

LOOKING UNDER THE HOOD

EQUIPPING CAMPUS LEADERS
WITH TOOLS TO SUPPORT
MORE STRATEGIC DECISION MAKING
ABOUT INSTITUTIONAL FINANCIAL AID

FINAL REPORT

to the Robert W. Woodruff Foundation

SPRING 2015

About AGB

Since 1921, the Association of Governing Boards of Universities and Colleges (AGB) has had one mission: to strengthen and protect this country's unique form of institutional governance through its research, services, and advocacy. Serving more than 1,300 member boards, 1,900 institutions, and 36,000 individuals, AGB is the only national organization providing university and college presidents, board chairs, trustees, and board professionals of both public and private institutions and institutionally related foundations with resources that enhance their effectiveness.

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Association of Governing Boards of Universities and Colleges

1133 20th St. N.W., Suite 300, Washington, D.C. 20036

www.agb.org

About NACUBO

NACUBO is a membership organization serving more than 2,500 colleges, universities, and higher education service providers across the country and around the world.

NACUBO specifically represents chief business and financial officers through advocacy efforts, community service, and professional development activities. The association's mission is to advance the economic viability, business practices and support for higher education institutions in fulfillment of their missions.

About the *Looking Under the Hood: Institutional-Aid Benchmarking Tool*

The *Looking Under the Hood: Institutional Aid Benchmarking Tool* was developed in collaboration with the Association of Governing Boards of Universities and Colleges (AGB) and the National Association of College and University Business Officers (NACUBO) and is supported by the Robert W. Woodruff Foundation. This new tool is for governing boards, chief executives, and chief business officers looking to review their institutional aid policies. It enables them to view and benchmark their institutional aid policies against a customized set of peers. The initial set of metrics included in the tool is based on financial data collected by IPEDS and the College Board's Annual Survey of Colleges.

For more information about this project and the tool, please visit:

www.agb.org/StudentAid.

Looking Under the Hood: Equipping Campus Leaders with Tools to Support More Strategic Decision Making about Institutional Financial Aid

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Introduction

In 2012, with generous support from the Robert W. Woodruff Foundation, the Association of Governing Boards of Universities and Colleges (AGB) and the National Association of College and University Business Officers (NACUBO) launched *Looking Under the Hood*. This effort was designed to address a critical aspect of college and university expenditures—namely, institutional financial aid. The two associations recognized that institutional grant aid expenditures, which have grown by 92 percent over the past decade, have put additional stress on college and university finances. With the budgets at many public and independent colleges and universities increasingly challenged, the two associations came to the conclusion that any revisions to higher education business models initiated by governing boards, presidents, and chief business officers could not ignore institutional aid or the need for greater clarity and transparency in decision making about such aid.

Exacerbating the challenges that colleges and universities face with the growth of institutional financial aid are two related issues for senior campus policymakers and governing boards. First, colleges and universities lack common definitions for various types of financial aid expenditures; and second, these leaders do not have easy access to uniform information from all colleges and universities that would enable them to assess how their institutional-aid expenditures compare with those of peer institutions. To address these critically important issues, the

associations proposed a project whose goal was to provide tools for strategic decision making about institutional grant aid that support the work of campus leaders. To accomplish this goal, AGB and NACUBO proposed to develop a set of common metrics that could better inform college and university deliberations on institutional-aid policies. Additionally, the project would support a group of “early adopters” to use these metrics in their conversations about such policies.

Section one of this report provides the rationale for why this work is needed, offering a brief overview of the large and growing expenditures for institutional aid. This section also describes the activities undertaken by project staff to develop the metrics, engage an advisory committee, disseminate the metrics to a broad set of higher education leaders, and work with a diverse group of colleges and universities to use the metrics. Section two focuses on the development, launch, and dissemination of an interactive tool—a product not initially envisioned for the project—and the emergent demand by colleges and universities for access to this tool. Section three offers an early look at the issues colleges and universities face when considering institutional-aid policies, based on the engagement with 10 early adopters—a diverse set of public and independent, four-year colleges and universities. In this section, we also highlight three colleges and universities in greater depth, based on follow-up interviews with senior leaders at these institutions. Section four concludes with some next steps for enhancing the interactive tool to better serve campus leaders over the long run.

Section One

The Context for Looking Under the Hood and Project Accomplishments

According to the College Board, higher education institutions provided almost \$35 billion in institutional grant aid to students in academic year 2012-13. This amount represents 19 percent of the \$185 billion in financial aid, in the form of both grants and loans, available to undergraduates, and is more than the amount awarded by the federal Pell Grant program (College Board, 2013). Institutional grant aid is particularly important to students at independent, nonprofit, four-year colleges and universities, making up two-thirds of all student aid in this sector; however, institutional aid also represents one-quarter of all aid to students at public four-year colleges and universities (College Board, 2013). These data indicate the magnitude of institutional grant aid, but also raise concerns that institutional-aid expenditures, if allowed to grow unchecked, can place increasing stress on many colleges and universities, especially those with small endowments that are tuition-dependent and relatively non-selective. As noted

in a recent report from the Southern Education Foundation, boards of trustees and campus leaders need a more detailed understanding of the major financial expenditures that affect the fiscal and operational integrity of their institutions (Hector, 2014). Clearly, institutional financial aid is a major financial expenditure, and it is growing.

