



# Leveling the Playing Field:

A STUDENT-CENTRIC APPROACH TO HIGHER  
EDUCATION'S AFFORDABILITY CRISIS

By Nicole Engelbert and Steve Hahn

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# INTRODUCTION

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**H**igher education is at a significant inflection point where traditional thinking, established processes and existing services may fail to serve the students and institutions of the future. While once considered merely a back-office function, financial aid has risen to become one of the single most influential factors in whether and where students choose to pursue a postsecondary education. There is no question that the disruption facing colleges and universities across the country will have a significant impact on future financial aid policies and systems, and those institutions that prepare now will be better positioned to serve new generations of students in the years to come.



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# AUTHORS



**Nicole Engelbert**

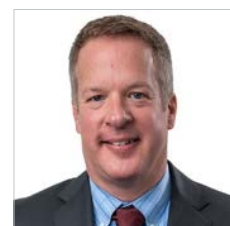
Vice President of Higher Education Development, Oracle

Nicole Engelbert

is vice president of higher education development at Oracle. She is responsible for engaging the industry ecosystem to develop thought leadership and best practice with cloud technology and to use those insights to guide the development of Oracle's higher education solutions, including its Student Cloud product suite.

Prior to Oracle, Nicole served as the director of research and analysis at Ovum, where she spent the last decade advising institutions globally on critical areas such as cloud migration, legacy modernization, emerging technologies and student experience.

A sought-after presenter on the higher education technology conference circuit, Nicole is also regularly quoted in publications such as The New York Times, University Business, Campus Technology and The Wall Street Journal. Nicole holds a bachelor's degree in classics from Union College and a master's degree in educational administration and policy analysis from Teachers College, Columbia University.



**Steve Hahn**

Senior Director, Huron

Steve Hahn is a senior director in the student

business at Huron. Prior to this, he served as the vice provost for enrollment management at the University of Wisconsin-Madison (UW-Madison). In that role he oversaw recruitment, admissions,

enrollment and financial aid, ensuring a competitive, well-prepared class and a successful undergraduate student experience. Steve has worked in university admissions and academic services, information technology and enrollment management for over 20 years.

Steve has been a board member of the Common Application and holds a graduate degree in history from the University of Wisconsin-Madison.



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# CONTRIBUTORS

Additionally, we are grateful for the perspectives of the following industry leaders who contributed to the recommendations outlined.

- **Lori Greene**, Vice President of Enrollment Management, Butler University
- **Melissa Kunes**, Assistant Vice President for Undergraduate Education and Executive Director for Student Aid, The Pennsylvania State University
- **Derek Kindle**, Vice Provost for Enrollment Management, University of Wisconsin-Madison
- **Melissa Smurdon**, Director of Financial Aid, Butler University



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# HIGHER EDUCATION'S AFFORDABILITY CRISIS

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**C**ollege attendance is the single largest investment that many students and their families will ever make. With so much riding on the venture, heightened emphasis is placed on collegiate achievement (graduation, degree attainment, etc.) that advances the holder's economic, social and financial futures.

Which is why student success is at the forefront of most higher education leaders' agendas. And that commitment begins even before students set foot on campus. To truly support student success, the transformation of the financial aid process and access must be a vital component of any institutional strategy.

It's no secret that higher education is evolving rapidly. From changes in student demographics to new business models, industry leaders have their hands full innovating to contend with high-priority, urgent needs. But there is no need more vital in today's higher education landscape than ensuring all academically qualified students have access to postsecondary education.

There is much work to be done in this space. A steady uptick in the total cost of college attendance year over year since 1981 points to severe financial insecurity in the industry.

## \$27,000

average total cost of full-time undergraduate attendance at a public four-year institution

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Over the last 30 years, higher education has gone from being perceived as a “public good” to a “private good,” and as a result, the responsibility for funding it has transferred from the state to the individual. This shift in responsibility comes at a time when many families’ incomes are struggling to keep pace. In 2017, the total cost of attending a public four-year institution accounted for nearly a quarter of the average family’s household income, with the burden weighing even heavier on households of color, at closer to 40%.<sup>1</sup>

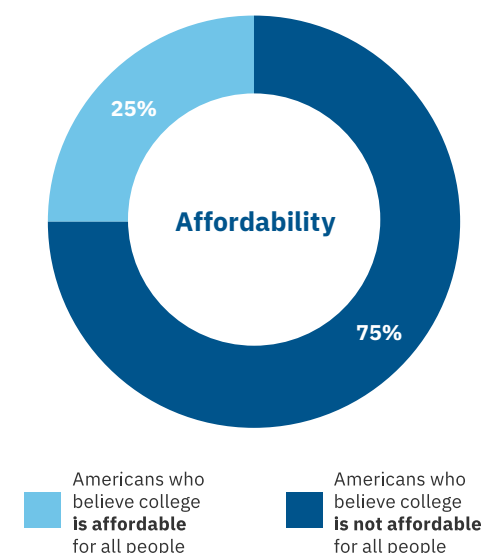
Over the course of the last decade, as wages stagnated but the cost of higher education continued to rise, fissures emerged between the “haves” and the “have-

### America spends double the amount of other developed nations on education.



nots.” These schisms were initially covered by increasing student debt, but today, that is proving to be an insufficient method of encouraging equality in postsecondary access.

A 2020 report by the National Center for Education Statistics found that three-quarters of Americans surveyed felt that college was not affordable for all people.<sup>2</sup> And according to 2018 data, Americans spend nearly double the amount of other developed nations on higher education.<sup>3</sup>



<sup>1</sup> Mitchell, M., Leachman, M., and Saenz, M. *State Higher Education Funding Cuts Have Pushed Costs to Students, Worsened Inequality*. Center on Budget and Policy Priorities, October 24, 2019. <https://www.cbpp.org/research/state-budget-and-tax/state-higher-education-funding-cuts-have-pushed-costs-to-students>.

