

# The Role of Financial Aid in Enrolment Management

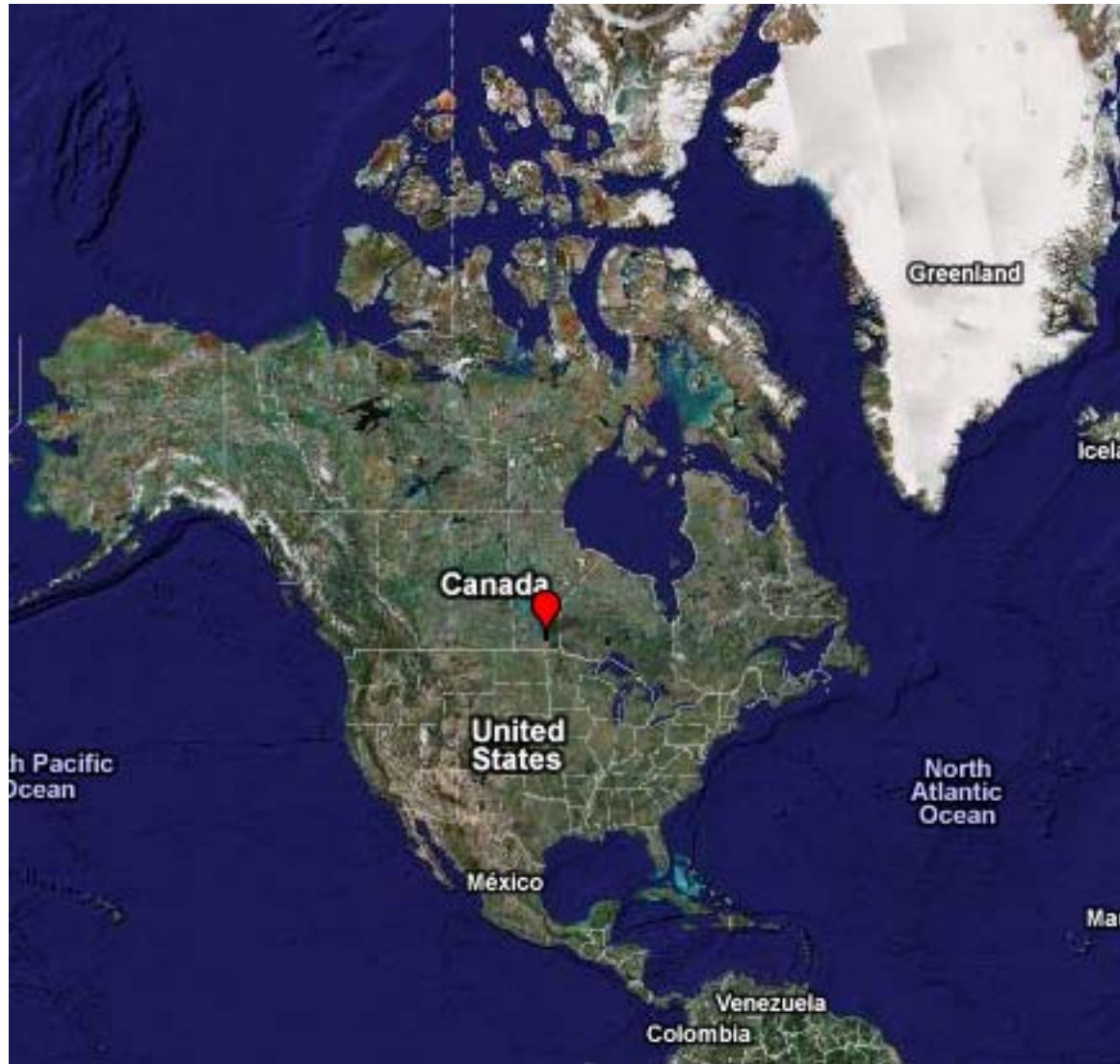
A Canadian Perspective  
AACRAO SEM (session 099)