Between academic years 2003-04 and 2010-11, the amount of grant aid per full-time equivalent (FTE) student distributed directly from four-year independent colleges and universities rose 35 percent in inflation-adjusted dollars (Price and Hossler, 2014). Colleges and universities have numerous sources for institutional aid, including endowment funds, current tuition and fee revenue, and the general operating budget; however, beginning in the 1980s, the use of tuition revenue to fund institutional aid (typically known as tuition discounting) has soared (Hossler and Price, 2014). According to the most recent NACUBO study on tuition discounting, the average discount rate for independent colleges and universities was almost 45 percent for first-year students in 2012-13, the highest rate recorded in the history of this study.

Looking Under the Hood was developed to help colleges and universities make more strategic decisions related to their institutional-aid allocations by providing better data and analytic tools for trustees, presidents, chief business officers, and other campus leaders. The primary objective of the project was to create a set of standardized institutional-aid metrics using data provided by individual colleges and

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universities. Once these metrics were developed, a diverse group of institutions would “test” the metrics during policy considerations about institutional aid on their campuses. The potential for this project to have a major impact on both institution-specific and national conversations about institutional aid and college expenditures was considerable, because AGB and NACUBO serve more than 34,000 board members, 1,250 chief executive officers, and 2,500 chief business officers.

BUILDING INSTITUTIONAL-AID METRICS

Phase I of the project entailed the development of the institutional-aid metrics. In order to create a set of metrics that would be useful for a broad cross-section of colleges and universities, we assembled an advisory committee of board members, chief executive officers, chief business officers, and senior financial aid leaders representing both public and independent institutions, including research universities, comprehensive colleges and universities, and liberal arts colleges. (See Appendix A.) The advisory committee also included representatives from minority-serving institutions. The advisory committee met on two occasions: early in July 2012 to discuss the types of metrics that would be most useful, and later in the project, during spring 2014, to review the metrics and make recommendations for improvement.

Early feedback from the advisory committee established the parameters for developing the institutional-aid metrics. Members wanted the metrics to be:

- Simple, using easily accessible data sources;
- Reflective of institutional perspective;
- Intended for internal discussions; and,
- Relevant to the diverse landscape of higher education institutions.

The relationship between institutional aid and net tuition revenue was especially important, as was the allocation of institutional aid to students by need- and non-need criteria, and among students from different racial and ethnic backgrounds.

The advisory committee also helped project staff prioritize the kinds of institutional-aid metrics that would be most useful for strategic decision making on their campuses. For example, the relationship between institutional aid and net tuition revenue was especially important, as was the allocation of institutional aid to students by need- and non-need criteria, and among students from different racial and ethnic backgrounds. Advisory committee members also communicated that, if possible, institutional-aid metrics should be disaggregated by revenue

sources: that is, was institutional grant aid funded by dedicated resources, such as an endowment or restricted donor contributions, or was the aid unfunded through tuition discounting (such as foregone tuition and fee revenue)? Of note, while the advisory committee spoke about using these metrics for internal—non-public—discussions, the idea of comparing metrics for their institutions versus a national benchmark or a peer group of colleges was a common theme during its committee meetings.

We initially planned to collect data from a new institutional survey to test the relevance and potential effectiveness of the institutional-aid metrics and further develop and refine them; however, the institutions that completed our survey felt that the time needed to provide the data was excessive. Moreover, they suggested that publicly available data sources, particularly for financial data, would be much quicker and easier to use, and further indicated that they already reported most of the information we were requesting to the College Board through its “Annual Survey of Colleges.”

Subsequent conversations with advisory committee members resulted in a shift in tactics for collecting institutional data for the defined metrics. We reached out to the College Board to secure access to data from the “Annual Survey of Colleges,” and, after merging additional data from the U.S. Department of Education’s Integrated Postsecondary Education Data System (IPEDS), generated the data for the institutional-aid metrics using these secondary data sources. Project staff developed a draft set of 38 metrics that were organized into seven categories. Data for these metrics covered three academic years. By using these datasets, we now had pre-

populated data from more than 1,400 colleges and universities. The metrics were shared with the advisory committee and finalized by December 2012. (See Appendix B.)

This shift meant that colleges would not have to complete a new institutional survey in order for their institutional metrics to be created, and that the metrics would include all colleges participating in the College Board’s “Annual Survey of Colleges” (approximately 1,400 higher education institutions participate in this survey each year). This shift also led to the realization by the project team that the development of an online, interactive tool was necessary and desirable, although it was not initially envisioned as part of this project. (See Section Two.) The idea of an online tool provided the opportunity for national, regional, state, and peer-defined benchmarks on institutional aid.

DISSEMINATION TO THE FIELD

In addition to our formal and informal engagement with advisory committee members, Phase II of the project entailed staff sharing information about *Looking Under the Hood* and the institutional-aid metrics at the 2013 AGB National Conference on Trusteeship in San Francisco and the 2013 NACUBO annual meeting in Indianapolis. More than 80 board members and senior executives attended the AGB session, and more than 100 participants attended the NACUBO session. At both national meetings, campus leaders responded very favorably to the idea of a standard set of institutional-aid metrics to inform policy decisions. At the NACUBO session, the importance of net tuition revenue was highlighted as a critical issue.