<sup>2</sup> Moore, C. A., Liu, A. Y., Warner-Griffin, C., and Miller, J. *What Is the Price of College? Total, Net, and Out-of-Pocket Prices in 2015-16*. National Center for Education Statistics, December 2019. <https://nces.ed.gov/pubs2020/2020470.pdf>.

<sup>3</sup> Ripley, Amanda. “Why Is College in America So Expensive?” *The Atlantic*, September 11, 2018. <https://www.theatlantic.com/education/archive/2018/09/why-is-college-so-expensive-in-america/569884/>.

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In the 2015-16 school year, the majority of students received at least some financial aid (87%), with a combination of grants and loans being the most common borrowing equation for students at four-year institutions. Additionally, 77% of all full-time students received some type of grant, and nearly 54% took out loans to cover costs.<sup>4</sup>

“Higher education is so critical to our society. Educating the masses beyond high school is a societal good that we all benefit from.”

— MELISSA KUNES, PENN STATE

At the same time, state appropriations to higher education are diminishing. In the decade between 2008 and 2018, per-student state funding at two- and four-year institutions dropped by an average of 13% while tuition costs at public schools rose as much as 37% across the country.<sup>5</sup> Low-income students, in particular, are often deterred from enrolling in college due to prohibitive costs. A lack of experience with and understanding of the process can further aggravate the problem.<sup>6</sup>

All of this amounts to what experts have deemed an affordability crisis where postsecondary education is inaccessible to many students who desire to attend or would benefit from it most. To solve for this problem, higher education

leaders must make college more affordable and accessible by revamping current financial aid processes and systems.

The good news is that there are a number of forward thinkers driving innovation in this space, from the Bill and Melinda Gates Foundation to the National Association of Student Financial Aid Administrators (NASFAA) to leaders of individual institutions, some of whom are highlighted in the following pages. In the coming years, this momentum combined with the passion of financial aid practitioners and the expertise of industry leaders will continue to revolutionize the landscape of higher education affordability to improve access for future generations of learners.

<sup>4</sup> Moore, Liu, Warner-Griffin, and Miller. "What Is the Price of College?"

<sup>5</sup> Busta, H. "State Higher Ed Funding Cuts Perpetuate Inequity, Report Finds." Education Dive, October 24, 2019. <https://www.educationdive.com/news/state-higher-ed-funding-cuts-perpetuate-inequity-report-finds/565807/>.

<sup>6</sup> Mitchell, Leachman, and Saenz. *State Higher Education Funding Cuts*.

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# FIXING FINANCIAL AID

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**T**o remain relevant in the years to come, higher education leaders can no longer postpone the fundamental transformation of the financial aid process. A first step toward that goal is to overhaul the industry’s current systems and processes to meet the realities of the market, which may mean radically rethinking every aspect of financial aid — what it is, who is eligible and how it is delivered. Special focus should be placed on areas

where innovation will be the most impactful, including modernizing legacy processes with technology, using data to improve agility and increasing access for all students.

## **Simplify Complex Processes With Student-Centric Technology**

A lack of standardization (in application processes, notification timelines, award amounts and renewability) among colleges and financial aid donor organizations

has led to an arduous, seemingly unknowable and time-consuming process for most students and their families. Over the next five years, the complexity inherent in helping college-bound students, all with unique challenges, will increase further as available financial aid products diversify to meet the needs of an evolving student population. At the same time, regulations will change at an intensified pace, and advisory support tools will need to be more robust in response.

For higher education to move to a model that encourages lifelong learning (and all available evidence suggests that it will), financial aid must also fundamentally adapt to make the process as seamless as possible for all students. Financial aid has grown organically over time, driven in large part by

“The goal is to simplify the process by making it more student-centric and ensuring students have the right information at the right stage in the process to make educated decisions that will help them to navigate their educational experience. They need to understand the investment they are making upfront so that they can plan for it long term.”



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regulatory changes by federal and state governments. As a result, higher education institutions do not always have a clear line of sight into how the process works (or doesn't work) for students.

Efforts to streamline the process often focus on the Free Application for Federal Student Aid (FAFSA). Melissa Kunes, assistant vice president for undergraduate education and executive director for student aid at The Pennsylvania State University (Penn State), says she believes the FAFSA is a redundant tool that imposes unnecessary barriers to college access for many students and their families. Yet, she maintains that improvement of these processes must ultimately come from the top (i.e., the U.S. Department of Education).

In December 2019, a bill passed that would reduce the number of required fields in the FAFSA by more than 20, but concern remains around one of the most polarizing aspects of the form, expected family contribution (EFC).<sup>7</sup>

Many experts believe the EFC uses faulty logic and can be misleading, presupposing unrealistically low costs of living that seem to indicate families can subsidize more than they can reasonably afford. The algorithm typically expects families to earmark between 22% and 47% of their "adjusted available income" for college expenses. And, more often than not, even after financial aid, families end up contributing a greater

percentage of their incomes than the FAFSA predicted.<sup>8</sup>

"The irony is that the neediest students are the most likely to have the most complicated process," says Melissa Smurdon, director of financial aid at Butler University.

To help minimize this complexity, says Lori Greene, vice president of enrollment management at Butler, the institution thinks about its financial aid and admissions staff as part of a greater whole — enrollment management — with the goal of providing a seamless experience for students.

