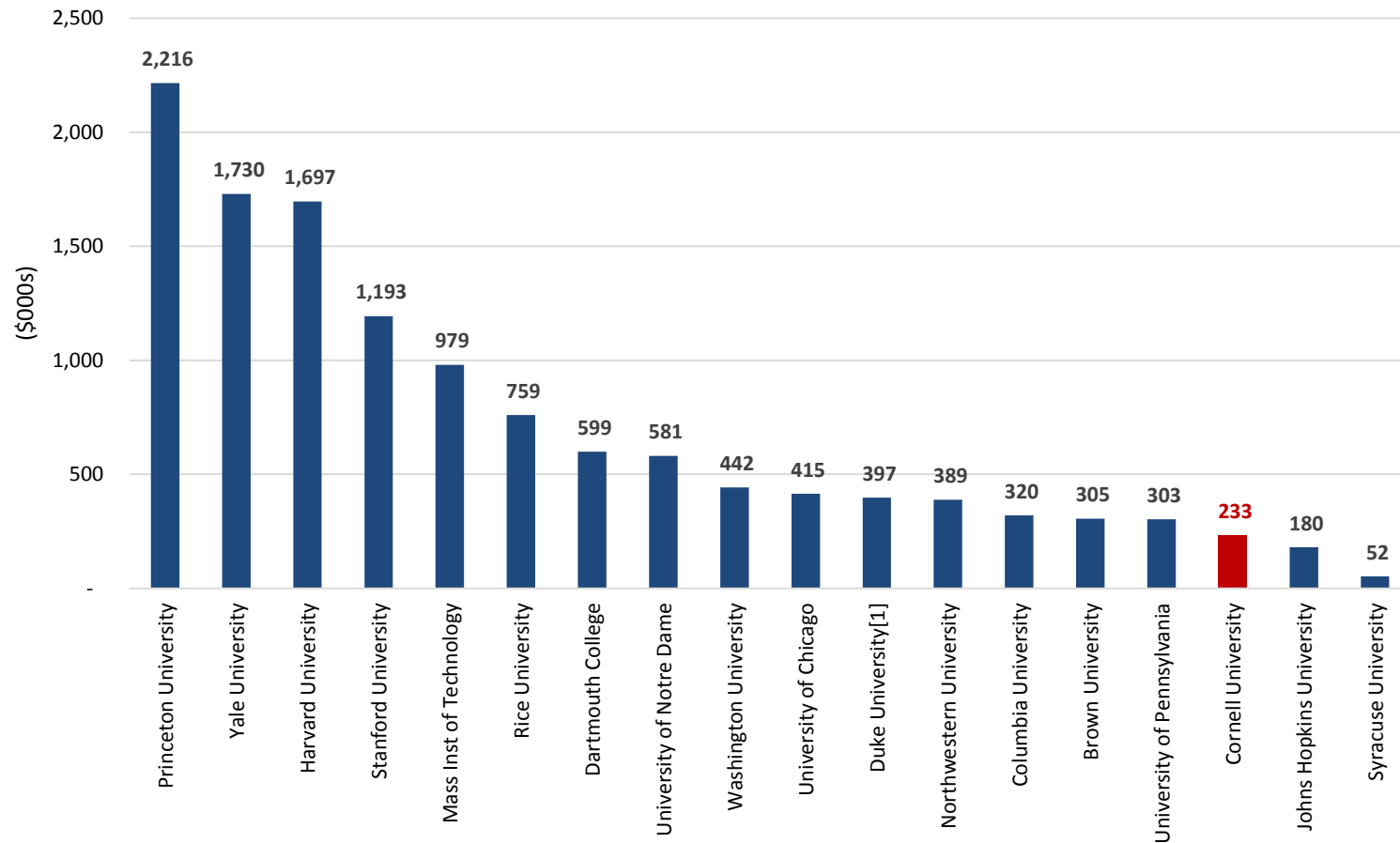
# Sources of Support for Grant Aid, Inflation-adjusted



# Financial Aid Funding – Peer Comparison

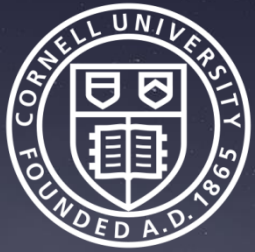
Institution	% Unrestr. Grant	% Rest. Grant
<b>Cornell</b>	<b>81.5%</b>	<b>18.5%</b>
Brown	66.0%	34.0%
Columbia	63.2%	36.8%
Dartmouth	58.3%	41.7%
Duke	69.3%	30.7%
Harvard	32.5%	67.5%
MIT	22.7%	77.3%
Northwestern	77.4%	22.6%
Princeton	9.2%	90.8%
Stanford	34.2%	65.8%
U Chicago	75.7%	24.3%
U Pennsylvania	73.9%	26.1%
Yale	48.3%	51.7%

# FY13 peer endowment per student



[1] Consolidated numbers

**BARBARA KNUTH**



# Faculty Forum

## Ithaca Campus Financial Resources

October 21, 2015



# Cornell Undergraduate Financial Aid: Implications for Students

- Faculty Forum on Financial Aid
- October 2015
  
- Barbara Knuth
- Senior Vice Provost and Dean



# A few facts for context ...

- Less than 50% of Cornell UGs receive need-based Cornell grant aid.
- There is no “free ride:” Every aided student is expected to contribute to their Cornell education through academic year work (\$2500+) and summer savings (\$2700+).
- Of Cornell UG graduates in 2015, only 44% had any debt, compared to 69% of UGs nationally graduating with debt (in 2013).
- Cornell UGs graduating with debt in 2015 had an average of \$23,625 in loans compared to the national average of \$28,400 (2013).
- Median debt at graduation for Cornell undergraduates who borrowed was \$16,344.

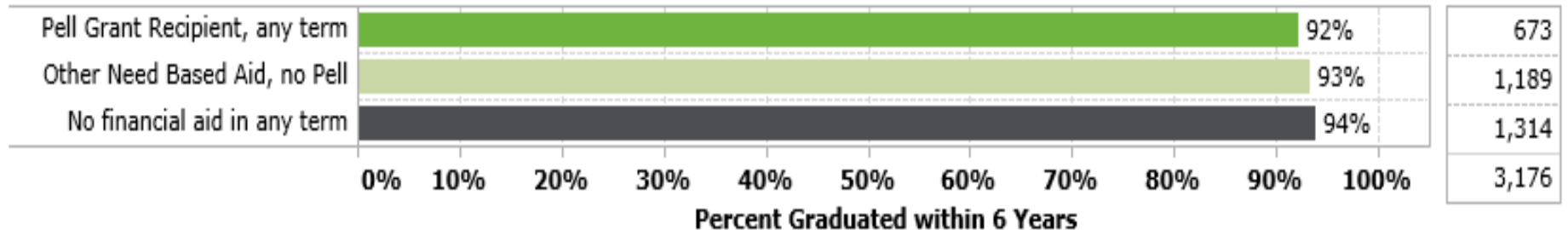
# Student Context: Fall 2015

## ➤ 14,315 undergraduates:

- ~7,500 (52%) non-aided full-pay.
- ~6,800 (48%) receive need-based financial aid.
- ~6,200 (43%) receive need-based Cornell grant aid.

Aided students graduate at about same rate as unaided students:

### Financial Aid



# Cornell Undergraduate Financial Aid: Goals

- Support economic diversity of Cornell's student body.
- Provide access to education for deserving students, regardless of their ability to pay.
- Maintain competitiveness of Cornell's financial aid packages compared to (appropriate) peers.
- Sustainability: manage financial aid programs within the capacity of the university budget.

# Cornell Undergraduate Financial Aid Philosophy

- Need-blind admissions: Undergraduate students are admitted without regard to their ability to pay.
- Need-based financial aid: Demonstrated financial need is based on information from student and parents.
- Meet full need: Financial aid awards will meet full demonstrated financial need (US citizens & permanent residents; selected internationals).
- Family responsibility: Students and parents/families should have a significant stake in their Cornell education.
- Flexibility: Need may be met through various types of financial aid packaging (combination of work, loan, grant aid).

# Materials Required to Apply for UG Financial Aid

- FAFSA ([fafsa.ed.gov](https://fafsa.ed.gov)).
- CSS PROFILE ([collegeboard.com](https://collegeboard.com)).
- Non-Custodial PROFILE (if applicable); waiver available.
- University aid application (for continuing students).
- Federal Tax Returns, custodial and non-custodial (prior-year; non-filing statements are required if no taxes are filed).
- Citizenship documentation (for permanent residents).
- Sibling verification.
- Business tax returns (if own a business).
- Federal Verification (if selected, 30%).