Section Two

Development of an Interactive Benchmarking Tool

Phase II of the project began with conversations about developing an effective benchmarking tool that could easily upload the two datasets from IPEDS and College Board and any additional data that were to be collected at a later date, and that could display data-loaded metrics in a user-friendly format. After several conversations with possible vendors, the project staff contracted with Peerfocus, a firm with more than 14 years of experience providing survey and benchmarking services in higher education. Thus began the development of the interactive web-based tool using the data from IPEDS and the “Annual Survey of Colleges.” The tool was developed in extensive consultation with the project staff, vetted with the advisory committee at its second meeting in March 2014, and completed and made available in May 2014.

Broad dissemination of information about the tool was achieved through the publication of articles in both AGB’s *Trusteeship* (March/April 2014) and NACUBO’s *Business Officer* (April 2014) magazines, and through demonstrations of the online, interactive tool at more than 10 conferences, meetings, and webinars across the country, including the AGB National Conference on Trusteeship, the AGB Institute for Board Chairs and Presidents, the AGB Workshop for Board Professionals, the AGB Workshop on Strengthening Board Committees, NACUBO’s annual meeting, the American Association of Collegiate Registrars and Admissions Officers

(AACRAO) Strategic Enrollment Management Conference, and meetings of the Central Association of College and University Business Officers (CACUBO), the National Association for College Admissions Counseling (NACAC), and the Student Financial Aid Research Network (SFARN). All together, we estimate that more than 1,000 senior administrators involved in campus decision making around institutional aid have been introduced to the project and experienced a hands-on demonstration of the online, interactive tool.

The tool is available by permission of AGB and NACUBO at <http://agb.org/studentaid>. As of March 2015, more than 1,100 unique users, representing 595 colleges and universities, have accessed the tool. Of those users, 177 have created comparison groups 620 times, and 141 unique users have used states to create comparison groups 458 times. The centerpiece of the web-based tool is 30 institutional-aid metrics created for this project. These metrics can be illustrated in a slide show, which has been viewed over 1,100 times in the past 12 months. Moreover, 149 unique users have created their own slide shows, using an average of 3.5 slides per show. While we do not know the most popular slides

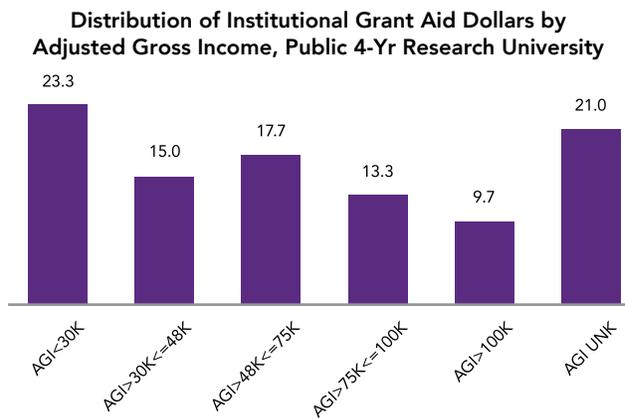
1,000 senior administrators involved in campus decision making around institutional aid have been introduced to the project and experienced a hands-on demonstration.

based on website analytics, conversations with early adopters and advisory committee members indicate that the most popular institutional-aid metrics include:

- Institutional spending on need-based aid per full-time equivalent;
- Institutional spending on non-need-based aid per FTE; and,
- Percentage of institutional aid spent on need-based aid.

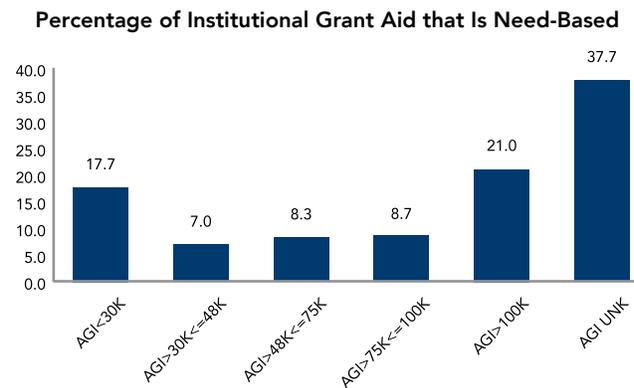
In addition to the metrics available for all colleges via the web-based tool, project staff collected supplementary demographic data from a small sample of colleges and universities. These supplementary data provide additional institutional-aid metrics that are not currently available using IPEDS and College Board data, such as the distribution of institutional aid by income level and by race and ethnicity. Figures 1 and 2 illustrate examples of the metric for institutional-aid dollars allocated by income levels. These data were previously published in *Trusteeship* and *Business Officer* magazines.

Figure 1



Source: Looking Under the Hood Institutional Aid Survey, 2013; calculations by authors

Figure 2



Feedback from presentations and the advisory committee indicate these metrics are especially important for college and university institutional-aid policy discussions, and we are pursuing the possibility of adding these data for all colleges in the future. (See Section Four.)

Section Three

A Look at How Early Adopters Used the Interactive Tool and Metrics for Institutional-Aid Policy Discussions

During the final phase (Phase III) of Looking Under the Hood, 10 colleges and universities were invited to serve as early adopters of the web-based tool and institutional-aid metrics. These early adopters brought small teams of senior leaders to Atlanta's Emory University in November 2014 to use the metrics and tool with the help

of expert student-aid consultants assigned to each institution. The expectation was that these colleges and universities would identify specific metrics and comparison groups that would be useful for them in engaging governing boards and senior campus leaders around their own institutional-aid policies. In addition to working with the colleges and universities during the Atlanta convening, consultants followed up via telephone at least once during the first quarter of 2015. This section of the report highlights three lessons based on the early adopters' use of the online tool and institutional-aid metrics. In addition, we provide three mini-case examples of institutions that found the tool and metrics especially useful.