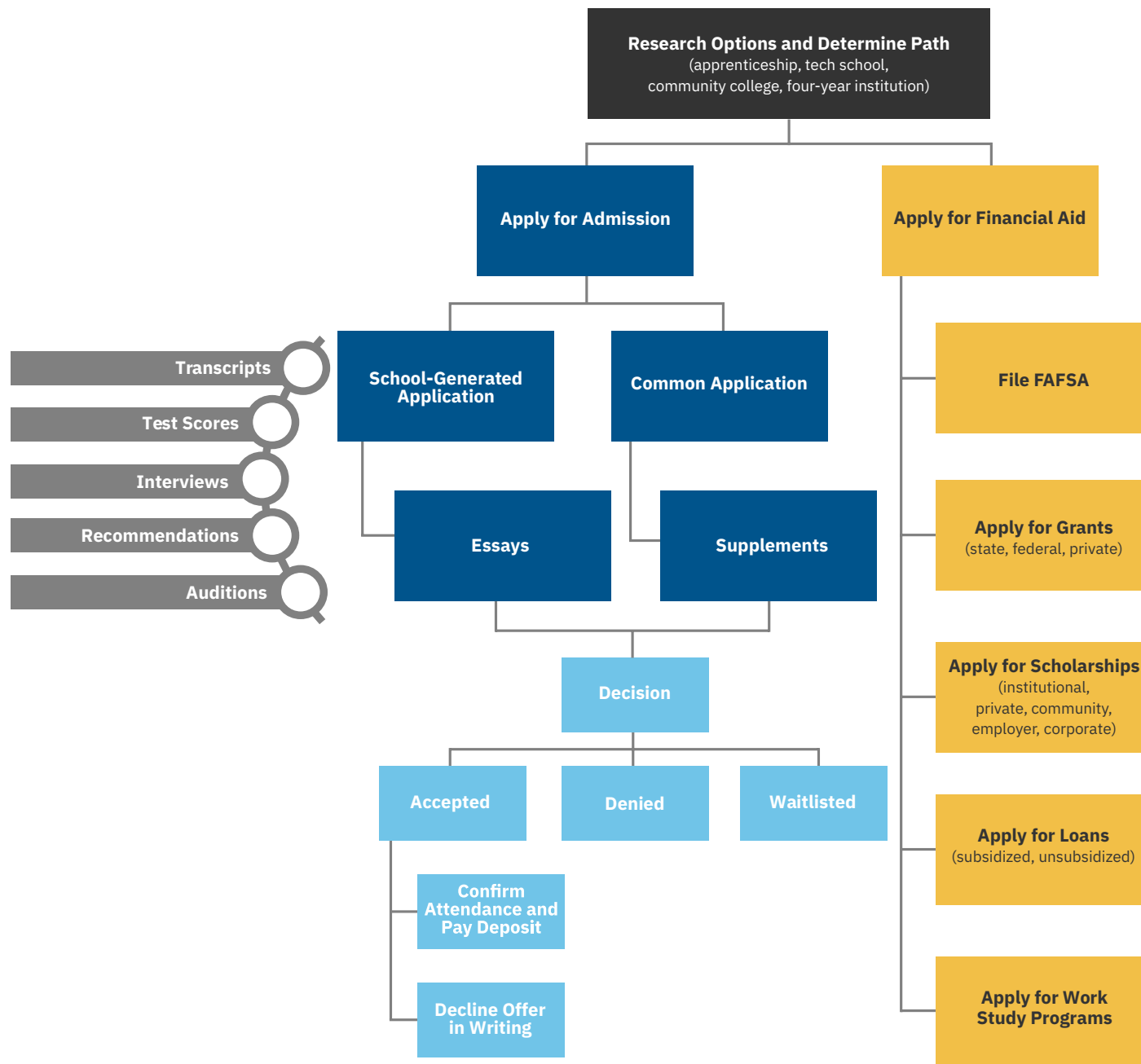
"Students don't think about it as two different things," Greene says. "So, it's important to provide them a streamlined process to ensure they feel supported from day one."

<sup>7</sup> Blumenstyk, Goldie. "Confusion Still Reigns Over Student Aid. Here's Why." The Chronicle of Higher Education, December 10, 2019. [chronicle.com/article/Confusion-Still-Reigns-Over/247695](https://www.chronicle.com/article/Confusion-Still-Reigns-Over/247695).

<sup>8</sup> Bernard, Tara Siegel. "FAFSA Says How Much You Can Pay for College. It's Often Wrong." The New York Times, November 15, 2019. <https://www.nytimes.com/2019/11/15/your-money/fafsa-financial-aid-student-loans.html>.

## Typical College Application Process<sup>9</sup>

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<sup>9</sup> Chattanooga School for the Arts and Sciences, Tennessee. Doing What Works Library: Doing What Works Library.

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The antiquated model in which financial aid operates as a back-office function that primarily deals in paperwork while admissions focuses on engaging with the students will not work in today's environment. Both departments should work together to achieve the combined goal of providing a seamless, holistic service to students.

For the viability of financial aid in the future, it must move from being merely another administrative department to a strategic institutional focus area. Increasingly, students are deciding which postsecondary institution to attend based on the financial outlook of that decision. As college enrollment continues to increase among low-income populations, students and financial aid officers must work together as

### Expected Family Contribution for College Expenses

**22%-47%**  
of adjusted available income

strategic partners to determine the optimal path for students to realize their academic and financial goals and for institutions to meet their enrollment quotas.

## RECOMMENDATIONS FOR THE FUTURE

- **Make financial aid a strategic partner in admissions**, empowering both departments to work together to provide a comprehensive experience for incoming students.
- **Conduct an organizational assessment** to determine how financial aid is currently positioned in your institution. If it's primarily a back-office function, find opportunities for the team to provide outreach that focuses on student/family education, federal/state advocacy and even congressional testimony.
- **Hire experienced and forward-thinking financial aid representatives** who are capable of effectively managing both aspects (outreach and processing) of this role in the future.

