

## Financial Aid Trends and Long-term Strategies

### SUMMARY

As the cost of public higher education has shifted from states to students and families, financial aid has become an increasingly important part of enrolling and retaining students and making sure they persist through graduation. The economic circumstances of public university students vary widely, and many public universities have adopted the private university practice of discounting tuition through awards of scholarships and grants. This is one of the complexities of higher education. The difference between the list price and the actual cost is not obvious when a student is considering applying to an institution. The list price, without considering financial aid, can discourage students unfamiliar with higher education from even applying.

The allocation of financial aid is an important strategic decision for OSU. The amount of aid is limited, and there are reasons for both need-based and merit-based aid. For example, the current strategic plan includes the statements:

*“As we approach the university’s sesquicentennial in 2018, we remain committed to the ideals that higher education is a public good, and that high-quality college degrees should be accessible to all students.”*

*“Expand strategies to recruit diverse and high-achieving students and meet enrollment goals for OSU-Cascades.”*

The first statement requires mostly need-based aid and the second requires significant merit-based aid. The proportion of need- versus merit-based aid is an institutional decision for some financial aid sources and is defined externally for others (federal Pell grants, for example). Staff described the amount and sources of financial aid provided by OSU and compared against other institutions in the background material for the October 2017 Board retreat.

At the April meeting, staff will tee up a discussion with Academic Strategies Committee about OSU’s financial aid strategies and goals. This discussion follows up on part of the Board’s discussion of the Ten-Year Business Forecast at the January 2018 meeting. The Board discussed the key assumptions of the forecast and committees were encouraged to pursue further conversations around assumptions such as the distribution of financial aid. The conversation is also timely as the university completes Strategic Plan 4.0 and develops its enrollment strategies for the next few years.

### OSU AND FINANCIAL AID

In 2016-17, OSU awarded almost \$127M in grants or scholarships—financial support that students do not pay back—from federal, state, and institutional sources. Federal and state grants are need-based; awarded scholarships are merit, need-based, or a combination of the two (although they are most often merit-based); and institutional aid is need- and merit-based.

Of the \$127M awarded in FY2017:

- 30% was institutional financial aid (OSU E&G revenues committed to aid);
- 24% was federal aid;
- 7% was state aid, and

- 40% was from scholarships (largely from private donations).

Since 2010, OSU's total grants per student have kept pace with growth in student numbers and growth in tuition rates. However, the university has shifted the source of aid more heavily to institutional aid and scholarships because state and federal grants have not kept pace with the need.

In Oregon, state educational appropriation per student FTE was \$4,987 in 2015-16 compared to the U.S. state average of \$7,116 per student FTE. The state's financial aid allocation per student is also much lower than the national average. So, while OSU's overall cost of attendance and tuition is similar to peers, OSU's net price is higher since average grant aid is lower. OSU's average loan level is also higher than peers.

### KEY QUESTIONS

A comprehensive financial aid strategy has to consider a number of questions. OSU could double the amount of grant and scholarship aid awarded and still not meet all of the unmet need<sup>1</sup> of our students. This means that priorities have to be set for the distribution of aid. Some of the key questions include:

- What should OSU's goal be for financial aid? The answer to this affects how the university budgets for aid and prioritizes aid in fundraising. For example:
  - If the goal is to meet 100% of the unmet need, the available grant and scholarship aid would have to at least double.
  - Should the level of aid be set assuming that some level of debt is appropriate (50% of expected starting salary in the field for example)?
  - Should students be expected to fund a percentage of the costs of their education outside of aid?
  - Should the average net price (tuition less grant aid) be tied to median family income?
- What should OSU's distribution of aid between need-based awards and merit-based awards be? This influences how (and where) we recruit students.
  - OSU is Oregon's Land Grant university and has a mission to provide an affordable, quality education to any student with ability. This argues for substantial need-based aid so that OSU is equally affordable for students from any economic background.
  - Especially high-achieving students build a dynamic learning and research environment. They benefit other students through peer-to-peer learning; they fill a high share of student leadership positions; they are more likely to contribute to faculty research efforts and outreach and engagement activities; they garner awards and other recognition that reflects well on OSU; and they often become highly active alumni and supporters of the institution. Keeping high-achieving Oregon residents in Oregon for higher education also increases the chance they

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<sup>1</sup> Unmet need is the cost of attendance less the expected family contribution less grant and scholarship aid.

will live and work in the state. This argues for the provision of merit-based aid regardless of economic circumstance, since most high-achieving students receive scholarship offers from competing institutions.

- OSU seeks to create a student body that is economically and socially diverse. Populations that are historically underserved by higher education have, on average, higher unmet need than many other populations. This argues for a focus on need-based aid.
- What should be OSU's strategies and priorities for increasing the amount of financial aid available for students, given the questions above?
  - How much institutional aid should OSU budget from the university's education and general revenues?
  - What should be the goal for fundraising by the OSU Foundation in the next campaign for merit-based aid and need-based aid? What is a realistic ceiling for that goal?
  - In identifying priorities for the State Legislature, what emphasis should be put on state-funded financial aid versus operating budgets for the public universities?
  - How much effort should the institution put into influencing Federal policy and Federal commitments to financial aid? Can we realistically have an impact there?