LESSON 1

COLLEGES AND UNIVERSITIES PRAISED THE EASE OF CREATING PEER GROUPS

The development of the web-based tool was described as a significant breakthrough for colleges and universities. Although better-resourced institutions can pay for consultants and generate their own information to guide institutional-aid policy discussions, the ability to create peer comparisons on a common set of institutional-aid metrics using publicly available data was not widely available prior to the development and launch of this project's interactive tool. The ease of access to these common institutional-aid metrics creates opportunities for many more colleges and universities to use benchmarks to compare and consider institutional-aid policies.

The 30 institutional-aid metrics available through the interactive tool were described by users as very helpful for comparison purposes with self-identified peers, especially the need- and non-need-based metrics. Yet early adopters also indicated that these metrics do not necessarily address underlying business considerations, especially for public institutions facing declining state appropriations and independent institutions that are tuition-reliant for operational revenues. (See Lesson 3.)

LESSON 2

ADDITIONAL METRICS TO ADDRESS INCOME, RACE AND ETHNICITY, STATE RESIDENCY, AND FUNDING SOURCES ARE NEEDED

By using the tool, early adopters quickly ran across institutional-aid policy issues that were not addressed by the current set of metrics. As noted above, there is widespread interest in knowing how institutional aid is allocated across income groups, and early adopters reinforced this interest. Early adopters also wanted to know how institutional aid was distributed across different race and ethnic groups. Neither of these breakdowns is currently available from the College Board’s “Annual Survey of Colleges.”

The issue of state residency also emerged as an important one for institutional-aid policy discussions. Some colleges and universities may use institutional aid to attract out-of-state students who will pay much higher tuition and fees than in-state students, even after institutional aid reduces their charges. An understanding of the extent of this practice was noted as especially important for trustees at public institutions.

A third issue that early adopters identified—and that was raised by the advisory committee—is how colleges and universities are paying for institutional aid. Specifically, what proportion of institutional aid is funded through endowment income or other dedicated sources, and, conversely, what proportion of institutional aid is “funded” through foregone revenue (i.e., tuition discounting)? This issue strikes at the heart of the project, which intended to provide tools for colleges to raise this kind of policy consideration; however, current data sources do not provide information to generate a metric around funded and non-funded institutional aid.

LESSON 3

INSTITUTIONS HAVE DIFFERENT ISSUES DRIVING INSTITUTIONAL-AID POLICY DISCUSSIONS

Consistent with the broad diversity of higher education institutions nationally, early adopter colleges and universities indicated many different issues as key drivers of their institutional-aid policy discussions. A particular challenge for one university was the lack of consistency among board members about what institutional aid should be used to accomplish. For example, strong differences of opinion were in evidence between trustees who want to lower the net price for lower-income students and charge higher-income students full cost and those who question the use of tuition revenue from some students to fund aid for other students. In this example, the university indicated that it was necessary to reach consensus among trustees on a mission-driven institutional-aid policy before the tool and metrics could be used to help set and monitor institutional-aid policy goals.

Another challenge identified was the overarching need to meet net tuition revenue targets, and thus use institutional aid to recruit students (e.g., out-of-state students or more-affluent students) who can pay higher prices. This issue tended to overshadow other institutional-aid policy concerns such as enrolling low- and middle-income students or generating a diverse entering student body. A related challenge was the concern that using institutional aid to meet diversity goals was not sustainable, in part because of the perceived impact on net tuition revenue that could result from such policies.

Overall, the issue raised most frequently by early adopters (and by the advisory committee) was that the mission and values of colleges and universities are disconnected from fiscal realities. Specifically, that existing resources from endowments, fundraising, state appropriations (for public institutions), and tuition are insufficient to allocate institutional aid primarily or exclusively based on mission and values. Thus, for a large segment of higher education, the underlying business model requires institutional-aid policy discussions to be driven by net tuition revenue targets, which are needed to fund college operations.

Project staff were pleased to see these kinds of discussions emerging, as such dialogue is illustrative of the existing need for the common metrics and the tool that were developed for this project. The peer benchmarking tools enable data-informed discussions of the intersection of the financial models of postsecondary institutions and their espoused mission and values. To further illustrate how colleges and universities are using the metrics and benchmarking tool, we provide the following three mini-case examples.

MINI-CASE 1

MIDWEST U, PUBLIC RESEARCH UNIVERSITY

Midwest U wants to stay competitive with its peer research universities; as a public institution, it is also committed to in-state students. The state has a good need-based aid program and a secondary-aid program targeting low-income students. Senior campus leaders acknowledge that students and families are struggling to afford a college education, and they are concerned about students whose income falls outside Pell eligibility and who are also not eligible for state need-based aid programs.

The vice president of enrollment management jumped at the chance to be an early adopter of the web-based *Looking Under the Hood* tool. The college's foundation was developing a capital campaign, and there was an opportunity for the campaign to include resources for scholarships. Existing data indicated that the institution's peer research universities have incorporated scholarships into their capital campaigns. The VP used the tool to develop a group of peer research universities and compared Midwest U on three of the institutional-aid metrics:

- Institutional-aid spending on need-based aid per FTE;
- Institutional-aid spending on non-need-based aid aid per FTE; and,
- Percentage of institutional-aid spending on need-based aid.