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## Use Data to Empower Institutional Problem-Solving and Increase Agility

Successful transformation in any industry requires the use of data (rather than intuition or observation) to answer key questions related to the health of the business. In higher education, leaders have a wealth of this information at their disposal. If they ask the right questions and draw the right conclusions, data can be turned into powerful insights that inform the institution's future strategic direction and increase its agility in response to shifting demands. Nowhere is this more urgent than in the realm of financial aid, where data can be leveraged to improve access, reduce complexity and empower student success.

The UW-Madison's Student Success Through Applied Research (SSTAR) Lab, for example, provides opportunities

for faculty to partner with practitioners in applied research that delivers real, usable data to support the institution's financial aid efforts. Bucky's Tuition Promise, the university's major scholarship for low- and middle-income students, was borne from analyses that the lab provided after conducting research on the relationship between prospective students' adjusted gross income (AGI) and EFC via the FAFSA. Having data to show that the AGI was a more relatable figure for students and families gave leaders the freedom to create an alternative model of aid for students in need who may not have qualified for other packages like the Pell Grant.

Institutional data can also be leveraged to deliver predictive analytics and customized outreach. Students, accustomed to other high-tech, high-touch

Higher Education Leaders  
Use Data to Make Decisions

40%

feel supported to implement data-driven improvements

87%

report using data to make decisions

services, expect their educational journey to reflect that same personalization, flexibility and accessibility. This requires integrated systems and staff who communicate strategically with each other.

Butler University's BUBeWell program uses data to understand how students are doing as they progress toward graduation



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— measuring everything from academic performance to campus involvement to financial aid barriers. When struggling students are identified quickly and proactively, the institution can intervene to address any barriers before the situation escalates.

This wealth of data can be a double-edged sword, though, for institutions without the infrastructure of support to use it effectively in real time. Institutions are drowning in data, but faced with the complexity of collection, routing and governance of said data, it can take months to get access to vital data points, at which point the information is often outdated and unusable. Impacting affordability to drive better student outcomes requires timely knowledge of emerging challenges and proactive problem-solving that occurs far earlier

than most institutions currently have the capacity to achieve. The goal should be real-time data access that can support predictive rather than historic analytics.

Data alone, however, cannot solve all of financial aid's problems. Institutions must foster a culture wherein leaders are empowered to act based on hard evidence and adequate resources are allotted to execute these programs. A 2017 report found that 86%

of higher education executive and midlevel leaders used data to support the decisions they make, yet only about 40% of respondents reported feeling supported to implement the results of that data effectively.<sup>10</sup>

“Wherever the data take you, it must be accessible and understandable,” says Derek Kindle, vice provost for enrollment management at the University of Wisconsin-Madison.

“Gone are the days when we could send out a notice that says ‘Dear Student’ at the top. That doesn’t meet today’s student where they are. They get hundreds of emails a week, and we need to replicate the experience they are used to having elsewhere.”

— DEREK KINDLE, UNIVERSITY OF WISCONSIN-MADISON

<sup>10</sup> Parnell, A., Jones, D., Wesaw, A., and Brooks, D. C. “Institutions’ Use of Data and Analytics for Student Success: Results From a National Landscape Analysis.” NASPA, April 10, 2018. <https://www.naspa.org/report/institutions-use-of-data-and-analytics-for-student-success-results-from-a-landscape-analysis>.

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## RECOMMENDATIONS FOR THE FUTURE

- **Use data to analyze institutional spend** and find opportunities to reallocate funds as necessary to support the advancement of financial aid functions that elevate the department's capabilities.
  - **Conduct institutional research** to support decision making across the institution as it relates to financial aid.
- Look specifically for gaps in the process and areas that are ripe for improvement.
- **Examine student behavior,** using predictive analytics, to determine what aid-related information students need and when to deliver that information to them at just the right time.
- **Analyze the available data** to determine what the "stopout" factors are for students at your institution and brainstorm ways to remove those barriers. Then, look at student completion and success data to identify barriers to graduation and develop supports that allow appropriate interventions.

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## Support Low-Income Student Access to Improve Economic Equality

A college education is a critical on-ramp to economic mobility, yet according to a 2019 report by the Institute for Higher Education Policy, most state flagship schools are not affordable for most students. In an era where institutions are increasingly reliant on tuition for revenue, many universities are courting wealthier students and providing them aid that could otherwise benefit economically disadvantaged students.<sup>11</sup> Compounding this issue is the fact that, in the coming years, the sector of postsecondary students that will grow the most will be made up of those who will require more financial aid assistance. As enrollment declines continue, institutions must find

ways to better serve students of greater economic need.

To combat state funding cuts and inequality on campus, the Center on Budget and Policy Priorities suggests increasing need-based aid for low-income students rather than merit-based aid that traditionally benefits students who would attend college regardless of the financial aid package they receive.<sup>12</sup> This is easier said than done, of course, as institutions are simultaneously grappling with competing priorities like tuition revenue and enrollment targets.

Many state financial aid programs — like Florida's Bright Futures Scholarship, Georgia's HOPE Scholarship and South Carolina's Palmetto Fellows Scholarship, which often account for the largest

### The Pell Grant Covers

**17%**

at private four year-year schools

**59%**

at public four-year schools

percentage of state disbursements — are awarded to students based on merit and regardless of financial need.<sup>13</sup> Still, some states are working to reset this imbalance. Georgia added need-based statewide grants in 2018, and in late 2019, the Utah State Board of Regents recommended legislation that would replace

<sup>11</sup> Mugglestone, K., Dancy, K., and Voight, M. *Opportunity Lost: Net Price and Equity at Public Flagship Institutions*. Institute for Higher Education Policy, September 2019. [http://www.ihep.org/sites/default/files/uploads/docs/pubs/ihep\\_flagship\\_afford\\_report\\_final.pdf](http://www.ihep.org/sites/default/files/uploads/docs/pubs/ihep_flagship_afford_report_final.pdf).

<sup>12</sup> Mitchell, Leachman, and Saenz. *State Higher Education Funding Cuts*.