# Determining Financial Need

## Cost of Attendance (Budget)

Tuition + Room/Board + Books + Travel + Misc. Expenses

**MINUS**

## Family Contribution

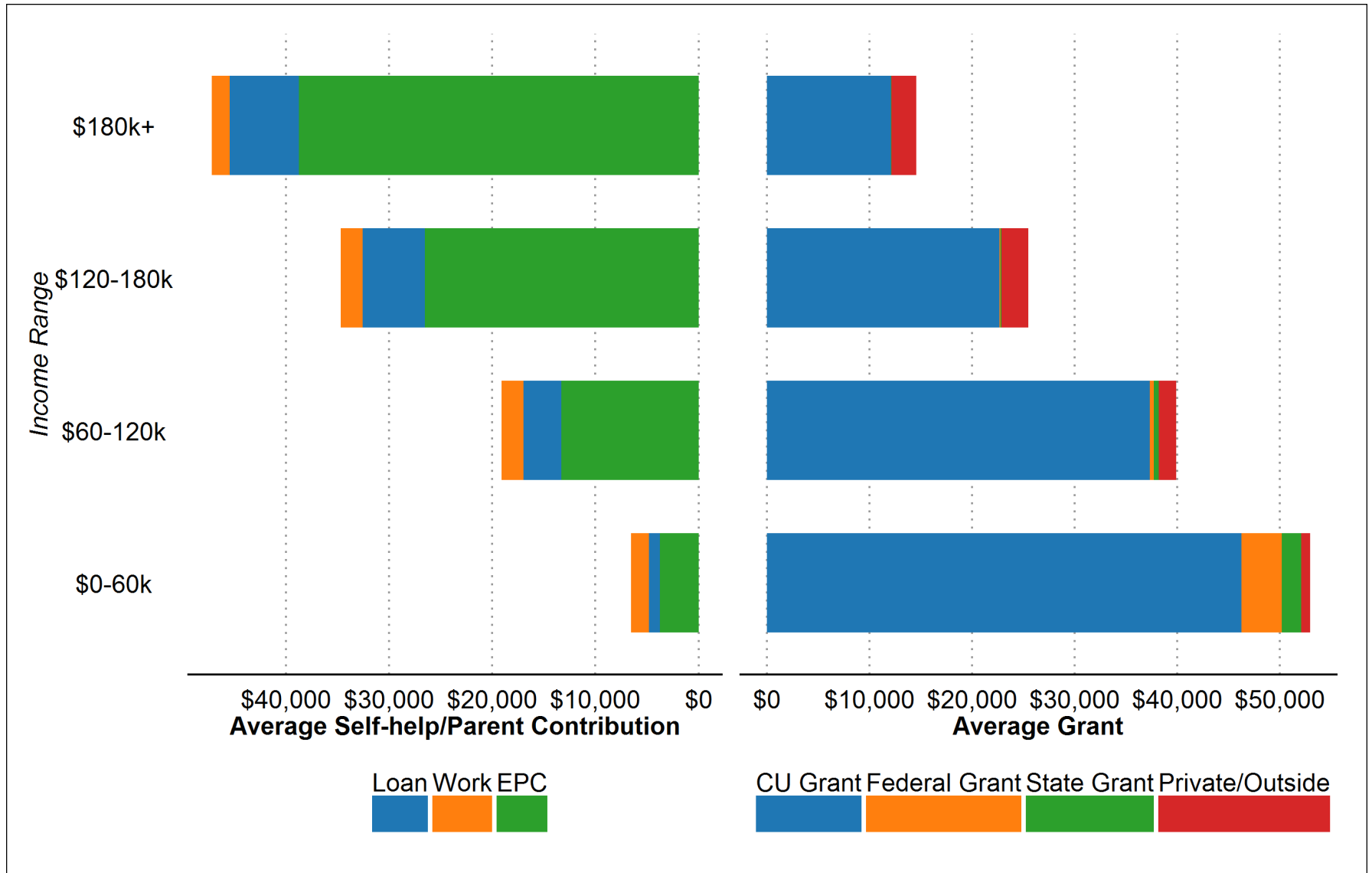
Student Contribution (summer work & assets) + Parent Contribution  
(+Non-Custodial Parent Contribution, if applicable)

**EQUALS**

## Student's Financial Need

Cornell meets financial need through a combination of work, loans,  
and grants.

# Financial Aid Package Components



# International Students:

- Need-blind admissions.
- Meet full need for a limited number of students (fixed total institutional financial aid budget of about \$11.5M; \$9M unrestricted, \$2.5M restricted).
- About 16% (228) of international students are aided; some admitted and requesting aid receive no aid.
- Peers with need-based aid:
  - Need-blind admissions, meet full need for some admitted students (Cornell).
  - Need-blind admissions, meet full need for all admitted students (Harvard, Princeton, Yale).
  - Need-aware admissions, meet full need for all admitted students (Brown, Chicago, Columbia, Dartmouth, Duke, Northwestern, Penn, Stanford).



# Financial Aid Initiatives:

2002: Preferential loan reduction for priority students.

2008: \$0 loan for family income <\$60K.

2009: \$0 loan for family income <\$75K.

2008: \$3,000 annual loan cap for family income \$60K-\$120K.

2009: \$3,000 annual loan cap for family income \$75K-\$120K.

2009: \$7,500 annual loan cap for family income >\$120K (was \$10,300 loan).

2009: Income <\$60K and assets <\$100K then \$0 parent contribution.

2009: Preferential parent contribution reduction for URM and college priorities.

2011: Award Match

# Cornell Grant Cost Drivers FY08 to FY11

Total grant spending for need-based aid increased 86% (\$94M):

- 21% increase in number of grant-aided students (5,900 to 7,113).
  - 55% increase in average annual grant aid (increase of \$10,232 on average per grant-aided student).
  
  - 19% increase in tuition/fee prices (\$6,544 on average per student).
  - 13% increase in room and board prices (\$1,410 on average per student).
- 
- Endowment payout decreased.
  - State and federal grants decreased.
  - Undergraduate enrollment increased by about 3%, but most of the increase in number of aided students is due to students moving from “no need” into the aided populations, given economic changes.

# 2012 Task Force Recommendations

## **Affirm commitment to:**

- Need-blind admissions.
- Need-based aid to provide access to a Cornell education.
- Fully meeting need with financial aid packaging mechanisms.

## **Continue:**

- \$0 loans for students from families <\$60K.
- \$0 parent contribution for students from families <\$60K income and <\$100K assets.
- \$7,500 maximum annual loan for students from families >\$120K annual income.
- Award Match Initiative for Ivies and Stanford, Duke, MIT (need-based aid).

# Financial Aid Changes Implemented Fall 2013

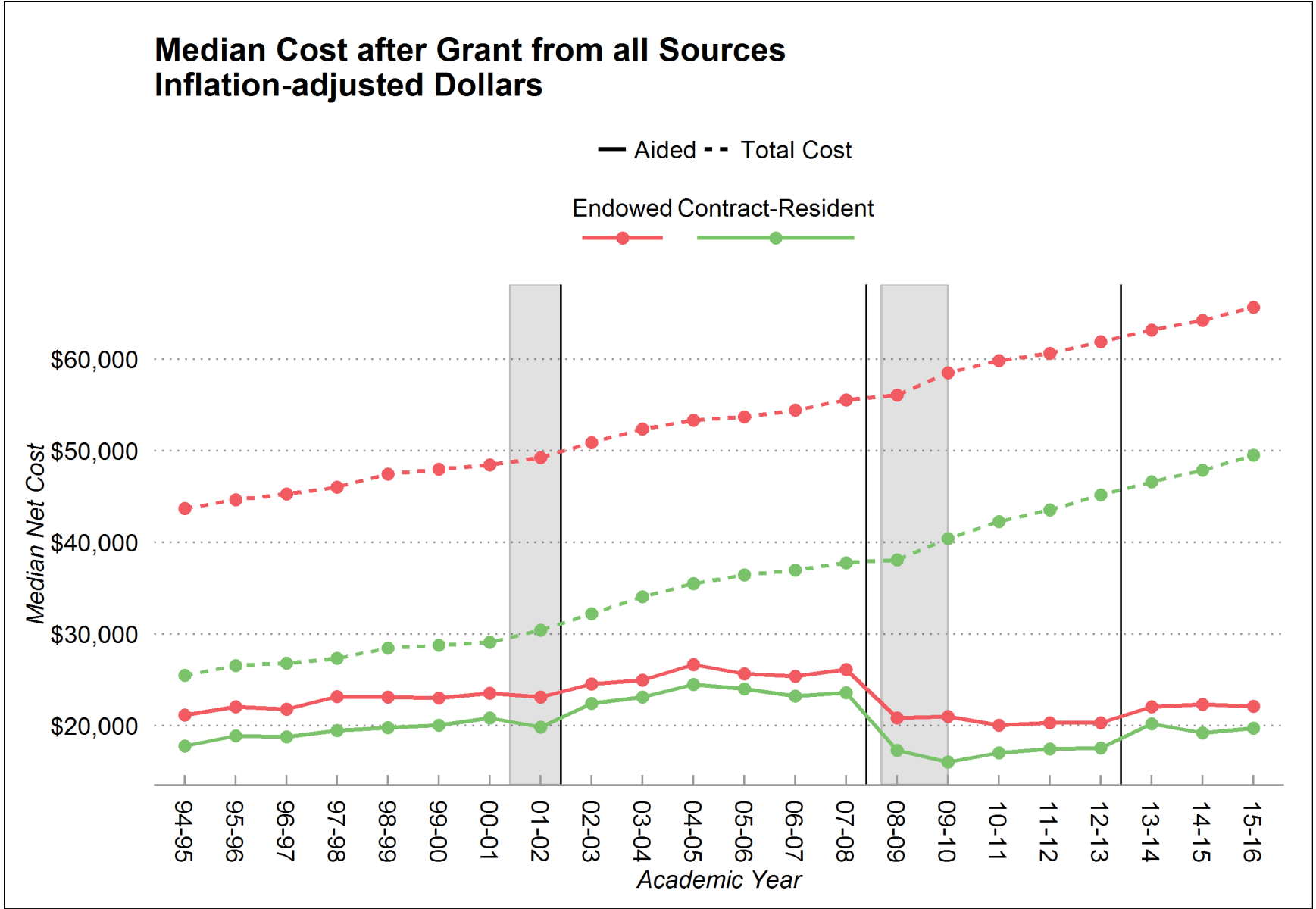
## **Changes implemented for freshmen and transfers:**

- Lowered \$0 parent contribution threshold (\$60K)
- Raised some loan levels (caps of **\$2,500**; **\$5,000**; \$7,500 by income level)
- Raised student work expectation (\$2,500)
- Decreased parent contribution reductions and discontinued preferential loan reductions.