Benchmarking these metrics against its peer research universities revealed that Midwest U could do a better job meeting the financial need of students. The VP presented these metrics to the provost and the foundation president and is planning to present them to the foundation board. According to the VP, the metrics catalyzed senior leaders at the university to design a need-based aid program for in-state students and to persuade the foundation to include this new program as part of the capital campaign.

This new need-based scholarship program would help Midwest U support its mission to serve state residents by offsetting the overall cost of attendance for students who often do not qualify for federal and state financial aid grant programs. In addition, by incorporating the new scholarship program into the capital campaign, Midwest U could diversify its funding sources for need-based aid beyond institutional funds.

MINI-CASE 2

NORTHEAST COLLEGE, PRIVATE COMPREHENSIVE LIBERAL ARTS COLLEGE

Northeast College is in a competitive market and considers more than 50 similar liberal arts colleges as its peers. Senior campus leaders and board members are concerned about demographic projections indicating that the pipeline of college students is much more diverse than it has been historically; this diverse pipeline could mean that students will increasingly require need-based aid to attend Northeast College. The college is tuition-dependent and currently spends more than \$100 million on institutional aid, including for a diversity-targeted financial aid program.

The chief business officer was excited to participate as an early adopter and use the web-based tool to explore several institutional-aid metrics that could inform strategic institutional-aid decisions. Having all these data and metrics available in one central location is wonderful, according to the CBO, because it provides efficient access to information they would otherwise have to collect one institution at a time.

The major challenge for the college, given the changing demographics, is to figure out how to best use institutional aid in order to grow net tuition revenue. This is the overarching issue for Northeast College, because tuition is its primary source of operating revenue.

The CBO appreciates the web-based tool at this nascent stage of development, but the current iteration does not address a critical issue for Northeast College: understanding how institutional aid is funded (e.g., from the endowment or other revenue streams) or not funded at their institution. The promise of the interactive tool is that it will provide consistency of data for all colleges and universities, so the comparisons can be trusted. It is also an excellent resource for institutions that do not have the resources to create their own benchmarking data. Northeast College hopes future iterations will include metrics that enable comparisons of institutional aid based on the revenue source for the aid at their institution.

MINI-CASE 3

UPPER MIDWEST COLLEGE, PRIVATE LIBERAL ARTS COLLEGE

Upper Midwest College is embarking on a strategic direction plan for the next five years, and having an aligned pricing policy for students will be part of it. The institution has a peer-comparison group nationally and in-state with which it wants to stay competitive, and it also has concerns about the changing demographics of students on the horizon. Historically, Upper Midwest's trustees and college executives have not had deep discussions about pricing when developing strategic plans, and the discussions are often framed by an assumption that the college is not competitive with its peers in terms of institutional aid.

The vice president of finance was excited to use the online tool and compare key institutional metrics with the college's peer groups, because the data provided a reliable look at its competitiveness regarding institutional aid. The VP initially looked at four institutional-aid metrics:

- Institutional-aid spending on non-need-based aid per FTE;
- Net tuition revenue;
- Average aid package for first-time freshmen; and,
- Percentage of operating budget used for institutional aid.

Benchmarking these metrics against its peer group revealed that Upper Midwest College was pretty competitive on three of the four metrics they reviewed. However, they discovered with the fourth metric that the percentage of the operational budget that's used for institutional aid was far greater than that of its competitors. The VP shared these data with a small group of stakeholders, including the VP of enrollment, a financial-aid consultant, and a budget analyst, and with the president's blessing is convening a small group to do more in-depth brainstorming around the best pricing policy to support the new strategic direction plan. The VP expects this group to come up with a set of recommendations that will be submitted to the strategic direction council, and then to the cabinet and the trustees.

The VP described the institutional-aid metrics and the web-based tool as a critical breakthrough for Upper Midwest College at an opportune moment, because it allowed for an "apples to apples" comparison with trustworthy data and helped the institution make more data-informed decisions about institutional-aid policy rather than relying on anecdotes. Moving forward, the VP is hopeful the metrics can address the distribution of institutional aid by income, which will be a critical issue in deliberations about pricing policies in the foreseeable future.

Section Four

Conclusion and Next Steps

Although the grant period for *Looking Under the Hood* is ending, the project's key deliverables—a common set of institutional-aid metrics and a web-based, interactive tool—will be sustained over the long run.

Leaders at both AGB and NACUBO have plans to continue disseminating information about the metrics and the online tool at national and regional conferences of their respective organizations. In addition, staff are working with the College Board to add supplemental questions to the “Annual Survey of Colleges” in order to collect information on institutional-aid expenditures by income and by race and ethnicity so that these metrics can become populated with the necessary data. Staff are also in early discussions to identify sources for institutional aid to add into the metrics. Lastly, AGB intends to incorporate the use of the institutional-aid metrics into its consulting services (AGB Consulting) and trustee training programs. In April 2015, AGB published a white paper, authored by leading student-aid expert, Sandy Baum, with guidance and key questions about student aid and enrollment that governing boards should consider. (See “Financial Aid and Enrollment: Questions for Boards to Consider” at www.agb.org.)

Additional higher education associations have expressed interest in staying involved with the ongoing dissemination and promotion of the institutional-aid metrics and online tool, most notably the American Association of Collegiate Registrars and Admissions Officers, Strategic Enrollment Management Program. There also

has been interest from state and regional policy associations about accessing the institutional-aid metrics to better understand how colleges and universities use institutional aid. At this point, staff have not provided access to the data to such groups, because they do not represent specific institutions; their purpose for accessing these data appears to be for public comparisons or for state- and system-wide policy deliberations, which is not aligned with the intent that these institutional-aid metrics guide institution-specific policy discussions. However, discussions with these state and regional policy associations are ongoing.