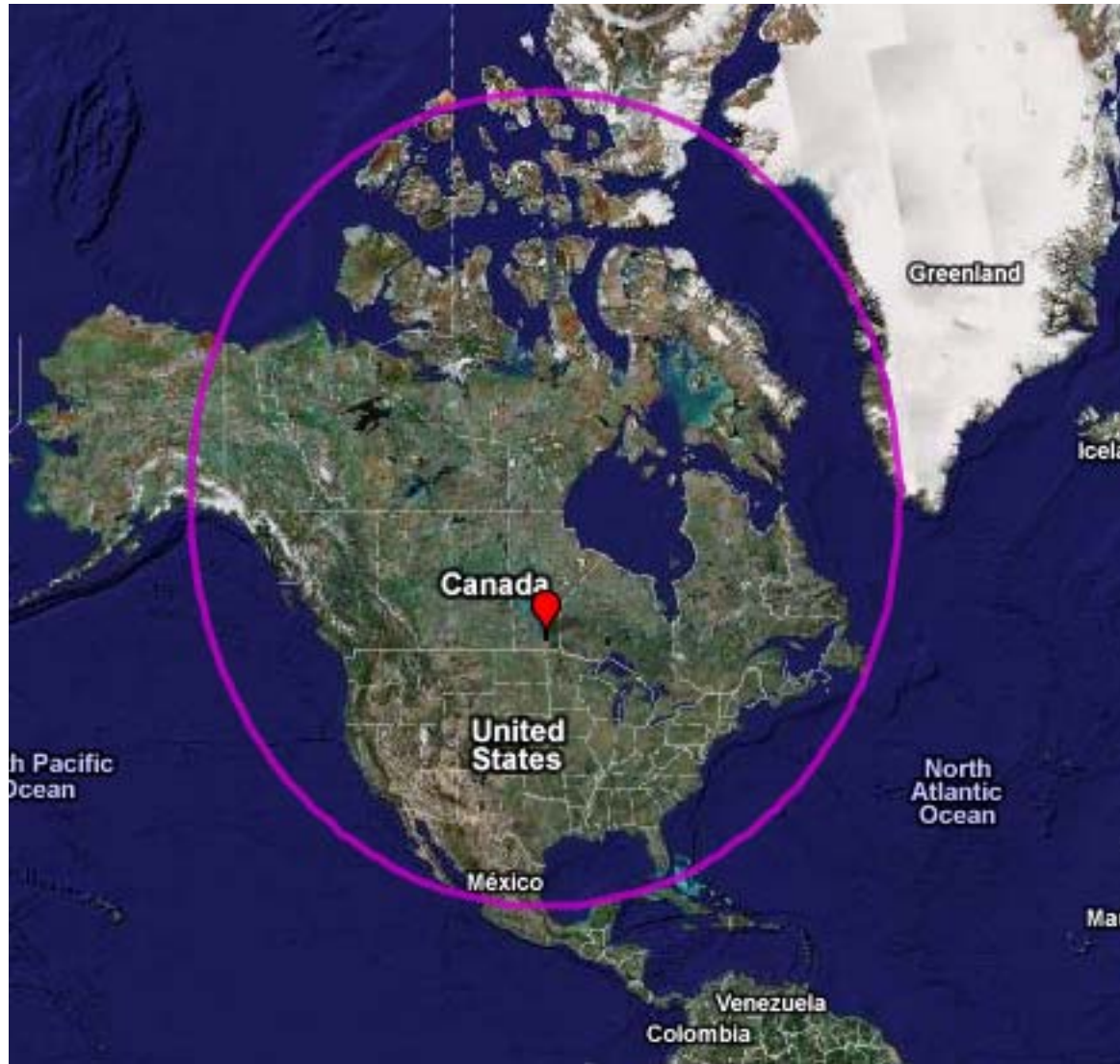
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Peter Dueck, University of Manitoba

[peter\\_dueck@umanitoba.ca](mailto:peter_dueck@umanitoba.ca)







# Polar bears on Manitoba's Hudson Bay coastline



# The Manitoba context

- 19% of the adult population in Manitoba had a university degree; another 19% had a college diploma
- One in four Manitoba adults had only a high school diploma, while one in five had not completed high school.
- About 44% of rural Manitobans (58% urban) had a postsecondary education – the lowest proportion of all provinces.
  - Statistics Canada: 2006 Census