**Estimated total annual savings by F'16 (Task Force): \$19.5M**

**Revised based on actuals: \$21.2M**

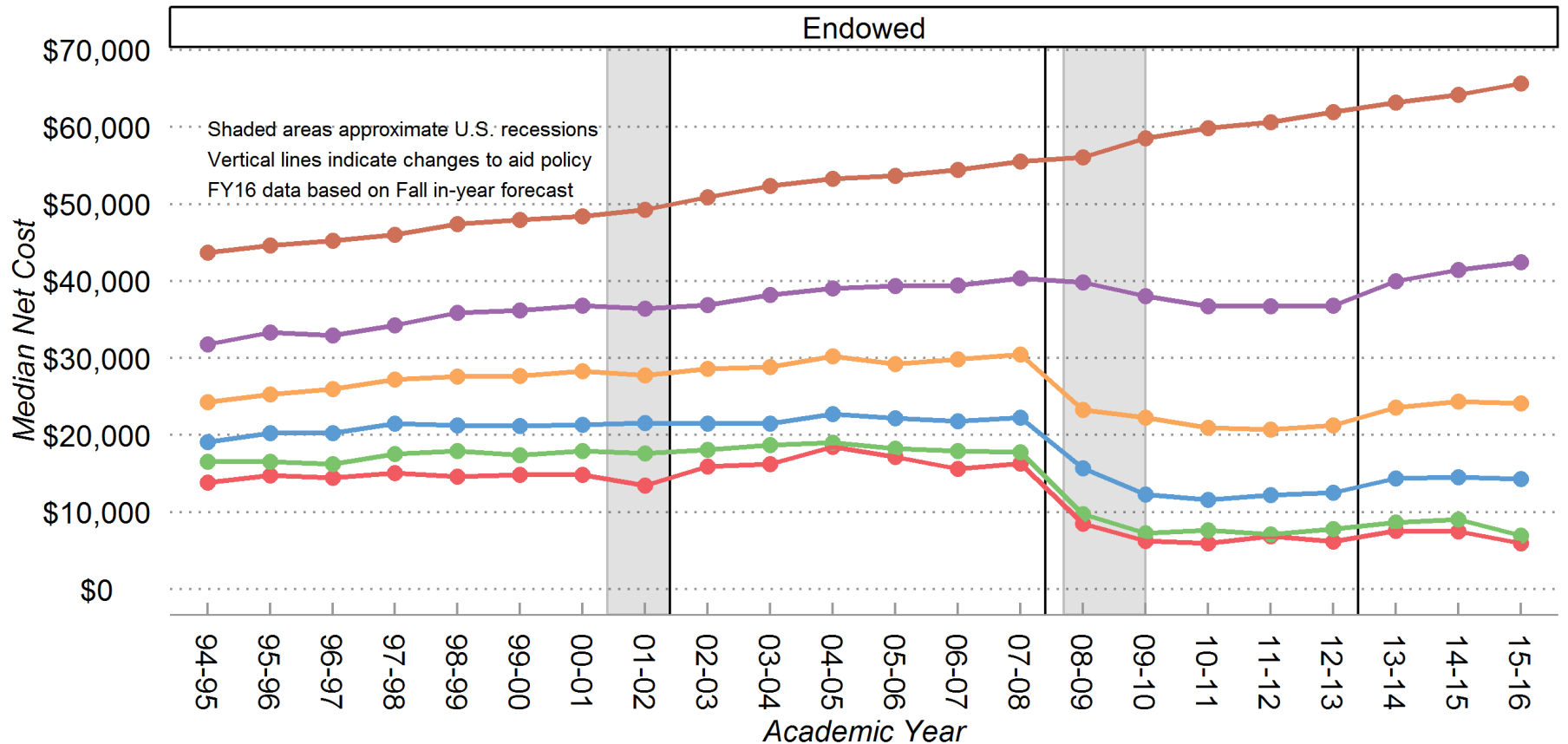
# Median Cost: Endowed vs. Contract-R, Aided vs. Non-aided



# Median Cost, Endowed, U.S. Income Quintiles

## Median Cost after Grant from all Sources Inflation-adjusted Dollars

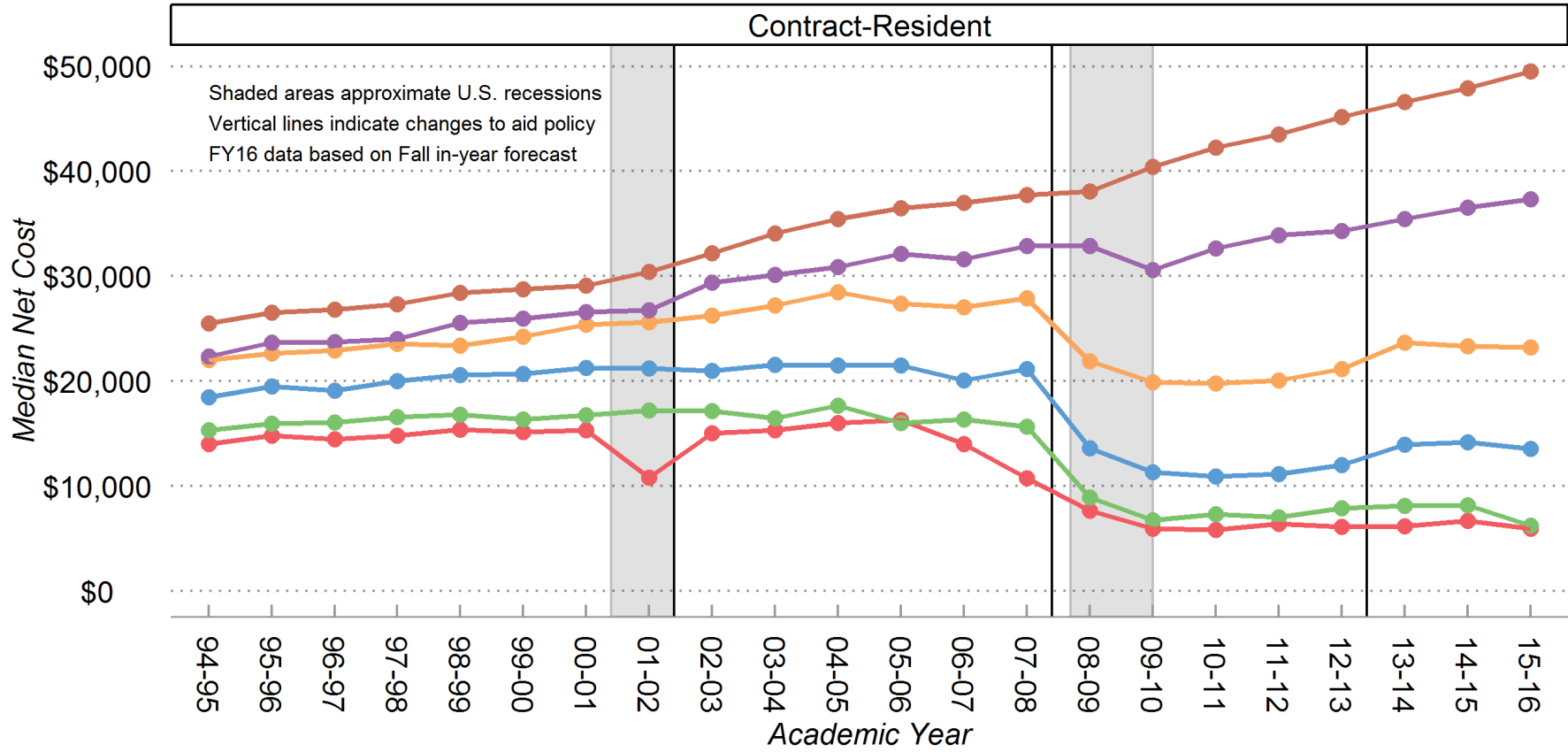
US Income Quintile (2014 Upper Thresholds)    Q1 (\$29k) Q2 (\$53k) Q3 (\$82k) Q4 (\$129k) Q5    Not Aided



# Median Cost, Contract-Resident, U.S. Income Quintiles

## Median Cost after Grant from all Sources Inflation-adjusted Dollars

US Income Quintile (2014 Upper Thresholds)      Q1 (\$29k) Q2 (\$53k) Q3 (\$82k) Q4 (\$129k) Q5    Not Aided



# Fall '15 Family Income of Need-based Grant Recipients

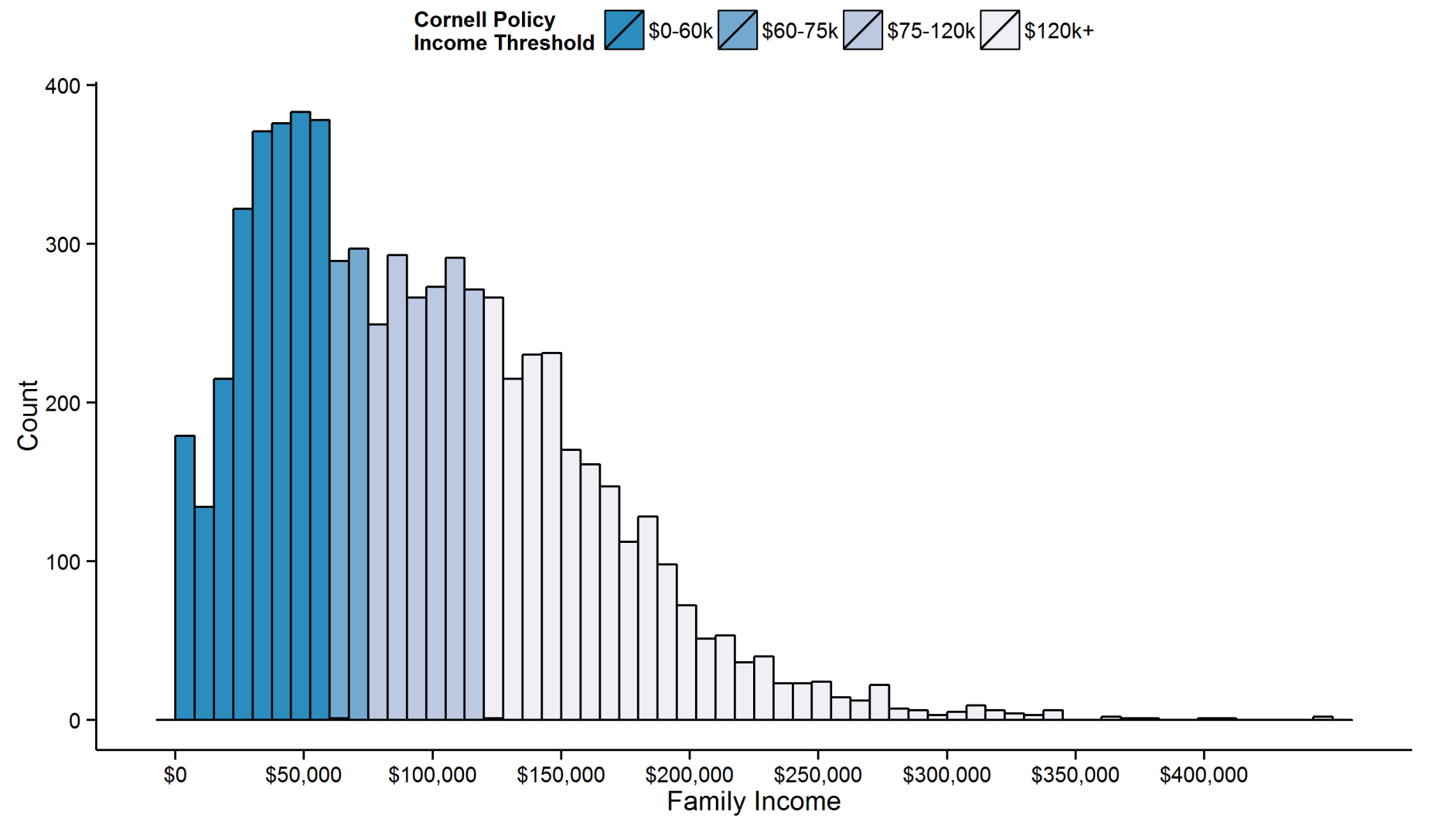
Income Range	Count	% Recipients
\$0 - \$60k	2,093	34%
\$60k - \$75k	517	8%
\$75k - \$120k	1,450	23%
\$120k - \$150k	877	14%
\$150k - \$200k	862	14%
> \$200k	401	6%
Total	6,200	100%

