

BOARD OF REGENTS

EASTERN MICHIGAN UNIVERSITY

SECTION: 28

DATE:

January 18, 2005

RECOMMENDATION

REPORT: Strategic Use of Financial Aid

ACTION REQUESTED

It is recommended that the Enrollment Services Division report on the strategic use of financial aid be received and placed on file.

It is also recommended that the administration be authorized to award need based merit scholarships and purchase software for financial aid modeling.

STAFF SUMMARY

EMU's conversion rate for freshmen enrollment has been declining. Most major competitors offer a significantly greater number of scholarships. This program would allow grant support for academically talented students who demonstrate financial need. There \$1,800 one-time award will go to students who exhibit need based on federal formulas and whose grade point average is 3.3 or greater. This program is projected to increase freshman enrollment between 200-400 students.

FISCAL IMPLICATIONS

Although approximately 1,500 awards will be made it is projected that no more than 400 students would enroll. Cost to the general fund for 400 awards is \$720,000. Four year revenue to the general fund as a result of the increased enrollment would be \$6,079,000. The cost for the software will be \$77,000.

ADMINISTRATIVE RECOMMENDATION

The proposed Board action has been reviewed and is recommended for Board approval.

University Executive Officer

Date

BOARD OF REGENTS FINANCE COMMITTEE – STATUS REPORT

MAXIMIZING NET REVENUE AND INCREASING ENROLLMENTS THE STRATEGIC USE OF FINANCIAL AID

OVERVIEW:

The Environment Eastern Michigan University is operating in is among the most challenging in recent memory.

- Rising costs to educate our students
- Shifting public policy priorities (stagnant state funding)
- Unprecedented changes in the students we are serving, will serve, and need to serve
- Rising institutional discount rates/institutional aid expenditures

The Enrollment Services Division is proposing to examine modification of our current financial aid practices to increase enrollment yield rates (admits to enrolls) and net revenue.

SUMMARY OF GOALS:

To develop a better understanding of how current financial aid award policies affect prospective students' decisions to enroll and ultimately persist to graduation.

To maximize Eastern Michigan University's current investment of general fund (Function 8) dollars in institutional aid and identify the possible need for additional resources if it can be justified through commensurate growth in net revenue.

To achieve incremental enrollment growth among first year students, growing to 3,000 or more F.T.I.A.C.S. (First time in any college students) in three years. (Additional revenue of \$5.5 million dollars would be generated over a four year period to the general fund).

To increase the yield rate of F.T.I.A.C.S from 36 percent to 41 percent in three years. (Such a yield rate increase would generate \$1.3 million over four years to the general fund; about 110 students). *[included above]*

To increase the yield rate of transfer students from 69 percent to 73 percent (admits to enroll; 72 students).

To research the role financial aid packaging plays in Eastern Michigan's retention rate; also examining the outcomes of Eastern Michigan's Satisfactory Academic Policy on student retention.

THE PROJECT

The Division on Enrollment Services, in conjunction with the Division of Business and Finance will develop and implement a research project that will help us accomplish two objectives:

- 1) A better understanding of the role financial aid plays in the enrollment decision of prospective students
- 2) To develop strategies to maximize EMU's financial aid and scholarship investment, which will result in an increase in enrollment and net revenue without sacrificing the academic quality of the class.

An outside vendor will assist the University in developing the key metrics necessary to measure price sensitivity of students and projected enrollment changes. The cost for this project is \$77,000 payable over two years.

FALL 05 ENROLLMENT:

The Division of Enrollment Services will also recommend, with the agreement of The President and Cabinet, That the Board of Regents approve a one year pilot program to increase the conversion rates of gifted students at Eastern Michigan for the Fall 2005 Semester. The purpose of this would be to increase the conversion rate of students with grade point averages between 3.5-4.0. Last years conversion rate was 27%.

Scholarships dollars are already exhausted for the fall 2005 freshman class. We propose to use undesignated funds on a one time basis to award \$1,800 scholarships to incoming honors students not yet awarded any aid. Funds would only be expended if students enrolled.

Our current major competitors, Western Michigan, Central Michigan and Grand Valley State University currently offer the majority of these students academic scholarships; something EMU is unable to do. Each additional student enrolled would generate approximately \$10,200 in general fund and auxiliary funds on average, per year.

Strategic Use of Financial Aid: Enrollment & Revenue Management System (ERMS)

4.