# University of Manitoba history

- Established in 1877
- First university in western Canada
- Mandate for both excellence & access
- Excellence
  - 87 Rhodes Scholars, most in western Canada (scholarships to study at Oxford University, UK)
- Access
  - Alexander Kennedy Isbister, first benefactor, established principle of access

# A Commitment to Excellence

- uManitoba ranked 8<sup>th</sup> of 94 Canadian universities by endowment funds: \$365.9 million in assets
  - (University Manager, Fall 2008)
- uManitoba ranked 12<sup>th</sup> by ‘sponsored research income’: \$155 million in FY2007
  - (Research Infosource ‘top 50’)

# Alexander Kennedy Isbister: A Commitment to Access

- Born 1822, Cumberland House, Saskatchewan, of Scottish father (Hudson Bay employee) and Métis mother
- Educated in Winnipeg, Glasgow, and London
- Died in 1884, leaving the modern equivalent of \$1.8 million and a library of 4,000 books to the U of M

# Isbister Legacy

“I establish this trust for the benefit and improvement of education in the Province of Manitoba and it is my wish that it shall take the form of a general Scholarship or Prize fund for the encouragement of meritorious Students and Scholars in the various places of education in the Province **for both sexes** ... from the University ... where the highest education is given **without any distinction of race, creed or nationality.**”

# University of Manitoba

## Size and Location

- 26,750 students in 2008-09
  - 23,000 plus undergraduate students
  - 3,200 plus graduate students
  - 2,200 plus international students (undergrad & grad)
  - 177,000 graduates over our 131 year history
- 6,700 academic and support staff
- \$460 million operating budget for 2008-09
- 1,200 residence beds on Fort Garry campus
- Fort Garry campus on 274 hectare site
- Bannatyne campus co-located with Health Sciences Centre

# University of Manitoba Programs

- 51 undergraduate and professional programs
- 108 programs overall
- Humanities and social sciences
- Applied and theoretical sciences
- Business
- Education
- Music, art and architecture
- Health sciences

# Overview

- Introduction: setting the stage
- Government aid: USA and Canada
  - (historical context)
- Review of SEM basics
- SEM financial aid definitions
- Institutional aid in Canada
- Working conclusions
- Questions, comments, debate

# Quiz #1

For Canadian undergraduate students graduating in 2006, what was the average debt attributable to student loans (according to CUSC)?

- A. \$8,327
- B. \$13,763
- C. \$20,542
- D. \$24,047

# Government Aid: USA

- Circa 1653 1st bequest Harvard College
- 1935 National Youth Administration
- 1944 GI Bill of Rights
- 1954 Birth of needs analysis (CSS)
- 1958 National Defense Education Act
- 1964 Work Study (Econ. Opportunity Act)
- 1965 HEA — grants, loans, work-study

# Government Aid: USA continued

- 1972 Basic Education Opportunity Grant (now Federal Pell Grants for low-income students)
- Also, GSL for middle income students
- 1978 Middle Income Student Asst Act, ensuring **access** and institutional **choice** for the middle class
- 1990s nontaxable educational savings

# Government Aid USA: Theory

- 1975 A. Astin examined relationship between loans and grants to student persistence
- V. Tinto linked students' pre-entry attributes, academic intentions, formal and informal college experience with students' academic and social integration leading to persistence decisions

# Government Aid USA: Summary

Coombs (2000) identified three forces leading to SEM as organizational function in mid-70s:

- Gov't and institutional aid for **access and choice**
- A body of **empirical research** on college choice and student attrition
- Projections of **significant decline in enrolment** (which did not materialize, but growth slowed)

# Precursor to Government Aid: Canada

- 1870: Manitoba became a province
- 1877: University of Manitoba established
- 1883: Alexander Kennedy Isbister left \$83,000, the bulk of his fortune to the U of M
- Interest from the gift was to be used “to award scholarships to promising students regardless of race, creed, or sex”.