*Estimates based on data as of 9/14/2015*

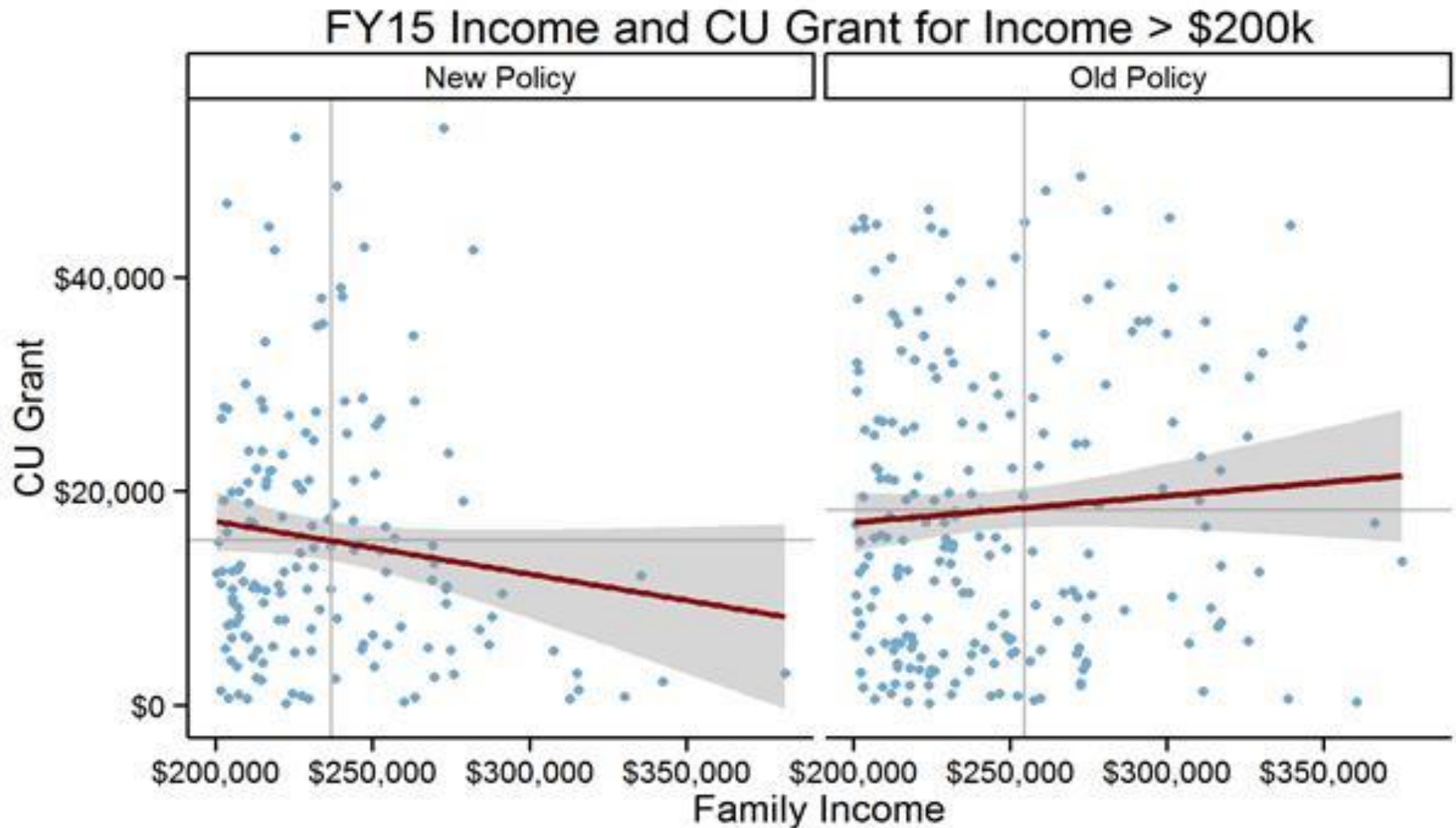


# Family Income, UGs Receiving Cornell Grant Aid, FY15

Income of Undergraduates Receiving Need-based Cornell Grant Aid, FY15

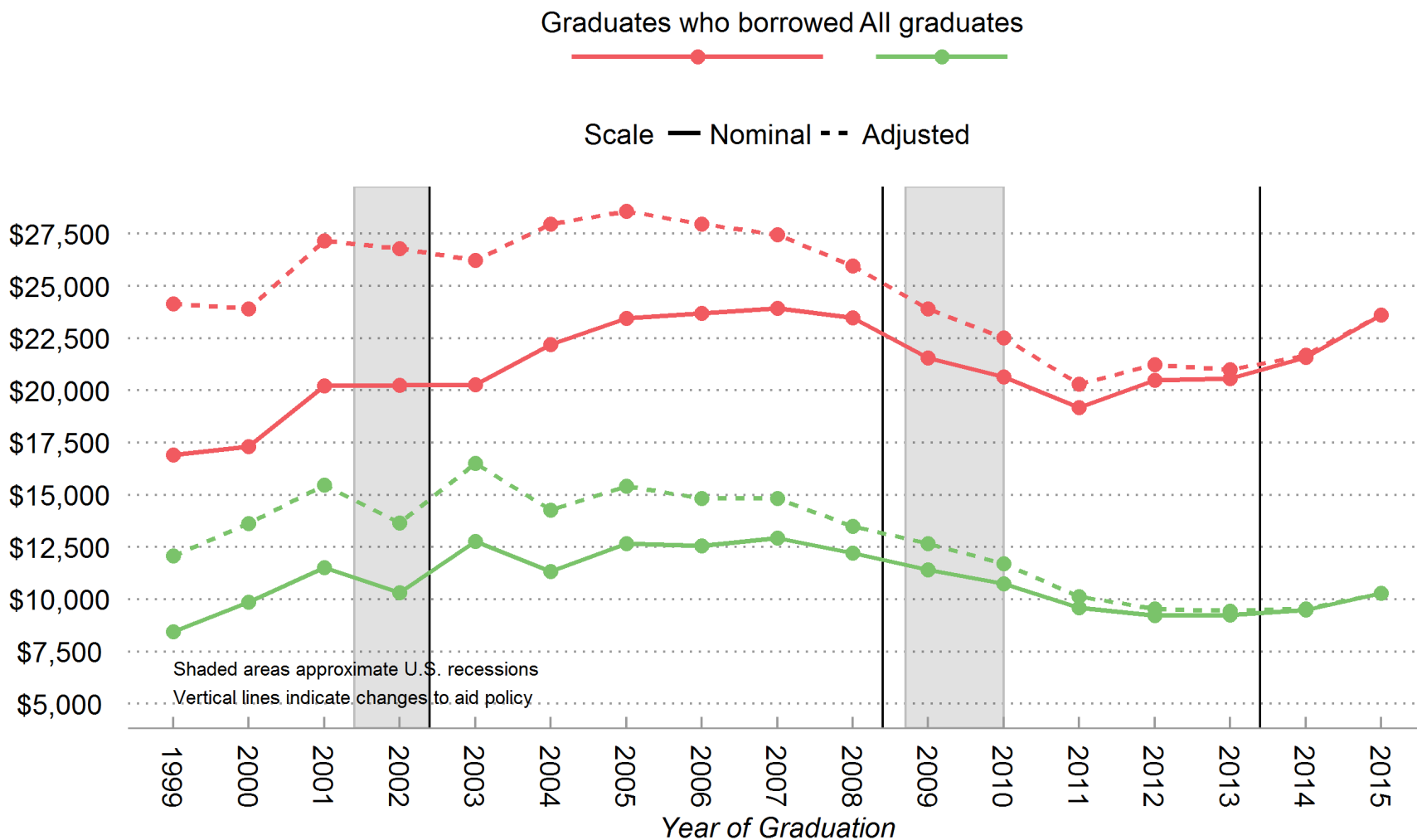


# CU Grant vs. Family Income (>\$200K), FY15 Post-Task Force F'13 Admits vs. Pre-Task