In sum, the generous support from the Robert W. Woodruff Foundation has enabled AGB and NACUBO to develop a set of common institutional-aid metrics that can support college and university leaders as they examine their institutional grant aid programs and use these data to consider how policy decisions might affect enrollment, costs, access, and student success. This grant has also allowed project staff to populate the developed metrics with national data and place them in an online benchmarking tool that further enables member institutions to compare several aspects of their aid programs with groups of national and self-selected peers. Early results suggest that the project has been a success, with more than 1,100 users at almost 600 colleges and universities. Early results also indicate that the tool has begun to inform institutional grant policy discussions at a number of early adopter institutions. Ongoing communication efforts, and the addition of new data focused on aid recipients' race/ethnicity and income levels, will benefit institutions that use the tool and the metrics as they seek to align aid funding and distribution more closely with institutional missions and goals.

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APPENDIX A

Looking Under the Hood Advisory Committee

The following members of the advisory committee contributed throughout the course of the project, serving as panelists at AGB and NACBUO meetings and webinars, and responding to specific requests from project staff for advice and counsel. Don Hossler, the advisory committee chair, remained engaged in all aspects of the project, from beginning to end.

Don Hossler (*Chair*)

Professor of Educational Leadership and Policy Studies
Indiana University Bloomington
& Executive Director, Research Center National Student Clearinghouse
(812) 856-8391
Hossler@indiana.edu

Craig Becker

Associate Vice President,
Finance and Corporate Controller
Yeshiva University
500 West 185th Street, BH1010
New York, NY 10033
(212) 229-5660, x-3713
craig.becker@yu.edu

Kent Chabotar

President Emeritus
Guilford College
5800 W Friendly Avenue
Greensboro, NC 27410-4173
(336) 316-2146
Chabotar@guilford.edu

Phillip Doolittle

Executive Vice Chancellor of Finance and Administration and CFO
Brandman University
16355 Laguna Canyon Road
Irvine, CA 92618
(949) 341-9800
pdoolitt@brandman.edu

Jerry Farley

President
Washburn University
1700 SW College Avenue
Topeka, KS 66621
(785) 670-1556
Jerry.Farley@washburn.edu

William E. (“Brit”) Kirwan

Chancellor
University System of Maryland
3300 Metzert Road
Adelphi, MD 20783
(301) 445-1901
bkirwan@usmd.edu

Wendy B. Libby, Ph.D.

President
Stetson University
421 N. Woodland Boulevard
DeLand, FL 32723
(386) 822-7250
WLibby@stetson.edu

Richard D. Legon (*ex officio*)

President
AGB
1133 20th Street NW, Suite 300
Washington, DC 20036
(202) 296-8400
RickL@agb.org

Michael J. Mandl

Executive Vice President, Finance and Administration
Emory University
201 Dowman Drive
Atlanta, GA 30322
(404) 727-6018
Michael.Mandl@emory.edu

David Miles

Miles Capital, Inc.
Century Two Building
1415 28th Street, Suite 200
West Des Moines, IA 50266
(515) 224-2718
dmiles@miles-capital.com

Shirley A. Ort

Associate Provost and Director of Scholarships and Student Aid
University of North Carolina at Chapel Hill
Chapel Hill, NC 27599
(919) 962-2315
Sao@unc.edu

Susan Palmer

Vice President for Finance and Administration
College of Saint Benedict
37 South College Avenue
St. Joseph, MN 56374
(320) 363-5298
SPalmer@csbsju.edu

Michael Reilly

Executive Director
AACRAO
One Dupont Circle NW, Suite 520
Washington, DC 20036
(202) 293-9161
ReillyM@aacrao.org

Roger W. Stackpoole

Vice President Finance and Administration
Le Moyne College
1419 Salt Spring Road
Syracuse, NY 13214
(314) 445-4174
Stackprw@lemoyne.edu

Jeffrey B. Trammel

Rector, Board of Visitors
The College of William and Mary
Trammell and Company
1333 New Hampshire Avenue, NW
Washington, DC 20036
(202) 419-3593
JTrammel@trammellandcompany.com

John D. Walda (*ex officio*)

President and Chief Executive Officer
NACUBO
1110 Vermont Avenue NW, Suite 800
Washington, DC 20005
(202) 861-2509
JWalda@nacubo.org

David S. Walker, CPA

Vice President for Finance and Strategic Planning
Messiah College
One College Avenue
Grantham, PA 17027
(717) 766-2511, ext. 2055
DWalker@messiah.edu

James Weaver

Former Chair, Board of Trustees
Gettysburg College, and AGB
Director
Weaver Consulting and Asset Management, LLC
620 Freedom Business Center, Suite 200
P.O. Box 61926
King of Prussia, PA 19406
(610) 205-6110
JWeaver@weacon.com

STAFF

Richard Novak *(Co-Director)*

Senior Fellow

AGB

1133 20th Street NW, Suite 300

Washington, DC 20036

(202) 296-8400

RichN@agb.org

Kenneth E. Redd *(Co-Director)*

Director, Research and Policy Analysis

NACUBO

1110 Vermont Avenue, NW, Suite 800

Washington, DC 20005

(202) 861-2527

KRedd@nacubo.org

Derek V. Price, PhD *(Project Advisor)*

President

DVP-PRAXIS

5034 N. Capitol Avenue

Indianapolis, IN 46208

(317) 489-5008

Derek@dvp-praxis.org

Kristen Hodge-Clark, PhD

Director of Research

AGB

1133 20th Street NW, Suite 300

Washington, DC 20036

(202) 296-8400

kclark@agb.org

APPENDIX B

List of Institutional-Aid Metrics

ABOUT THE METRICS

The project’s staff and advisory committee asked three key policy questions to guide the development of the metrics:

1. Are institutional-aid policies consistent with the mission and values of our institution?
2. Is institutional aid being delivered to the types of students we most want to see on our campus?
3. Is aid ultimately going to students who succeed; that is, do students who receive our grants graduate?