# Government Aid: Canada

- Pre-1939: institutional aid only
- 1939 Dominion-Provincial Student Aid Program (DSAP)
- DSAP part of Youth Training Act (national economic policy) because education funding is a provincial right
- Quebec opted out in 1954

# Government Aid: Canada, continued

- 1964 CSLP created, guaranteeing loans to full-time students, administered through provinces (Quebec opted out)
- 1983 CSL Act amended to include loans for part-time students, increased weekly loan limits, interest relief, and cancellation of debt for certain borrowers

# Government Aid: Canada, continued

- Initially, provinces supplemented CSL with grants first, then loans, and loan rebates
- 1990s—most provincial gov'ts replaced grants with loans, sometimes in favour of tax credits, shifting public aid from poorer to richer students

# Government “SEM”: Canada

- 1988-94, the Canada Scholarships Program, Mulroney’s federal program to encourage more women (and also men) into degrees in science, engineering and agriculture
- 1999, Chretien’s Canada Millennium Scholarship Foundation (CMSF) to recognize excellence and leadership; which actually became a largely need-based program

“[Since the 1990s,] students, families, and public policymakers perceive college costs to be growing at uncontrollable rates. College and university policymakers perceive increasing competition for students. Educational consumers perceive student aid as an entitlement and a bargaining chip to be used to secure the best possible enrollment conditions. All of these perceptions are grounded in reality.”

(Coomes, 2000)

# Defining SEM

- SEM is a comprehensive process designed to help an institution achieve and maintain optimum enrolment, where optimum is defined within the academic context of the institution. Michael Dolence (1993)
- Strategic enrollment management is a concept and process that enables the fulfillment of institutional mission and students' educational goals. Bob Bontrager (2004)

(From Gottheil, Smith 2008)

# Major SEM Components (from Gottheil, Smith, 2008)

- SEM Organization
- Data Mining & Analysis
- SEM Plan
- Marketing
- Recruitment
- Admissions
- **\*Financial Aid\***
- Student Services
- Retention

# Canadian SEM versus American SEM

- For a more comprehensive view of this topic, see Gottheil & Smith.
- “Strategic Enrolment Management in Canada: Resource Library” at the University of Windsor website
- Differences in values & history, educational systems, availability of data, recruitment methods, admission practices, and, of course, financial aid practices

# SEM Financial Aid Definitions

- Cost, price, and general subsidy
- Cost drivers
- Source of funds for institutional aid
- Packaging financial aid:
  - Preferential packaging
  - Differential packaging
  - Price-sensitive packaging (leveraging)

# COST, Price, General Subsidy

## COST:

What institutions spend to provide an education and related educational services to students, often expressed as cost per student—the average amount institutions spend annually per each full-time equivalent student—usually calculated by program.

# Cost, PRICE, General Subsidy

## PRICE:

What students and families are charged and what they pay.

- Sticker price (tuition & fees)
- Total price of attendance
- Net price

# Cost, PRICE, General Subsidy

## Sticker Price:

The amount of tuition and fees that institutions charge students to attend, and the amount institutions list in their publications

# Cost, PRICE, General Subsidy

## Total Price of Attendance:

All the costs a student incurs to attend an institution:

- Tuition and fees
- Books and supplies
- Housing expenses
- Transportation
- Miscellaneous

# Cost, PRICE, General Subsidy

**Net Price:** The amount students pay after financial aid has been subtracted from the price of attendance

- Affordability: The total price of attendance less grants, or the amount of money a student actually pays to attend college.
- Access: The total price of attendance less all financial aid awarded—grants, loans, and work study—to measure the amount of money a student needs in order to enter the college or university.

# Cost, Price, GENERAL SUBSIDY

**General Subsidy:** The difference between the cost to the institution of providing an education ('cost per student') and the tuition charged to students ('sticker price'). The amount of that general subsidy differs greatly by institution with students attending public institutions receiving large government-supported general subsidies.

# Cost, Price, General Subsidy

## Consumer Confusion (Russo & Coomes, 2000):

Whether consumers consider sticker price or net price (and even which net price) may determine which type of institution they feel is most affordable (or even if PSE is affordable).