Force Admits

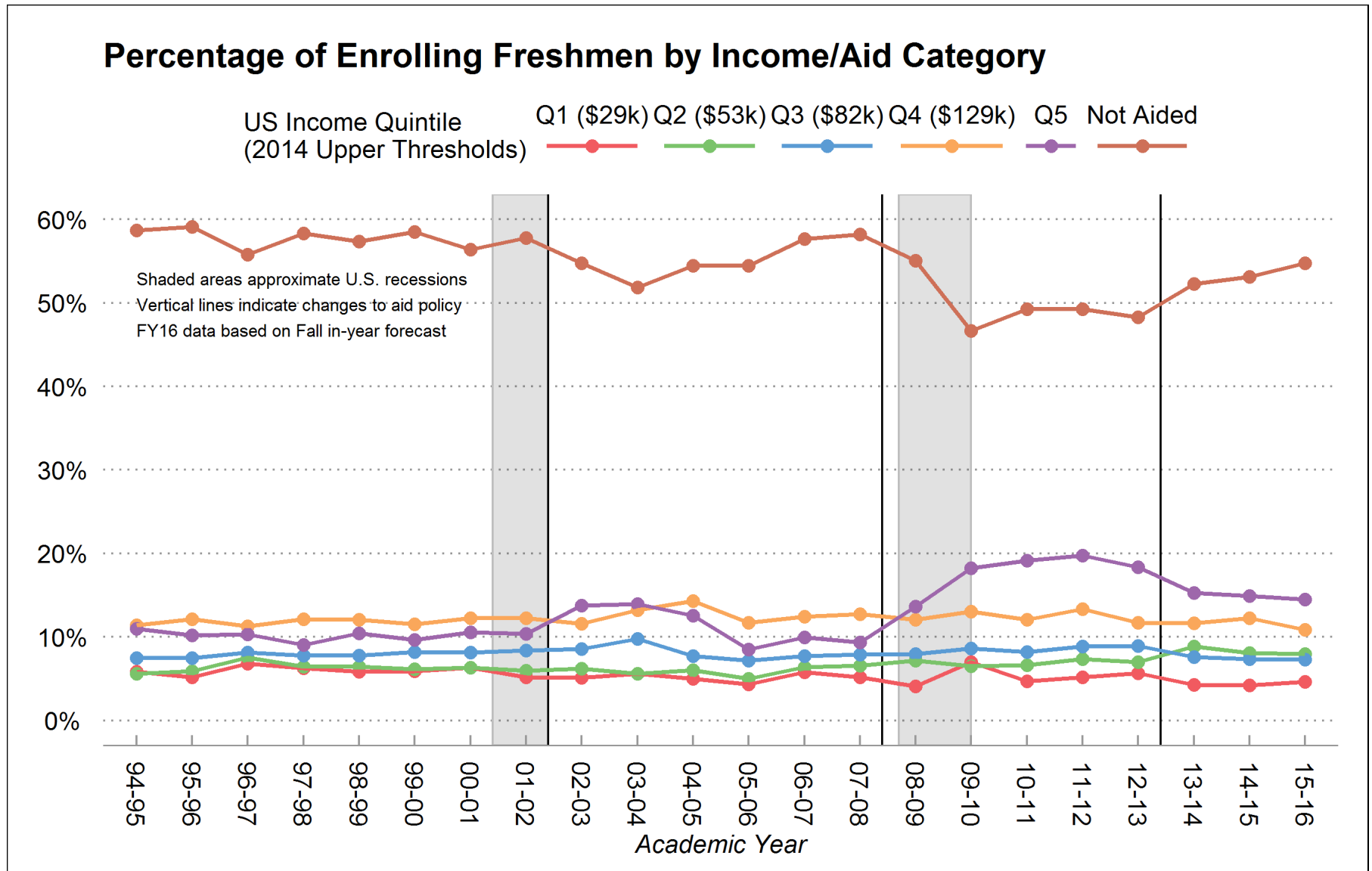


# Mean Debt at Graduation

## Mean Debt at Graduation, Nominal and Inflation-adjusted 2015 Dollars

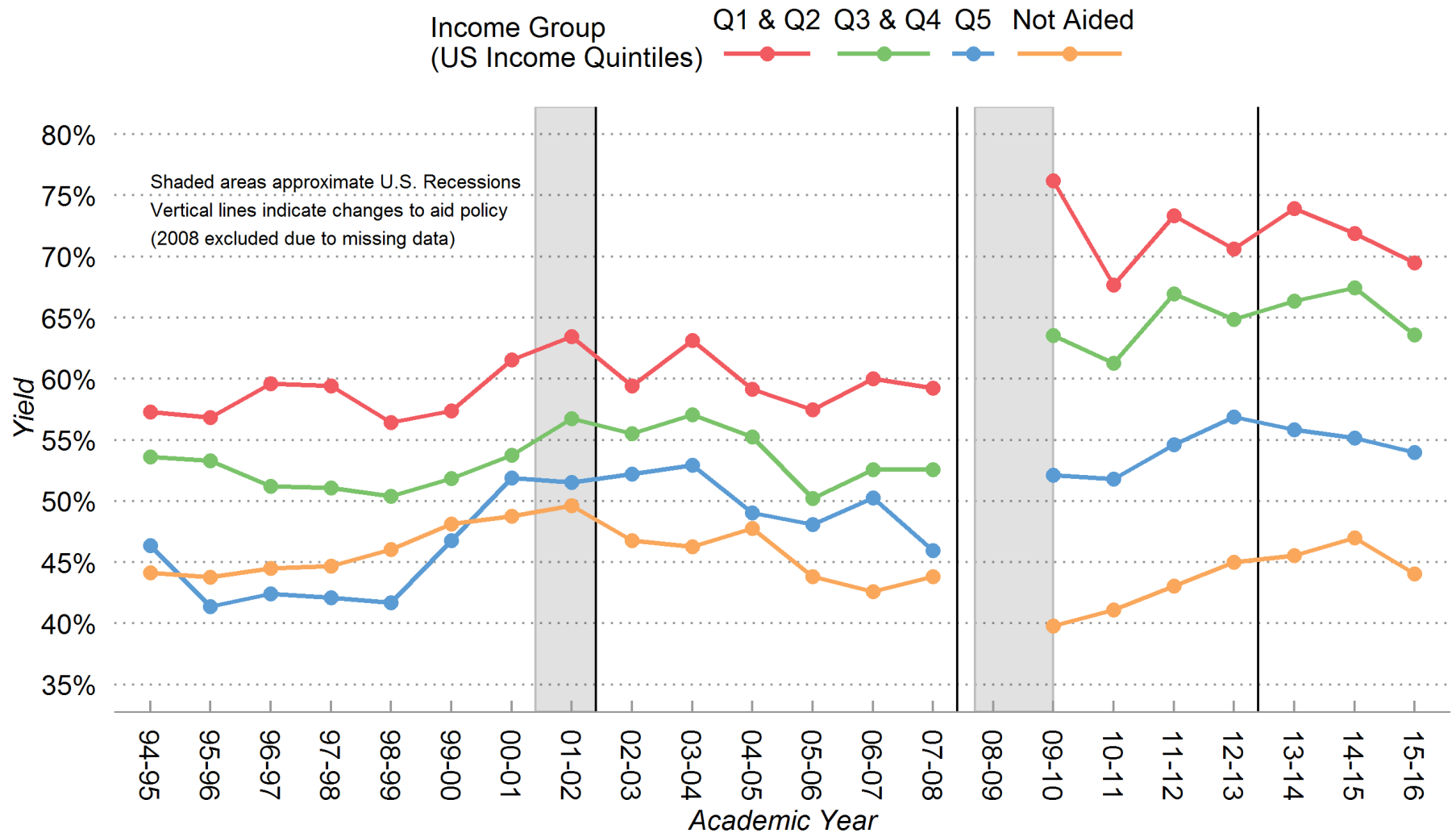


# Enrolling Freshmen by U.S. Income Quintiles



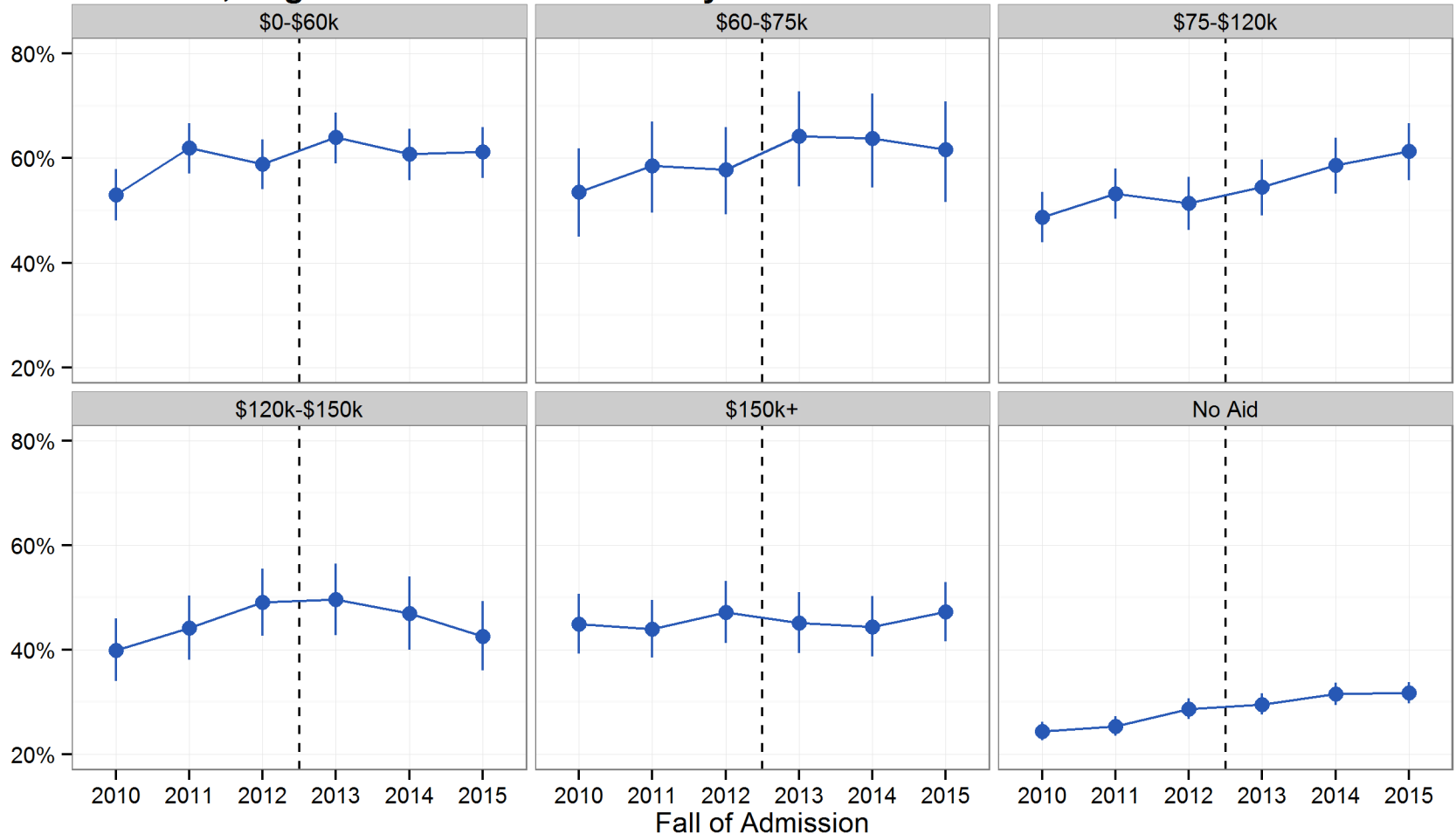
# Freshman Yield by U.S. Income Quintiles