The Strategic Use of Financial Aid

Implications for Eastern Michigan University

*Presented by
Courtney McAnuff
Vice President of Enrollment Services*

Agenda

- ◆ Overview of recent EMU Enrollment Results
- ◆ Competition
- ◆ Why the strategic use of financial aid?
- ◆ Financial aid leveraging concepts
- ◆ EMU Recommendations

EMU enrollment funnel (FTIAC)

Stage	2001	2002	2003	2004
Apps	9,206 74.6%	8,947 74.8%	9,044 78.9%	8,445 78.5%
Accepts	6,865 40.9%	6,689 39.7%	7,139 38.3%	6,626 35.7%
Enrolled	2,809	2,809	2,734	2,368

At a 40% yield rate, EMU would have enrolled 2,650
FY students in 2004 generating at least \$2.5 million in additional
net revenue in the first year alone (282 * \$9,000, \$5K tuition and
\$4K state subsidy)

EMU enrollment funnel (Transfer)

Stage	2001	2002	2003	2004
Apps	3,149 71.5%	3,166 76.0%	3,059 77.6%	3,125 75.8%
Accepts	2,253 71.3%	2,406 70.6%	2,373 76.3%	2,368 68.7%
Enrolled	1,607	1,699	1,810	1,626

National conversion and yield rates: 4-year public institutions (first-year students)

Conversion ratio:	Mean	Median	25% have ratios <u>above</u>	25% have ratios <u>below</u>
Application to admit	76%	78%	88%	68%
Admit to enroll	48%	46%	58%	39%
Admit to deposit	47%	46%	52%	42%
Deposit to enroll	85%	91%	95%	84%

EMU "prospect numbers"

- ◆ 2002 - 91,572
- ◆ 2003 - 86,567
- ◆ 2004 - 92,894
- ◆ 2005 - 114,332

Strategic Use of Financial Aid: Enrollment & Revenue Management System (ERMS)

The competition factor

Michigan

108,480 high school seniors / 2003-04*
108 institutions of higher education**
39.5% college-going rate (42,850)***
(ranks 18th among states)
12% leave the state to go to college (5,142)***
(ranks 43rd among states)
37,708 students ÷ 108 institutions = 349 students per institution
EMU must enroll 8,500 new students each year (all levels)

EMU's market share is
approximately 5.8%
(2,200/37,708)

Sources:
*Western Interstate Commission for Higher Education
**The Chronicle of Higher Education
***Postsecondary Education Opportunity

The competition factor

Ohio

127,619 high school seniors / 2003-04*
175 institutions of higher education**
39% college-going rate (49,771)***
(ranks 21st among states)
16.3% leave the state to go to college (8,113)***
(ranks 33rd among states)
41,658 students ÷ 175 institutions = 238 students per institution

Sources:
*Western Interstate Commission for Higher Education
**The Chronicle of Higher Education
***Postsecondary Education Opportunity

The Competition's Scholarships

- ◆ Central Michigan University
 - 1st or 2nd in class - \$2,150 per year
 - 3.5 GPA & 20 ACT - \$1,500 per year
- ◆ Grand Valley State University
 - 3.5 GPA and 26 ACT - \$1,200 per year
 - 3.3 GPA, 21 ACT and from an underrepresented population - full tuition each year
- ◆ Oakland University
 - 3.5 GPA - \$2,500 per year

The Competition's Scholarships

- ◆ University of Toledo
 - 3.6 GPA & 25 ACT - \$3,000 per year
 - 3.4 GPA & 23 ACT - \$2,000 per year
 - 3.0 GPA & 21 ACT - \$6,500 over four years
 - 3.0 GPA, 20 ACT & from an underrepresented population - \$2,000 per year
- ◆ Western Michigan University
 - 3.25 GPA - & from an underrepresented population - \$3,000 per year

Why the strategic use of financial aid?

- ◆ The environment we are operating in is among the most challenging in recent memory
 - Rising college costs
 - Shifting public policy priorities
 - Unprecedented changes in the students we are serving and will serve
 - Rising institutional discount rates/institutional aid expenditures
- ◆ It remains an integral part of a comprehensive enrollment management program

Average tuition and fee charges in current dollars, 1991-92 to 2004-05

	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
	\$9,812	\$10,448	\$11,007	\$11,719	\$12,216	\$12,994	\$13,785	\$14,709	\$15,516	\$16,072	\$17,377	\$18,060	\$18,950	\$20,082
	\$2,107	\$2,334	\$2,535	\$2,705	\$2,811	\$2,975	\$3,111	\$3,247	\$3,362	\$3,508	\$3,766	\$4,098	\$4,645	\$5,132
	\$1,171	\$1,116	\$1,245	\$1,310	\$1,330	\$1,465	\$1,567	\$1,554	\$1,649	\$1,642	\$1,608	\$1,674	\$1,909	\$2,076

\$ Difference from 1991-92 to 2004-05
+105%

\$3,025
+144%

\$905
+77%

EMU is at \$8,840

The College Board, 2004

Strategic Use of Financial Aid: Enrollment & Revenue Management System (ERMS)

Average tuition and fee charges in *constant* dollars, 1991-92 to 2004-05

Year	Tuition	Fees	Total
1991-92	\$13,450	\$2,888	\$1,605
1992-93	\$13,888	\$3,103	\$1,483
1993-94	\$14,262	\$3,285	\$1,613
1994-95	\$14,761	\$3,407	\$1,650
1995-96	\$14,979	\$3,447	\$1,631
1996-97	\$15,491	\$3,547	\$1,747
1997-98	\$16,147	\$3,644	\$1,835
1998-99	\$16,950	\$3,742	\$1,791
1999-00	\$17,384	\$3,766	\$1,847
2000-01	\$17,390	\$3,796	\$1,777
2001-02	\$18,475	\$4,004	\$1,710
2002-03	\$18,788	\$4,263	\$1,741
2003-04	\$19,292	\$4,729	\$1,943
2004-05	\$20,082	\$5,132	\$2,076
	\$6,632 +49%	\$2,244 +78%	\$471 +28%