<sup>13</sup> Mugglestone, Dancy, and Voight. *Opportunity Lost*.

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two merit-based scholarships with need-based grants.<sup>14</sup>

While the federal government does allot funds to low-income students via the Pell Grant, these resources are typically not enough to close the gap between the total cost of attending college and students’ ability to pay. In 2019, the Pell only covered 29% of the average cost of attendance at a public four-year institution, a decline of 50% from its peak in 1975.<sup>15</sup> Furthermore, most research suggests that merit-based aid disproportionately benefits wealthy white students. In fact, the Pew Research Center reports that, since 2007, about 75% of recipients of Louisiana’s Taylor Opportunity Program for Students (TOPS) have been

white and more than two-thirds have come from families with above-average incomes.<sup>16</sup>

In essence, it’s a vicious circle. Low-income students attend high schools with fewer resources and often come from families where previous generations may not have attended or completed college. Thus, their experience with the process is limited. And when the application process becomes too complex to navigate, many opt out entirely. “Many

low-income students come from first generation families who are overwhelmed or even paralyzed by the financial aid process,” Kunes says.

High tuition is only part of the problem for low-income students, and comprehensive financial aid for these individuals should also account for other associated expenses. With the rates of food and housing insecurity on the rise among college students, Butler is putting resources

“If we bring a student in, we have a responsibility to help them graduate. And that means support them financially, but also academically and from a programming perspective to ensure they have the mechanisms and support they need to graduate and succeed.”

— MELISSA KUNES, PENN STATE

<sup>14</sup> Quinton, Sophie. “Some States Move Toward Financial Aid Based on Need Rather Than Merit.” The Pew Charitable Trusts, December 10, 2019. <https://www.pewtrusts.org/en/research-and-analysis/blogs/stateline/2019/12/10/some-states-move-toward-financial-aid-based-on-need-rather-than-merit>.

<sup>15</sup> Protosaltis, S. and Parrott, S. “Pell Grants — a Key Tool for Expanding College Access and Economic Opportunity — Need Strengthening, Not Cuts.” Center on Budget and Policy Priorities, July 27, 2017. <https://www.cbpp.org/research/federal-budget/pell-grants-a-key-tool-for-expanding-college-access-and-economic-opportunity>.

<sup>16</sup> Quinton. “Some States Move Toward Financial Aid.”



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into its emergency assistance program, which aims to provide funds to students experiencing hardships on an as-needed basis.

It is also critical to help these students understand their financial obligations upfront and how to manage them throughout their college careers. For example, ongoing support throughout their

educational careers can empower students to complete their goals in a reasonable timeframe, mitigating the expenses they incur. On-time graduation requires fewer student loans and less financial burden overall.

The goal, according to Kunes, is not only to increase access for lower-income students, but also

to equip them to be as competitive and successful after graduation as any of their peers. To that end, Penn State is working with a cohort of other institutions as part of the [American Talent Initiative](#) to find opportunities and leverage best practices for helping students from low socioeconomic backgrounds succeed academically and ultimately graduate.

## RECOMMENDATIONS FOR THE FUTURE

- **Decide whether EFC is the best number to use to determine financial aid strategies.** Other figures (like adjusted gross income) may provide a better picture of student need.
- **Remember that technology cannot fully replace human-to-human interaction.** Leverage personalized outreach to ensure that low-income students feel supported throughout their college experience.
- **Leverage technology to help students** understand upfront their actual total cost of attendance.
- **Build programs to help low-income students manage their finances** while at college. Include nontuition expenses, like housing, food, books, etc. in the curriculum, as well.

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# CUTTING THE COST OF ATTENDANCE FOR STUDENTS AND FAMILIES

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**T**he flip side of any conversation about financial aid revolves around how to make college fundamentally more affordable. In 2020, only about 25% of Americans said they felt that college was affordable for all people.<sup>17</sup>

## Experiment With Innovative Alternative Pricing Models

Institutions across the country are leveraging a multitude of innovative models designed to bring down the cost of college attendance. For example, although the University of Chicago's costs

are some of the highest in the country, for the 2016-2017 school year, students whose families' household incomes were below \$75,000 only actually paid \$5,000 out of pocket.<sup>18</sup>

By 2025, the total cost of attending the University of Chicago full-time as an undergraduate is projected to soar into six-digit territory, and many other selective institutions are expected to follow suit.<sup>19</sup> Maintaining and growing enrollment, then, will require deep discounts and innovations to pricing models to make attendance a possibility for the majority of potential applicants.

At the end of 2019, Penn State established its Tuition Task Force, a committee comprising a cross-section of university stakeholders dedicated to finding solutions to some of the complex issues facing most higher education institutions today — affordability, access and sustainability. The group is working to identify opportunities to restructure the institution's tuition model to better serve all students.

## Tuition Discounting

Private nonprofit four-year schools are discounting tuition at an average rate of 52.2% for full-time first-year freshmen, although the practice may not

<sup>17</sup> Moore, Liu, Warner-Griffin, and Miller. "What Is the Price of College?"

<sup>18</sup> D'Amato, Pete. "University of Chicago Projected to Be the First U.S. University to Cost \$100,000 a Year." The Hechinger Report, October 30, 2019. <https://hechingerreport.org/university-of-chicago-projected-to-be-the-first-u-s-university-to-charge-100000-a-year/>.

<sup>19</sup> Wong, Alia. "Six-Figure Price Tags Are Coming to Colleges." The Atlantic, November 8, 2019. <https://www.theatlantic.com/education/archive/2019/11/some-colleges-could-soon-cost-100000-year/601648/>.

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actually be increasing access for low-income students.<sup>20</sup> Further, in 2016, 316 higher education institutions reported offering discounted tuition to all incoming freshmen, making the list price of these colleges and universities nearly meaningless as the advertised price is rarely what students actually pay.<sup>21</sup>

dropping prices, the issue may boil down to the fact that cost and value are inextricably linked in most people’s minds — students and families believe expensive institutions have more to offer.