The types of metrics ultimately adopted reflect these questions, as they are the most relevant to many institutions regardless of their location, mission, enrollment size, or size of their institutional-aid budgets. The metrics are simple and have been developed from easily accessible secondary data sources. They reflect an institutional perspective, are relevant to a diverse set of higher education institutions, and are intended for internal—not public—discussion.

DEFINITION OF METRICS

Each of the metrics included in the *Looking Under the Hood* Project web-based tool is derived from the U.S. Department of Education’s Integrated Postsecondary Education Data System (IPEDS) Fall Enrollment and Finance surveys and the College Board’s “Annual Survey of Colleges.” By using data from these secondary sources, project staff have been able to include standardized data from most U.S.-based public and independent nonprofit four-year and two-year colleges and universities. Using these data will allow users to utilize the tool for peer analysis of institutional-aid metrics from these data points.

Listed below are definitions for the major institutional grant aid terms and metrics developed for this project.

PRIMARY INSTITUTIONAL-AID METRICS

Total institutional grant dollars: The total dollar amount of scholarships, fellowships, and grants funded by higher education institutions awarded to undergraduate students. Includes scholarships targeted to certain individuals (e.g., based on state of residence, major field of study, athletic team participation, etc.) for which the institution designates the recipient. Includes awards funded by annual gifts, endowment income, and other resources. Also includes awards funded by tuition and fee revenue, as well as tuition waivers and any other “unfunded” institutional grant awards. (Data source: College Board “Annual Survey of Colleges.”)

Need-based institutional grant dollars: Total dollar amount of scholarships, fellowships, and grants funded by higher education institutions that are awarded to undergraduate students who have any demonstrated financial need. Undergraduates must apply for financial aid at their postsecondary institutions in order to receive need-based grant awards. Financial need is generally determined after prospective undergraduate students apply for financial aid. Financial eligibility and award amounts are determined based on criteria established by each institution. Need-based institutional grant aid includes scholarships targeted to certain individuals (e.g., income level, racial/ethnic group membership, etc.). Includes awards funded by annual gifts, endowment income, and other resources. Also includes awards funded by tuition and fee revenue, as well as tuition waivers and any other “unfunded” institutional grant awards. (Data source: College Board “Annual Survey of Colleges.”)

Non-need-based institutional grant dollars: Also referred to as no-need institutional grants or merit-based institutional grants. Total dollar amount of scholarships, fellowships, and grants funded by higher education institutions that are awarded to undergraduate students without regard to their demonstrated financial need. Undergraduates may not apply for financial aid at their postsecondary institutions in order to receive non-need-based grant awards. Eligibility and award amounts are determined based on criteria determined by each institution, but generally include academic merit, athletic or artistic talent, etc. Includes awards funded by annual gifts, endowment income, and other resources. Also includes awards funded by tuition and fee revenue, as well as tuition waivers and any other “unfunded” institutional grant awards. (Data source: College Board “Annual Survey of Colleges.”)

Percentage of our institutional grant aid awarded based on students’ financial need: Total need-based institutional grant aid divided by total dollar amount of institutional grant aid, expressed as a percentage. (Data source: College Board “Annual Survey of Colleges.”)

Percentage of institutional total operating expenses used for institutional grant aid: Total institutional grant aid (need- and non-need-based grant aid combined) divided by institution’s total operating expenses. Operating expenses include expenditures for instruction, research, public service, academic services, and other costs for providing educational services to students. (Data source: IPEDS Finance Survey and the College Board “Annual Survey of Colleges.”)

Institutional grant aid per full-time equivalent (FTE) undergraduate: Total amount of institutional grant dollars awarded to undergraduates (need- and non-need-based grants combined) divided by the number of full-time equivalent undergraduates. FTE undergraduates equals the total number of full-time undergraduate students plus one-third the enrollment of part-time undergraduate students. (Data source: IPEDS Fall Enrollment Survey and the College Board “Annual Survey of Colleges.”)

Need-based institutional grant aid per full-time equivalent (FTE) undergraduate: The dollar amount of need-based institutional grants divided by the number of full-time equivalent undergraduates. FTE undergraduates equals the total number of full-time undergraduate students plus one-third the enrollment of part-time undergraduate students. (Data source: IPEDS Fall Enrollment Survey and the College Board “Annual Survey of Colleges.”)

Non-need-based institutional grant aid per full-time (FTE) undergraduate: The dollar amount of non-need-based institutional grants divided by the number of full-time equivalent undergraduates. FTE undergraduates equals the total number of full-time undergraduate students plus one-third the enrollment of part-time undergraduate students. (Data source: IPEDS Fall Enrollment Survey and the College Board “Annual Survey of Colleges.”)