# When people say 'cost' — they usually mean 'price'

**Canadians believe cost of PSE an important challenge:** In a new survey on the national economic outlook, 47% of Canadians indicated that the cost of PSE is an important challenge facing the nation. The issue of the cost of PSE beat out concerns over national unity and unemployment, and roughly tied with climate change, but was well behind the state of the health care system and the cost of gasoline, which topped the survey.

*(Globe and Mail, 2008 April 21)*

# Quiz #2

What is the total net tuition for a Manitoba resident taking a four-year Arts degree at the University of Manitoba (assuming no institutional award)?

- A. -\$1,611
- B. \$12,966
- C. \$16,399
- D. \$29,365
- E. \$33,639

# Cost Drivers, (Russo & Coomes, 2000)

- People
- Facilities
- Technology
- Regulations
- Expectations
- Financial aid

# Financial Aid as Cost Driver

“there is ... evidence that increases in institutional aid have been one of the cost and price drivers, as institutional aid grew by 178 percent between 1987 and 1996. Since most of the revenue for institutional aid comes from tuition dollars, it seems reasonable to conclude that tuition could have increased slightly less had institutions not been putting these revenues into institutional aid”

(National Commission on the Cost of Higher Education, 1998)

# Funding for Institutional Aid

- Endowment income
- Annual giving (usually pledged)
- Tuition income

# Funding for Institutional Aid

- Endowment income and annual gifts both provide the student recipients with price discounts but still provide revenue to the institution.
- Scholarships funded by tuition provide discounts for student recipients, but reduce institutional revenue, creating an expense on the cost side of the operating budget.

# Funding for Institutional Aid

## Tuition-funded Institutional Aid:

In a very real sense, those students who are paying tuition, sometimes with loans, are helping to fund those who are receiving (tuition funded) scholarships

(Russo and Coomes, 2000, 40).

# Funding for Institutional Aid

Scholarships and grants given without regard to financial need are [called] non-need or merit awards. A primary reason for increasing levels of institutional based merit aid has been the need for colleges to use “their limited funds to address institutional priorities of quality and diversity”

(Duffy and Goldberg, 1998, p.208)

Merit awards are no longer seen as a reward for services or potential, but as an important cog in the enrollment management machine

(Russo and Coomes, 2000, p.40)

# Aid Packaging Definitions

(Duffy and Goldberg, 1998)

**Preferential packaging:** Packaging the most desirable student applicant's need-based financial aid awards with more grant and less loan aid. The intent is to recognize academic and other distinctions and reward those distinctions by lowering the net [price] to students.

# Aid Packaging, continued

**Differential packaging:** “Awarding . . . more attractive packages to the most needy, rather than the academically strongest students. Although intended to ensure that the most needy students do not graduate with enormous debt, differential packaging policies have also helped colleges attract minority students without explicitly favoring them”

# Aid Packaging, continued

**Price-sensitive packaging:** predicated on the assumption that the applicant's desire to attend the institution should determine how the aid is packaged. Using sophisticated marketing data and econometric models, student aid and admissions officers can project which students are most likely to choose and then enrol at a particular college.

# Aid Packaging, continued: Leveraging

Students who are deemed 'locks' are awarded smaller packages or packages with higher levels of self-help (thus increasing the net price to the student).

Students who are wavering (particularly students from categories the institution has targeted to meet diversity or academic enhancement goals) are awarded packages meeting their full need or packages with a more favorable grant to self-help ratio

(Russo and Coomes, 2000)