In 2019, 15 postsecondary schools in the U.S. took discounting to the extreme,

institutional aid is unfunded (i.e., technically discounted tuition).

### Other Models to Consider

But tuition discounting is not the only model used to reduce the costs for students in need. Several institutions have “reset” their tuition, while some states allow students and their families to “lock in” a rate years ahead of their intended attendance. Still other industry leaders are rethinking the criteria used to determine financial aid eligibility to expand access to a larger group of qualified individuals. For example:

- **UW-Madison’s Bucky’s Tuition Promise** is a recent innovation that seeks to provide funds that low- and middle-income students can use to pay their

# 52.2%

average tuition discount for full-time freshmen at private nonprofit four-year schools

So, why not just lower tuition prices? Similar to the tactics used by many retail stores that offer regular sales rather than

offering completely free tuition via generous scholarships for qualified students.<sup>22</sup> At Butler University, for example, 96% of

<sup>20</sup> Busta, Hallie. “Higher Ed Enrollment Reaches 10-Year Low, New Data Shows.” Education Dive, December 16, 2019. <https://www.educationdive.com/news/higher-ed-enrollment-reaches-10-year-low-federal-data-shows/569091/>.

<sup>21</sup> D’Amato. “University of Chicago.”

<sup>22</sup> Hopkins, K., Powell, F., and Kerr, E. “15 Tuition-Free Colleges.” U.S. News & World Report, September 9, 2019. <https://www.usnews.com/education/best-colleges/paying-for-college/slideshows/12-tuition-free-colleges>.

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tuition. One of the major challenges the institution has had to address as it rolled out this program, though, is the believability factor. People are always asking, “What’s the catch?” says Kindle.

- **Rice University** in Houston has developed a similar program, The Rice Investment, but with more emphasis on middle-income students. Through this financial aid package, students whose families make less than \$130,000 annually qualify for free tuition, and those with

household incomes of less than \$65,000 also receive funds to cover room and board.<sup>23</sup>

- And even many of those institutions that don’t offer completely free tuition offer deep discounts to attract middle-income students, specifically those who would not qualify for Pell Grants. **The University of California, Los Angeles (UCLA)**, for example, recently announced its intention to use half of a \$10 million endowment to help offset tuition costs for students from

families with incomes ranging from \$60,000 to \$120,000.<sup>24</sup>

Regardless of the tuition model an institution chooses to adopt, there are lessons to be learned from innovators and first movers about how to make college accessible for more students. The reality is that, in the future, the industry will need to support a more diverse array of pricing models. And in response, financial aid must be far more flexible and far more powerful to empower institutions to leverage these models.

<sup>23</sup> Crespo, Gisela. “Rice University to Offer Free Tuition to Low-Income and Middle-Income Undergraduate Students.” CNN, September 18, 2018. <https://www.cnn.com/2018/09/18/health/rice-university-financial-aid-trnd/index.html>.

<sup>24</sup> Schwartz, Natalie. “To Attract Middle-Income Students, Colleges Add Scholarships and Tuition Discounts.” Education Dive, November 5, 2019. <https://www.educationdive.com/news/to-attract-middle-income-students-colleges-add-scholarships-and-tuition-dij/566679/>.



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## RECOMMENDATIONS FOR THE FUTURE

- **Consider innovative methods for lowering the cost of tuition** — from offering scholarships to low-income students to discounting tuition, or partnering with community colleges to create more affordable pathways for graduation.
- **Analyze available information** in light of your institutional goals to determine what your institution can learn from other innovative tuition models. Adopt improvements when they make sense, but only after careful study.
- **Invest in tools that give you a clear picture** of the success or failure of experimental models and programs. By regularly reviewing available data, institutions can be more agile, thoughtful and critical with financial aid innovations.

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## Integrate Technology to Refocus Staff on Mission-Driven Priorities

Attempts to reduce the costs in higher education to date have largely not been sustainable. From reducing faculty to shifting to an adjunct teaching model, most previous initiatives have not produced expected savings. Yet, an intentional focus on reducing administrative burdens through the strategic use of technology can help.

The National Center for Education Statistics reports that from the 1980-81 school year to 2014-15, administrative spending in higher education ballooned from \$13 billion to \$122 billion, much of which can be attributed to

compliance with increased federal regulations.<sup>25</sup> For example:

- With the exception of Luxembourg, the U.S. is the only developed country that spends more on nonteaching staff than on teaching staff.<sup>26</sup>
- Higher education institutions spent 26.1 million hours on U.S. Department of Education forms.<sup>27</sup>
- The higher education sector spends about \$27 billion on federal compliance every year.<sup>28</sup>

One of the primary ways to make college more affordable long term is to reduce administrative burdens through automation.

### Regulatory Compliance Costs

**\$27 Billion**

every year

**26.1 Million Hours**

invested in completing U.S. Department of Education forms

Strategic investment in institutional technology is an important step for counteracting the rising cost of college attendance by taking as many manual aspects out of the

<sup>25</sup> Simon, Caroline. "Bureaucrats and Buildings: The Case for Why College Is So Expensive." *Forbes*, September 5, 2017. <https://www.forbes.com/sites/carolinesimon/2017/09/05/bureaucrats-and-buildings-the-case-for-why-college-is-so-expensive/#67694cf4456a4>.

<sup>26</sup> Ripley. "Why Is College in America So Expensive?"

<sup>27</sup> *Recalibrating Regulation of Colleges and Universities: Report of the Task Force on Federal Regulation of Higher Education*. U.S. Senate Committee on Health, Education, Labor & Pensions. [https://www.help.senate.gov/imo/media/Regulations\\_Task\\_Force\\_Report\\_2015\\_FINAL.pdf](https://www.help.senate.gov/imo/media/Regulations_Task_Force_Report_2015_FINAL.pdf).