Gross tuition and fee revenue used for institutional grants: The total dollar amount of undergraduate institutional grant aid (need- and non-need grant aid combined) divided by the gross amount of tuition and fee revenue. Gross tuition and fee revenue is the dollar amount of tuition and fees collected by undergraduate students before any deductions for institutional grant aid or any other expenses. (Data source: IPEDS Finance Survey and the College Board “Annual Survey of Colleges.”)

Net tuition revenue (gross tuition minus grant aid) per FTE undergraduate: Total gross dollar amount of tuition and fee revenue, minus expenditures for institutional grant aid to undergraduates (need- and non-need-based grant aid combined), then divided by FTE undergraduate enrollment. (Data source: IPEDS Finance Survey, IPEDS Fall Enrollment Survey, and the College Board “Annual Survey of Colleges.”)

Average tuition and fee price for full-time, full-year undergraduates: The average tuition and fee charge for undergraduate students attending higher education institutions. (Data source: College Board “Annual Survey of Colleges.”)

Tuition and fee price covered by the average institutional grant award: Average undergraduate institutional grant award per FTE undergraduate divided by the undergraduate tuition and fee price charge. The average undergraduate institutional grant award is equal to the total amount of institutional grant dollars awarded to undergraduates (need- and non-need-based grants combined) divided by the number of full-time equivalent undergraduates. FTE undergraduate enrollment is equal to the total number of full-time undergraduate students plus one-third the enrollment of part-time undergraduate students. (Data source: College Board “Annual Survey of Colleges.”)

Student retention rate: The percentage of first-time, full-time, bachelor's degree-seeking undergraduates who entered in the fall of one year and then returned for their second/sophomore year in the fall immediately following the first year. (Data source: IPEDS Finance Survey and the College Board Annual Survey of Colleges). Average need-based grant from all sources: Scholarships, fellowships, and grants awarded to undergraduate students from institutional, state, federal, or other sources for which a student must have financial need to qualify, divided by the number of need-based grant aid recipients. Financial eligibility for need-based grants is determined by students' financial aid applications. (Data source: College Board "Annual Survey of Colleges.")

Average financial aid package: The total amount of financial aid undergraduate students received from federal, state, institutional, and all other sources. (Data source: College Board "Annual Survey of Colleges.")

Percentage of seniors who graduated with any student loan debt: The share of graduating students who left their undergraduate institutions with student loan debt from federal and/or nonfederal student loan sources. Includes any subsidized and unsubsidized loans from federal, state, institutional, and private loans. Does not include loans from parent loan programs or loans from students' families, friends, or acquaintances. (Data source: College Board "Annual Survey of Colleges.")

Average cumulative student loan debt for graduating seniors: The average dollar amount of student loan debt for graduating students who left their undergraduate institutions with student loan debt from federal and/or nonfederal student loan sources. Includes any subsidized and unsubsidized loans from federal, state, institutional, and private loans. Does not include loans from parent loan programs or loans from students' families, friends, or acquaintances. (Data source: College Board "Annual Survey of Colleges.")

Percentage of graduating seniors who borrowed through federal loan programs: The share of graduating students who left their undergraduate institutions with student loan debt from federal student loan sources. Includes any subsidized and unsubsidized federal student loans but does not include federal parent loans. (Data source: College Board "Annual Survey of Colleges.")

Average cumulative federal student loan debt for graduating seniors: The average amount of federal student loan debt for graduating seniors who left their institutions with debt from federal student loan sources. Includes any subsidized and unsubsidized federal student loans but does not include federal parent loans. (Data source: College Board "Annual Survey of Colleges.")

DETAILED INSTITUTIONAL-AID METRICS

These metrics were calculated for first-time, full-time, bachelor's degree-seeking freshmen, all freshmen, and all undergraduates.

Percentage who received need-based grants: Percentage of students who received scholarships, fellowships, and/or grants from institutional, state, federal, or other sources for which a student must have financial need to qualify. Financial eligibility and award amounts for need-based grants is determined by students' financial aid applications. (Data source: College Board "Annual Survey of Colleges.")

Percentage who received non-need-based grants: Percentage who received scholarships, fellowships, and/or grants from institutional, state, federal, or other sources for which a student does NOT need to have financial need to qualify. (Data source: College Board "Annual Survey of Colleges.")

Percentage of total financial need met: The share of total financial need met for students who had any financial need. Amount of financial need is determined by students' financial aid applications. Percentage of need met is based on aid received from federal, state, institutional, and other resources—NOT including aid received from parent loans or loans from family, friends, and acquaintances. (Data source: College Board "Annual Survey of Colleges.")

Average need-based self-help award: Average amount of financial aid from "self-help" aid programs from all sources. Self-help aid includes student loans and work-study awards from federal, state, institutional, and other sources—does NOT include parent loans and loans from students' families, friends, or acquaintances. (Data source: College Board "Annual Survey of Colleges.")

Average non-need athletic scholarship: Non-need-based scholarships, fellowships, and grants awarded to students based on their athletic talent. Eligibility for scholarships based on criteria established by institutions. (Data source: College Board "Annual Survey of Colleges.")

Average non-need award to students who had no demonstrated financial need: Average amount of non-need-based financial aid awards from all sources to students who had no demonstrated financial need OR did not apply for financial aid at their institutions. Includes non-need-based aid from federal, state, institutional, and all other sources. (Data source: College Board "Annual Survey of Colleges.")