The College Board, 2004

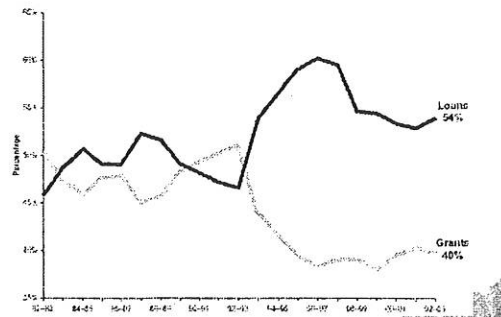
Public policy issues

- ◆ 1992 Reauthorization of the Higher Education Act
 - Represented the beginning of widespread unmet need in financial aid awards
- ◆ Reduced purchasing power of federal aid
- ◆ Shift from grants to loans as a share of total aid
- ◆ Proliferation of state scholarship programs based increasingly on merit rather than need (e.g., TOPS, Hope, etc.)
- ◆ Recent reductions in state support for higher education

EMU's Financial Aid Philosophical Considerations

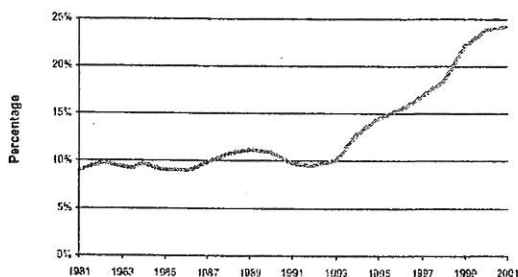
- ◆ School of opportunity; school of quality
- ◆ Recruitment; retention
- ◆ Student supply; student demand
- ◆ Ability to pay; willingness to pay
- ◆ Gift aid (scholarships and grants); self-help aid (loans and work study)
- ◆ General fund; foundation support

Grants vs. loans as a percent of total aid



Source: The College Board

Percent of state aid not based upon need

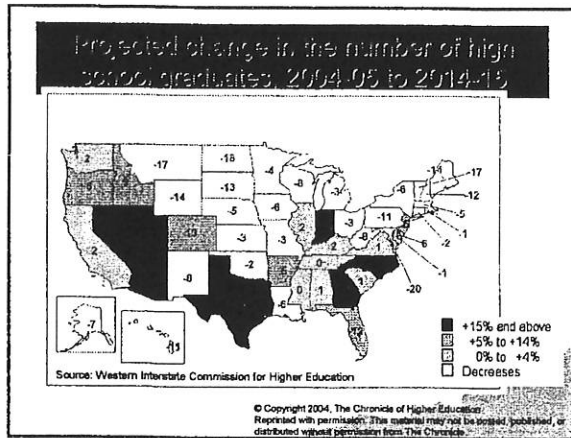


Source: The College Board

Total Aid Paid 1993-94 to 2003-04

	1993-94	2003-04
Federal	\$36,792,000	\$91,726,529
State	1,319,000	3,512,218
General Fund	4,166,557	15,134,252
Other	4,915,443	16,025,678
Total	\$47,193,000	\$126,398,677

Strategic Use of Financial Aid: Enrollment & Revenue Management System (ERMS)



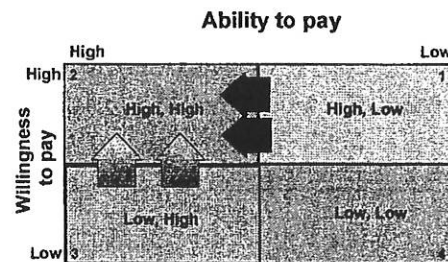
Financial aid leveraging is the strategic investment of financial aid funds to:

- ◆ Enroll the desired number of students
- ◆ Enroll students to achieve balance (academic, diversity, etc.)
- ◆ Achieve a targeted net revenue goal
- ◆ Control the institution's discount rate/financial aid expenditures

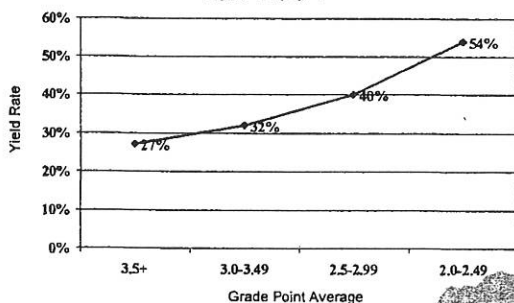
Criteria for enrollment

- ◆ Ability to pay
 - Expected family contribution
- ◆ Willingness to pay
 - Perceived value
 - Commitment to the institution
 - Institution's position in the marketplace

The relationship between ability and willingness to pay



EMU yield by high school GPA, fall 2004



Recommendation

- ◆ It is recommended that the Board of Regents provide funding for a new scholarship program. The scholarship, valued at \$1800, will be awarded to all new freshmen with a 3.3 or higher gpa who also exhibit financial need. Projected first year costs is \$720,000 for 400 awards.