<sup>28</sup> Hackett, Brittany. "Study: Regulatory Compliance Costs Higher Ed \$27B Per Year." National Association of Student Financial Aid Administrators, October 21, 2015. [https://www.nasfaa.org/news-item/6352/Study\\_Regulatory\\_Compliance\\_Costs\\_Higher\\_Ed\\_27B\\_Per\\_Year](https://www.nasfaa.org/news-item/6352/Study_Regulatory_Compliance_Costs_Higher_Ed_27B_Per_Year).

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everyday work of financial aid and admissions officers as possible.

Effectively implementing and integrating technologies will also allow advisers to spend more time with students doing the work they are passionate about, says Kunes. No financial aid officer starts their career looking to become a compliance master. They become counselors because they want to help students have rewarding college experiences.

But the reality of most financial aid offices is that these professionals are, on a day-to-day basis, focused primarily on paperwork.

In the future, as student populations continue to diversify,

the one-time and unique scenarios financial aid teams face will increase. To meet this challenge, institutions must ensure they have technologically advanced, student-centric tools and processes at the ready.

“If we improve these processes, that in turn will free up staff time to be able to work directly with students to ensure they understand the investment they are making.”

— MELISSA KUNES, PENN STATE

## RECOMMENDATIONS FOR THE FUTURE

- **Reduce avoidable overhead** where possible by leveraging technology that integrates and streamlines manual processes.
- **Hire professionals who are comfortable** with implementing new technologies and navigating multiple disparate tools.
- If your institution is unable to overhaul its institutionwide financial aid technologies at once, **consider starting with an intermediary system** that connects student outreach and back-office functions to start delivering a more continuous experience as applicants become students.

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## Diversify Funding Sources for Long-Term Sustainability

If more thoughtfully managing costs is critical to the long-term viability of higher education, so too is establishing sustainable funding sources that reduce institutions’ reliance on revenue from student tuition.

Of higher education institutions’ primary sources of funding — state appropriations, research funding, gifts and endowments, and student tuition — only the last of these sources is considered “unrestricted revenue” that can be used for a wider range of expenses.<sup>29</sup> In today’s volatile landscape, the variability of state appropriations, research grants and student tuition (via declining enrollment), in particular, necessitates a

heavier focus on diversifying institutional funding sources.

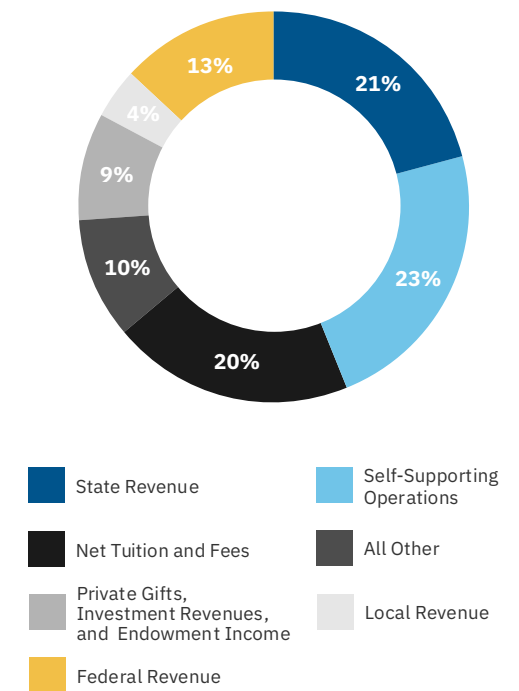
## Gifts and Endowments

Kindle believes that fundraising and advancement will increasingly become an area where financial aid practitioners are called to engage to solicit donations specifically for financial aid.

Data and storytelling will play a critical role in this outreach. To increase endowments and giving, leaders should deliberately work to evangelize how their institutions benefit society. It’s important to articulate what every dollar given means to a student and train financial aid staff to have those conversations. Leaders also have a responsibility to leverage institutional data to find and showcase stories that illustrate

the impact of those funds. Donors want to know how their money is going to be used, and telling real student stories can help them to understand the value they bring. Higher education institutions were gifted \$46.7 billion during the

Revenue Breakdown of Public College and University Budgets (FY 2017)<sup>30</sup>



<sup>29</sup> Heflin, Zane. *The New American Dream: Alleviating the Student Debt Crisis*. The New Center, August 2019. <http://newcenter.org/wp-content/uploads/2019/12/Alleviating-the-Student-Debt-Crisis.pdf>.

<sup>30</sup> *Two Decades of Change in Federal and State Higher Education Funding*. The Pew Charitable Trusts, October 15, 2019. <https://www.pewtrusts.org/en/research-and-analysis/issue-briefs/2019/10/two-decades-of-change-in-federal-and-state-higher-education-funding>.

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“We have found through our fundraising that there is a ready-made, eager audience for fundraising that is dedicated to financial aid because it helps donors to imagine specifically who they are helping and makes them more willing to give.”

— DEREK KINDLE, UW-MADISON

2017-18 school year, a significant portion of which was earmarked as donor-advised funds.<sup>31</sup>

Kunes echoed the importance of intentional collaboration between alumni and donor relations and financial aid departments at Penn State to deliver new and enhanced funding sources. “We’ve made a lot of inroads in increasing our endowment thanks to the integrated connections we’ve established between these teams,” she says. But increasing

donor outreach and financial endowments is only part of the equation for institutions looking to diversify their funding sources.

### Other Alternative Revenue Sources

“We’d love to have a larger endowment,” says Greene. “But there’s only a handful of institutions in this country that have an endowment from which they can support 100% of demonstrated need.”