## Freshman Yield by Quintile Category



# Freshman Yield, Adjusted for College, Region, URM Status: Pre & Post F'13 Changes

**Model-Adjusted Freshman Yield Rates, Pre- and Post-2013 Policy  
Domestic, Regular Decision Admits Only**



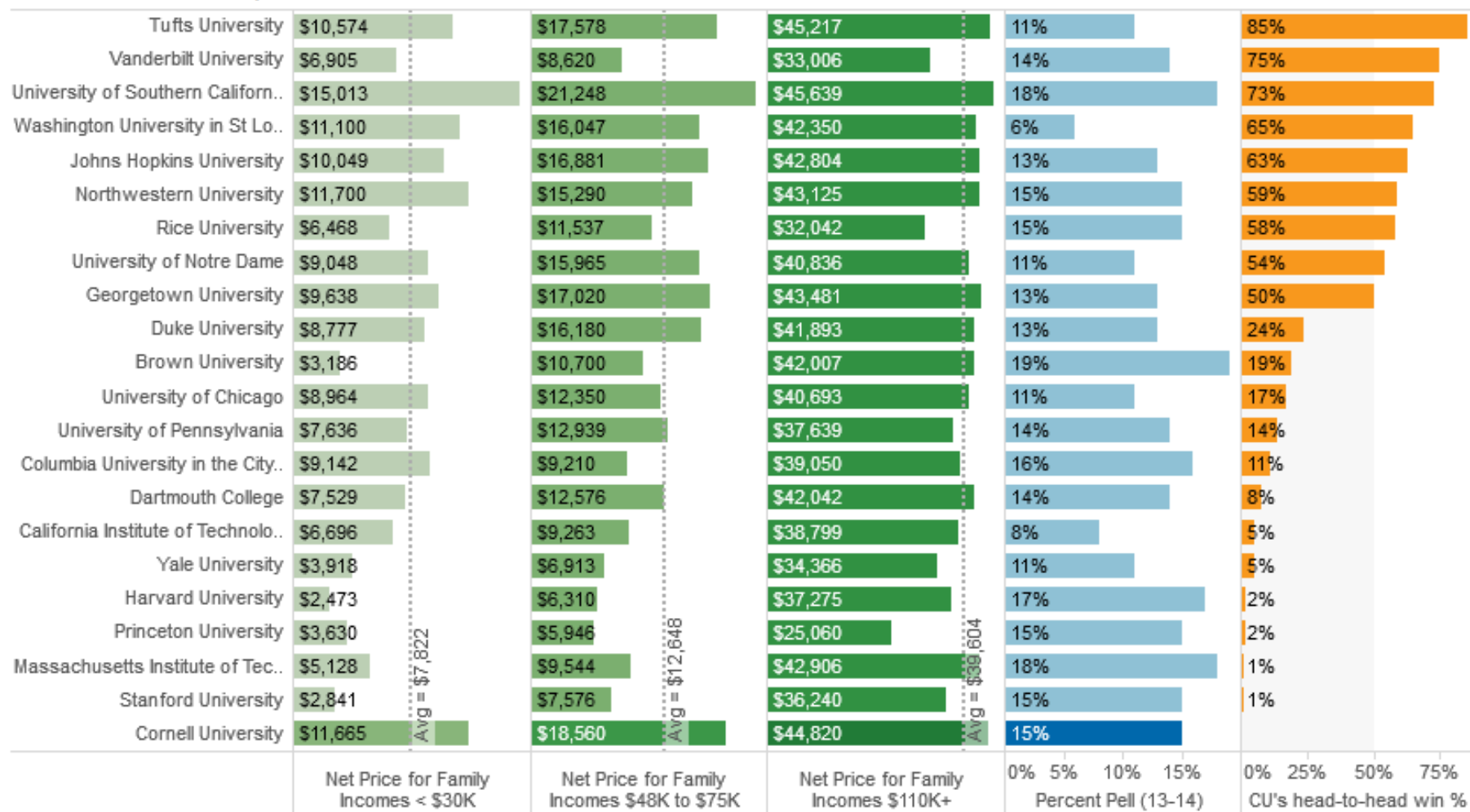
## Net Price for Selected Peers, 2013-14 IPEDS data

Net price and Pell percentages are based on first year undergraduates. Win rates are based on Fall 2014 CBQ survey data.

Sort by...

Win percent

## Net Price for Cornell and Selected Peers by Income Group, Pell Grant Percent, and Cornell's Head-to-Head Win Percent



# Discussion



**SUZANNE METTLER**



# DEGREES *of* INEQUALITY



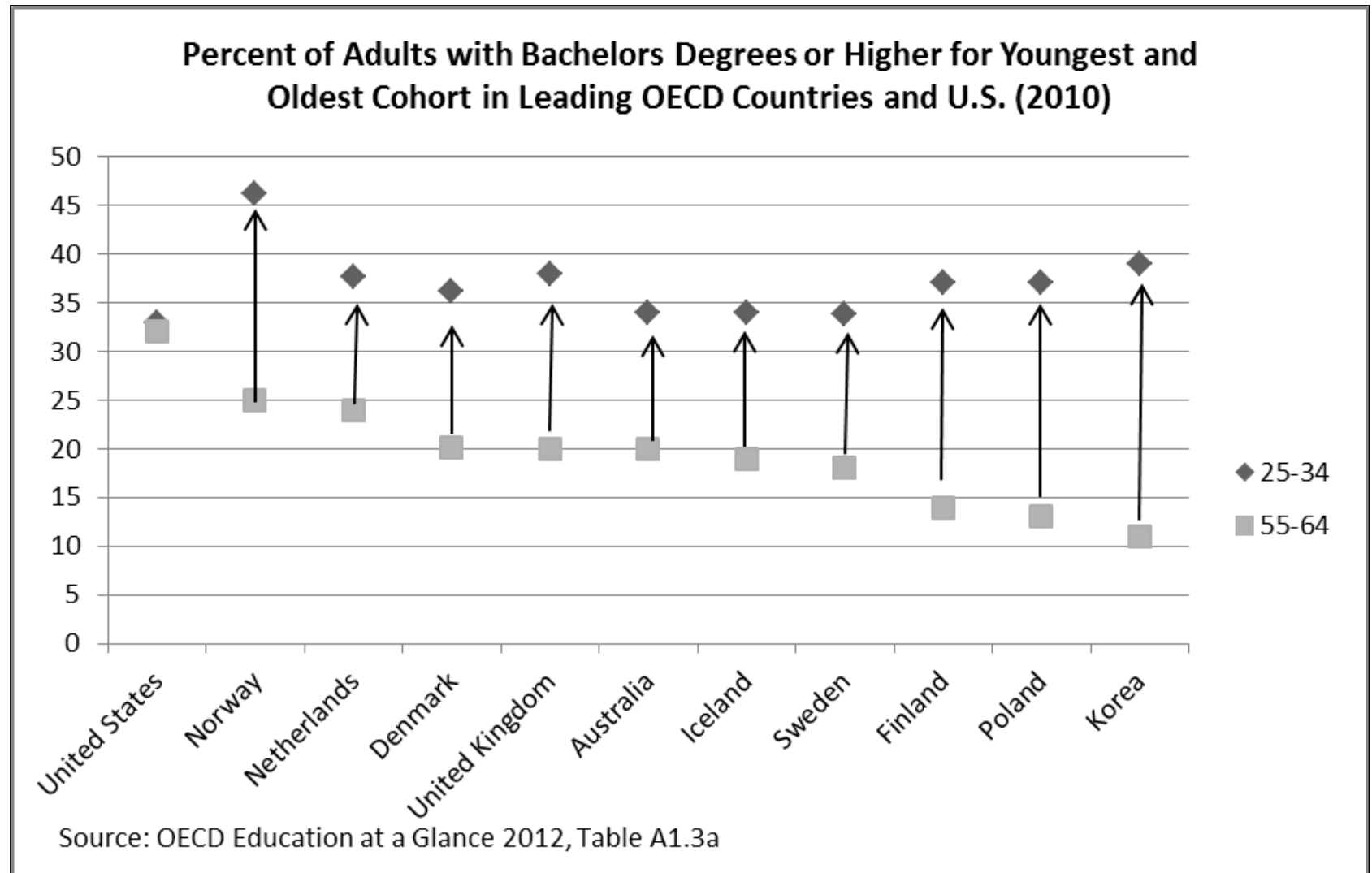
HOW *the* POLITICS *of* HIGHER EDUCATION  
SABOTAGED *the* AMERICAN DREAM



SUZANNE METTLER

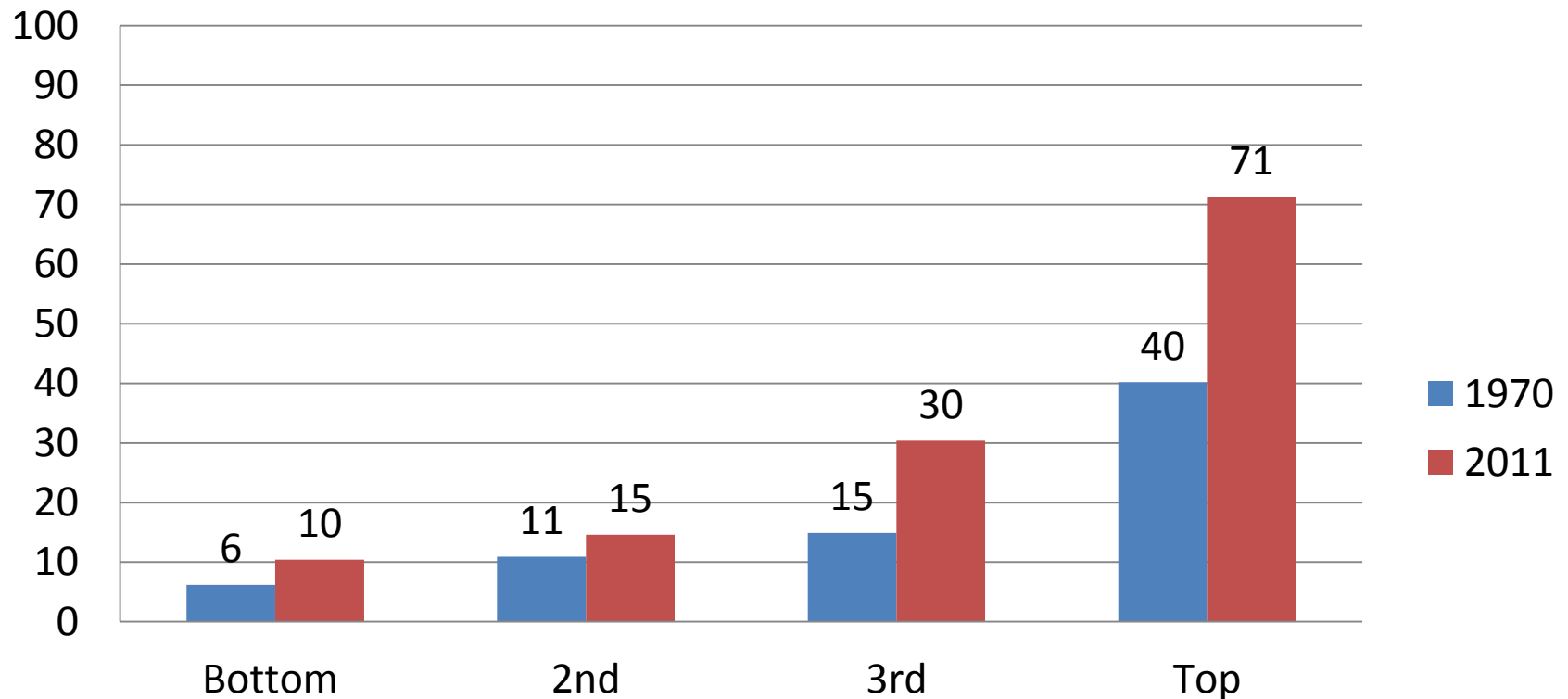


# No Longer the International Leader



# Inequality in College Degrees

## Estimated Percentage of U.S. Population with 4-yr. College Degree by Age 24, by Family Income Quartile, 1970-2011



Source: Thomas G. Mortenson, "Family Income and Unequal Educational Opportunity, 1970-2011," *Postsecondary Education Opportunity*, 245 (2012), [www.postsecondary.org](http://www.postsecondary.org)

# Stratification of Colleges

(Sources: College Board)

	Published Tuition & Fees ("Sticker Prices") 2012-2013	Percentage of First-Time Full-time Students Seeking BA who earn it within 6 years	Percentage of Students With Federal Loans, 2007- 2008	Median Student Debt (among 2007-08 graduates)	Default Rates Among Borrowers, after 3 years (2009)
For-Profits	\$15,172	22%	94% (BA) 97% (AS)	\$32,700 (BA) \$18,800 (AS)	23%
Private Nonprofits	\$29,056	65%	69%	\$17,700	7%
Publics	\$8,655 (4 yr) \$3,131 (2 yr) (in-state)	55%	58% (BA) 33% (AS)	\$22,400(BA) \$7,100(AS)	8% (BA) 18% (AS)

# What Explains It?

- POLICYSCAPE
  - A political terrain that is densely cluttered with policies created at earlier points in time
  - Requires maintenance & updating
- If left untended, problems ensue:
  - Policy design effects
  - Unintended consequences
  - Lateral effects



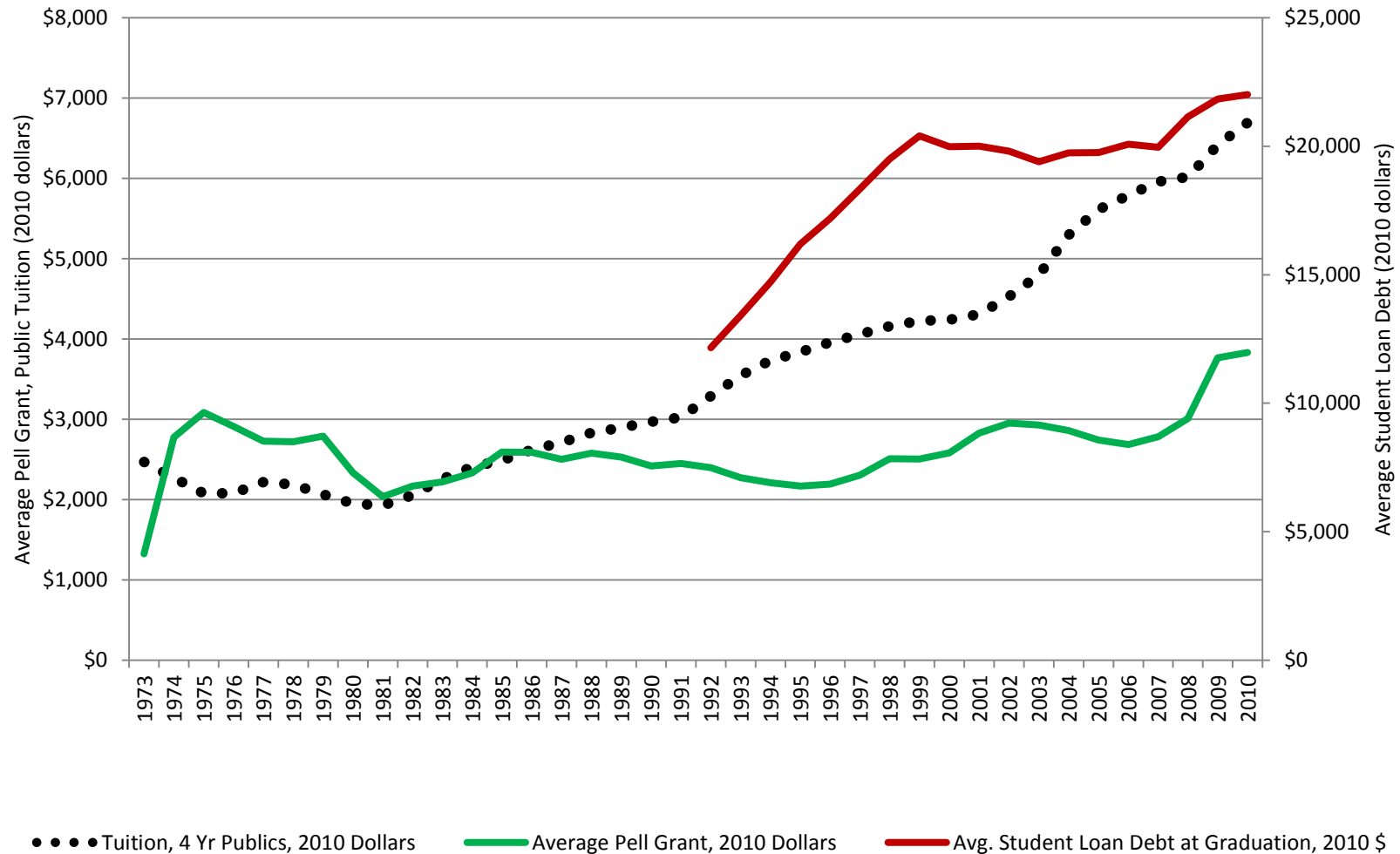
# Policy Upkeep Depends on Politics

## *Contemporary Obstacles:*

- *To what extent do policymakers manage existing programs?*
- Polarization
- Plutocracy

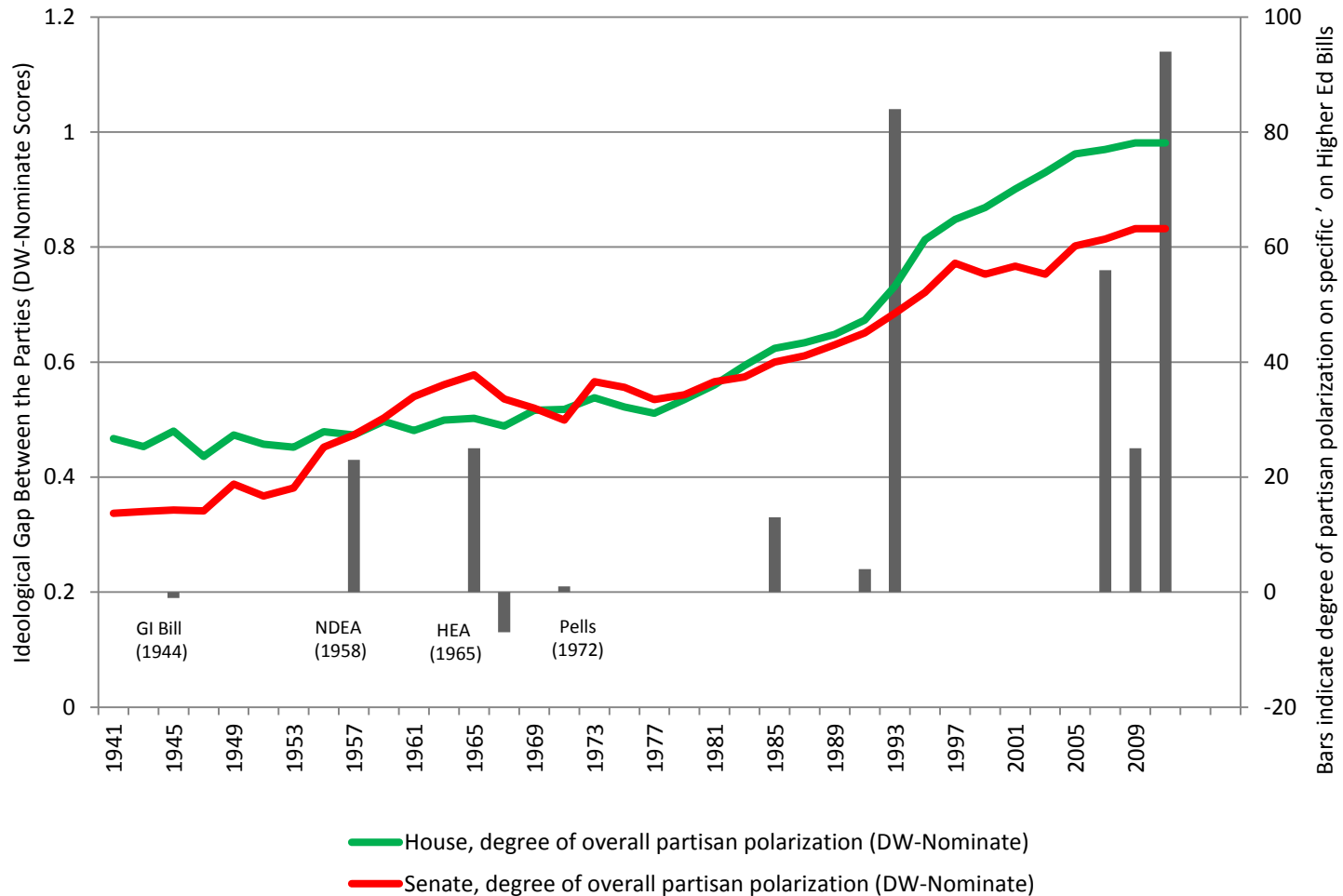
# I. Diminished Opportunity From Federal Student Aid:

## Pell Grants Fall Behind and Student Borrowing Soars as Tuition Rises at 4-Yr Public Universities (2010 Dollars)



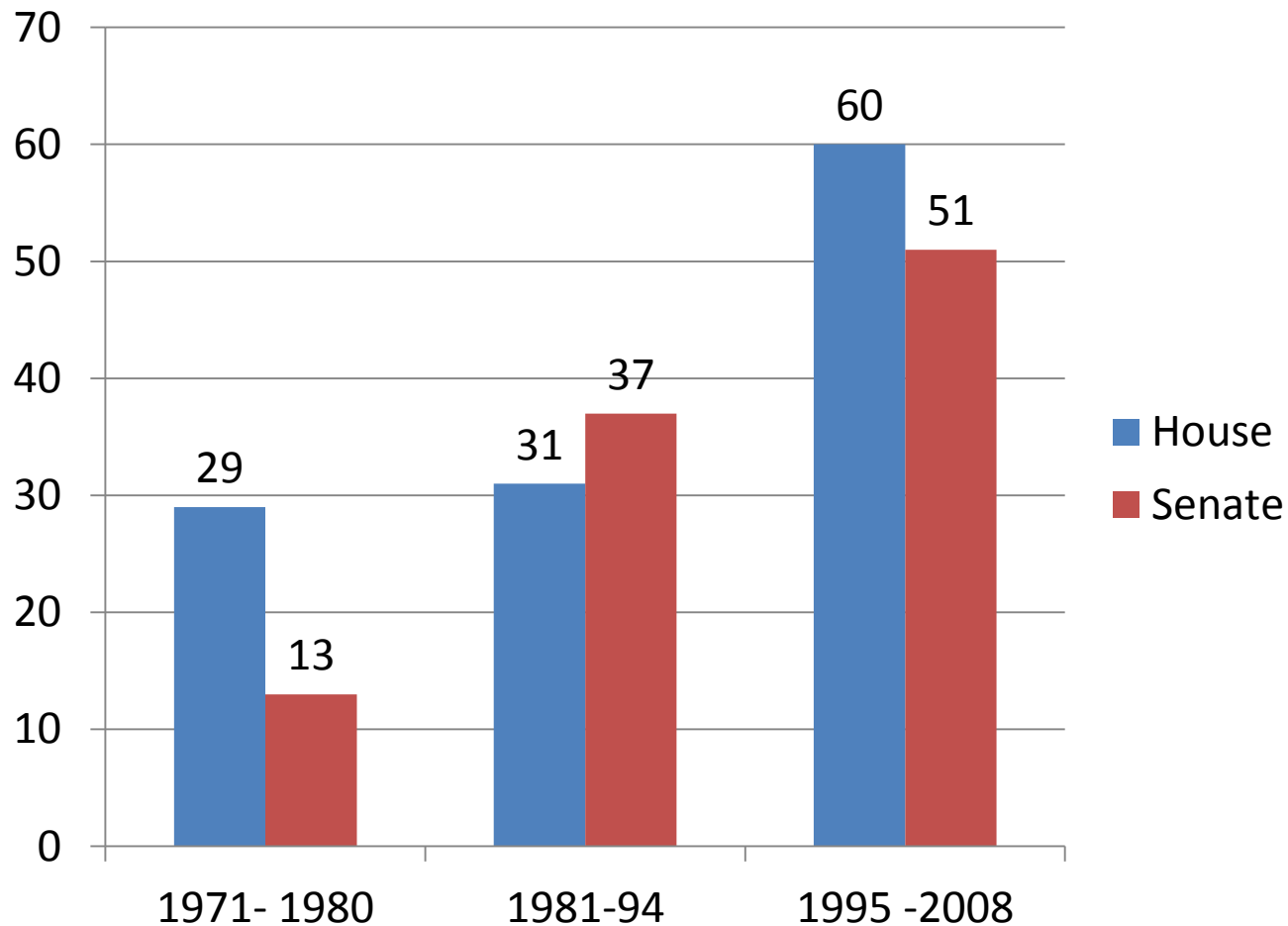


# Rising Polarization in Congress → Demise of Effective Lawmaking for Federal Student Aid



Sources: Voteview.com; authors' analysis of roll call votes

# Growing Partisan Gaps in Support for Amendments to Higher Education Laws, 1971-2008



Source: Author's analysis of roll call votes on amendments. N=65 in House, 26 in Senate

# Tuition Relief Through the Tax System: Costly Alternatives...With Less Impact

- Hope, Lifetime Learning Tax Credits, 1997



- American Opportunity Tax Credit, 2009
  - Largest share goes to families with household incomes between \$100,000-\$180,000



*\*Such policies fail to expand access to college.*

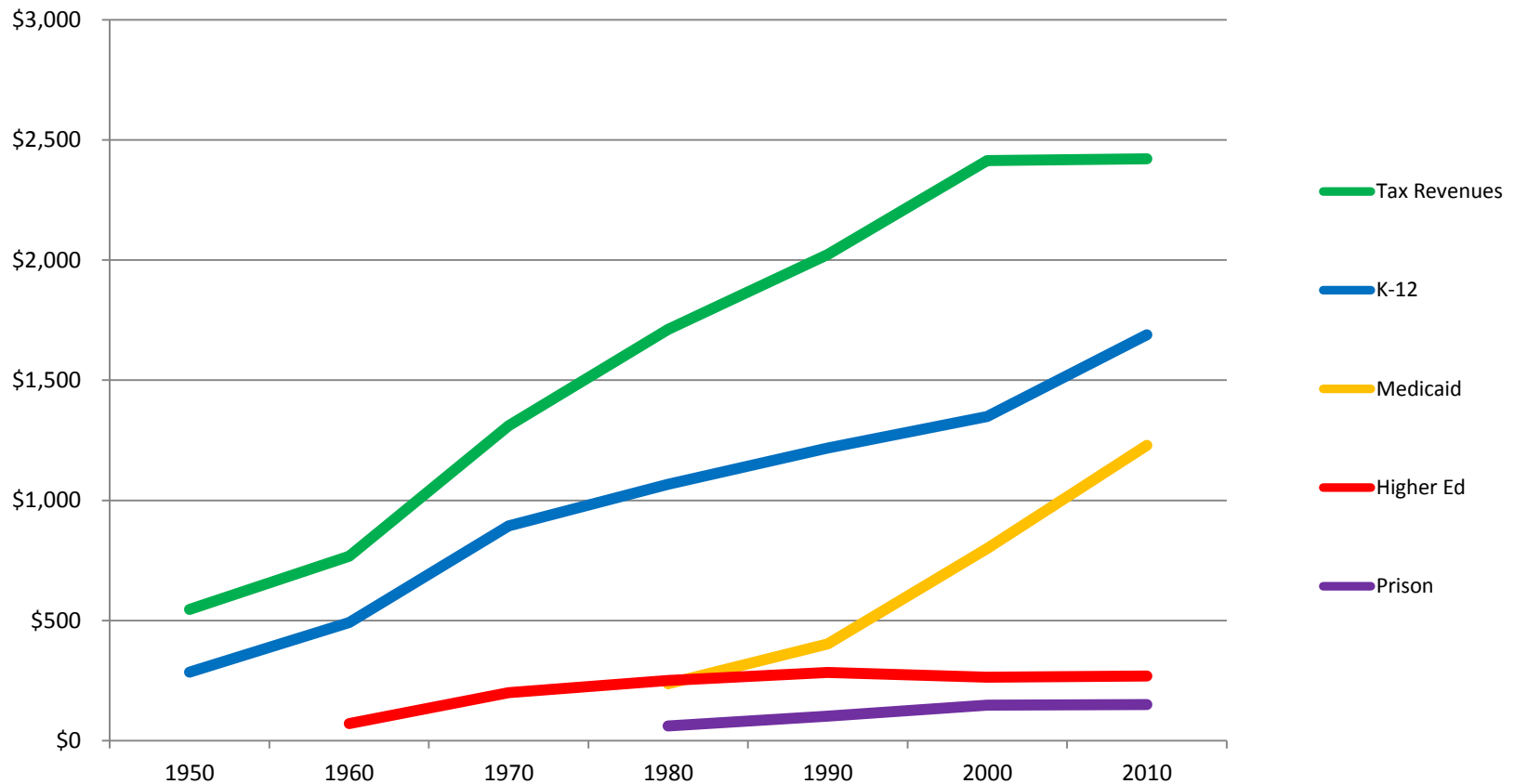
*\*As of 2013, they cost the U.S. \$16.7 billion—44% of the cost of Pell Grants (\$38.2 billion).*

## II. Sinking Support for Public Universities and Colleges

- 73% of American college students attend
- State spending per student declined 26% (real), 1990 to 2010
- Tuition rose by 113% (real), 1990 to 2010
- Declining graduation rates



# Higher Education Squeezed Out in State Budgets: Average Spending & Tax Revenues Per Capita (2010 Dollars)



Sources: Centers for Medicare and Medicaid Services; Center for the Study of Education Policy; State and Local Gov't Finance Data Query System; Urban-Institute Brookings Tax Policy Center; U.S. Census Bureau; Kaiser Family Foundation



# Restoring the Public Purposes of Higher Education



**RON EHRENBURG**

# Thoughts on Financial Aid Policies

Ronald G. Ehrenberg

Irving M. Ives Professor of ILR and Economics

Director, Cornell Higher Education Research Institute

October 21, 2015



## Ehrenberg 62- 66

- Cornell College of Arts and Sciences Class of 1966 ?
- Cornell did not adopt a policy of meeting the full need of all admitted students until 1976
- My parents were products of the depression and never borrowed a cent during their lives
- Harpur College (66). My life obviously was not ruined by my failing to attend Cornell.
- Similar aversion to taking out loans for education by relatively low- income families today explains our no loan policy for students from these families

## Trade Offs

- Financial aid costs vs. everything else – How should Cornell decide what is the appropriate balance?
- Preferential packaging in our financial aid policies began in the 1980s but now are largely absent (Exceptions are the Cornell Commitment and the Ivy match policies)
- Social vs. private goals of financial aid policies –They do not necessarily conflict but they may (David Skorton story) – If they do, what should the appropriate balance be

## Growing Sense of Entitlement?

- Should all students have some skin in the game? –Yale students' complaints about work expectations in their no loan financial aid policies
- Should all students have access to the same Cornell experience?. Impact of non mandatory fees and charges for certain activities
- Does having the same Cornell experience mean providing students with financial need with the ability to take unpaid internships (which are often the path to post college employment)?

## Focus on Share of Students Receiving Pell Grants

- Why? –Financially neediest (among American Citizens), Have good data, Publicly can compare to what other institutions are doing
- But I worry in the years ahead about our losing the middle of our family income distribution (not middle income) – say students in the family income range of roughly \$75,000 to \$200,000 a year

# Looking to the Future

- Are we really need-blind in admissions now? At least in one college we are need - preferring
- Possible Options for the Future
- Admit the last fraction of the class considering the financial background of the students
- Admit the last fraction of the class but deny them grant aid (admit/deny)
- Eliminate no loan policies but pick up the loan repayment for lower-income students' Cornell years if they fail to finish here
- Do more preferential packaging within need class to enhance measured selectivity
- Dramatically increase endowments and giving for financial aid to reduce the share of tuition dollars that go towards undergraduate financial aid but realize the increased giving for financial aid may come at the expense of other giving and also that giving for other things can take pressure off of financial aid (e.g. funds for endowed chairs can save faculty salary dollars, which can then be redirected to financial aid)