That is why institutions must also grow and scale revenue from nontraditional programs that are not typically eligible for financial aid, such as noncredit programs, continuing education and pre-collegiate programs, etc. The shift toward these revenue streams is already well underway, as noted in the following examples, with institutions increasingly investing in these experimental endeavors.

- **Online education:** Southern New Hampshire University may be the most well-known example of an institution that changed its business model to focus almost exclusively on online education programs. While some online students are eligible for financial aid, this delivery model does lend itself well to engagement with nontraditional students and lifelong learners who typically pay out of pocket.<sup>32</sup>

<sup>31</sup> Joslyn, Heather. “Giving to Colleges Rises 5%, With Harvard and Stanford Raising the Most.” The Chronicle of Higher Education, February 11, 2019. [chronicle.com/article/Giving-to-Colleges-Rises-5-/245659](https://www.chronicle.com/article/Giving-to-Colleges-Rises-5-/245659).

<sup>32</sup> Lapovsky, Lucie. “The Changing Business Model for Colleges and Universities.” Forbes, February 6, 2018. <https://www.forbes.com/sites/lucielapovsky/2018/02/06/the-changing-business-model-for-colleges-and-universities/#411fa1045ed5>.

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- **Corporate/enterprise training:** Partnerships between academia and the corporate sector are nothing new. However, as higher education leaders seek to diversify their funding sources, this potentially lucrative avenue remains relatively untapped. Over the last decade, Harvard University, for example, has doubled its revenue from an exclusive business school continuing education program for executives who make \$10 million or more annually.<sup>33</sup> While most universities do not have the prestige to attract such a high-caliber class of students, the model is largely transferrable for institutions with more modest aspirations.

- **Pathway programs:** Amid dwindling domestic enrollment, institutions are increasingly courting international students. An intentional focus on pathway programs, which seek to clear the path for admission to U.S. schools, can help institutions to diversify their student populations and their revenue streams at the same time.<sup>34</sup>
- **Strategic partnerships:** More and more, higher education institutions are looking at corporate America and local industry for strategic partnership opportunities. For example, Metropolitan State University of Denver partnered with Sage Hospitality to open a SpringHill

Suites on its campus in 2012. Five years later, the university foundation received \$2 million in funds from the corporation that oversees the hotel, half of which went directly to funding scholarships. California State University, Northridge also partners with local television and film companies to allow filming at its campus facilities.<sup>35</sup>

There is no single solution for institutions seeking to increase their sustainable funding sources, but it is advisable to broaden their revenue bases, particularly as traditional enrollment continues to decline.

<sup>33</sup> Schulte, Liz. "6 Alternative Revenue Streams for Colleges." Direct Network, June 9, 2017. <https://directnetwork.mbsdirect.net/6-alternative-revenue-streams-for-colleges>.

<sup>34</sup> Dusst, E. and Winthrop, R. "Top 6 Trends in Higher Education." The Brookings Institution, January 10, 2019. <https://www.brookings.edu/blog/education-plus-development/2019/01/10/top-6-trends-in-higher-education/>.

<sup>35</sup> Jacobson, Linda. "Getting Resourceful: How Administrators Can Generate Alternative Sources of Revenue." Education Dive, July 17, 2017. <https://www.educationdive.com/news/getting-resourceful-how-administrators-can-generate-alternative-sources-of/446626/>.



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## RECOMMENDATIONS FOR THE FUTURE

- **Increase sustainable funding** sources so that the institution is less reliant on revenue from tuition.
- **Make fundraising an essential part** of the financial aid department and provide training for staff around this competency.
- **Look for experience and competence** in fundraising and donor relations when hiring key financial aid staff and leaders.

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# THE FUTURE OF FINANCIAL AID

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**T**here is no “one-and-done” solution to higher education’s affordability problem, but now is the time for leaders to innovate to meet future challenges. With the industry predicted to hit an “enrollment cliff” by 2025, leaders should be prepared to disrupt traditional approaches to financial aid.<sup>36</sup>

“The turning point will be what institutions do now and how they approach financial aid today,” Kindle says. “Those who are entrenched in traditional financial aid will find it hard to make the shift as other institutions advance past them.”

While financial aid reform will continue to be a topic of

“I’m hopeful. Higher education professionals are passionate people, and we will make change for the better. It won’t happen overnight, but each incremental step will lead to a better future for the next generation of students.”

— MELISSA KUNES, PENN STATE

conversation in the years to come, the specifics of that discussion will be quite different than they are today. Most experts agree that higher education is at an inflection point that requires strategic shifts to the industry’s standard operating procedures moving forward. As higher education becomes less linear (i.e., focused on lifelong learning versus a four-year degree model) and increasingly caters to a more

diverse student population, financial aid must also evolve.

The financial aid office of the future will be data-driven, able to support multiple educational models and composed of a wide array of dynamic support services personalized to a diverse set of learners. It will also integrate proactive, consumer-grade technologies that enable students to navigate the process more

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<sup>36</sup> Barshay, Jill. “College Students Predicted to Fall by More Than 15% After the Year 2025.” The Hechinger Report, September 10, 2018. <https://hechingerreport.org/college-students-predicted-to-fall-by-more-than-15-after-the-year-2025/>.

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efficiently and effectively while also providing insights to aid leaders in proactive problem solving. And, at the same time, institutions will spend less money on administrative overhead and more on the programs and services that deliver strategic benefits.

Leaders should be prepared for the public to hold them accountable for realizing that future model. "We won't get away from accountability metrics. Key performance indicators like social mobility, access and indebtedness will be used in ways we haven't imagined up to this point," Kindle says.

This evolution will require a commitment to clearing the path to ensure that all qualified students are able to earn a degree and better their lives. By supporting all students in this endeavor with lower costs, increased access and improved financial aid processes and systems, colleges and universities can achieve transformational results and realize benefits for their students for years to come.



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