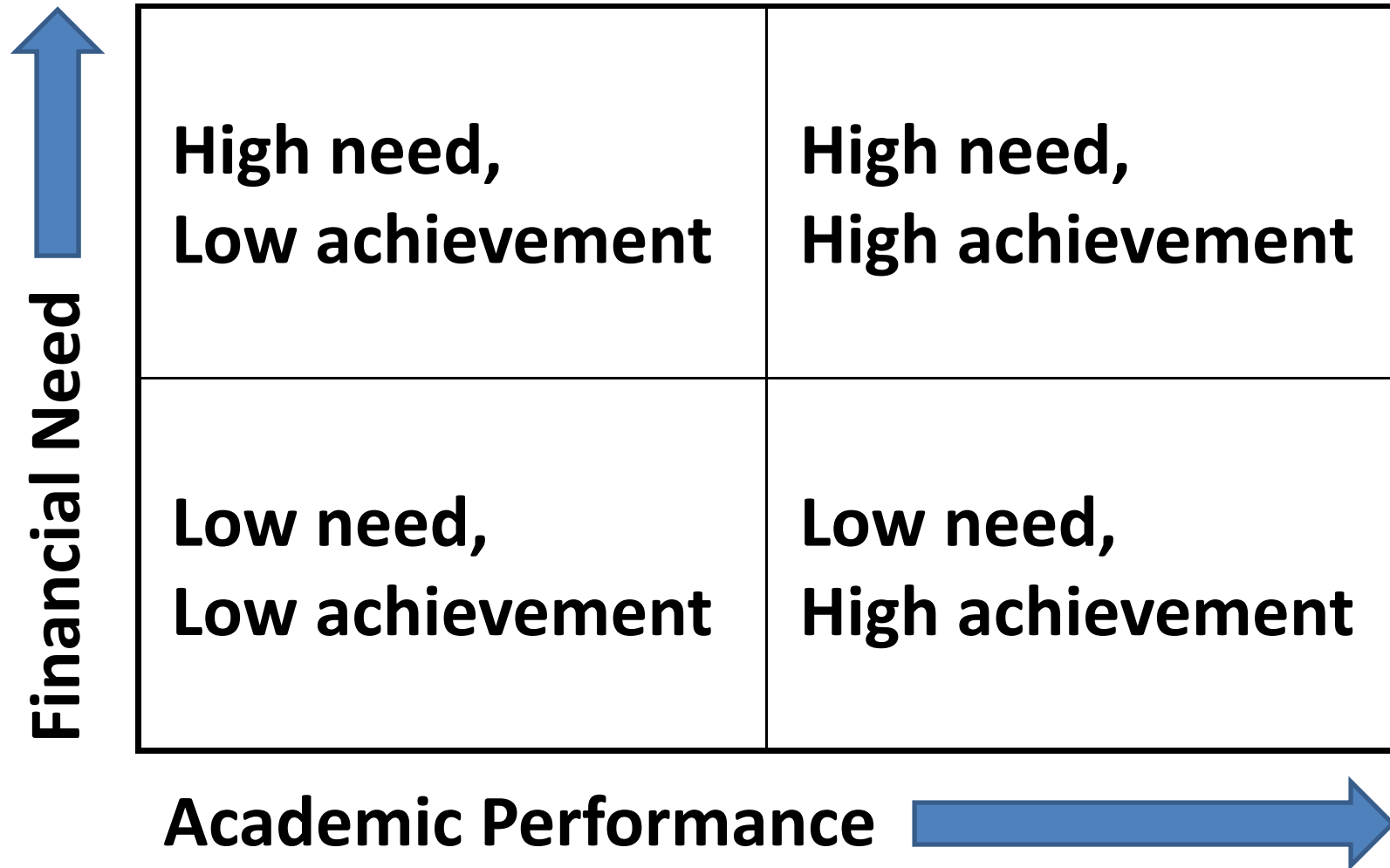
# Consequences of Leveraging

- The changed perception on the part of student aid consumers that financial aid awards are negotiable

(Mumper, 1999)

- The rise of financial aid consultants [used by both institutions and families]

# Student Aid Leveraging



# School-based Aid: Canada

## For Recruitment:

- Entrance scholarship programs (often tiered and guaranteed)
- Renewable awards (often with high standards for renewal)
- Leadership awards
- Athletic awards (usually capped at full tuition)
- Co-op programs
- Guaranteed awards for 'unmet need'

# School-based Aid: Canada, continued

## For Retention:

- In-course scholarships
- Co-op programs
- Bursaries (need-based awards)
- Work-study (need-based jobs)
- Emergency aid (often loans)
- Food banks

# U.S. Students Rely on Loan Aid

- In U.S. “out of control” tuition increases and sticker shock have led to increased spending in student financial support
  - 63% of U.S. undergraduates receive some form of financial aid (2003/04)
  - Average student debt levels comparable to Canada
  - Loans have replaced grants as primary method to pay for college

# Canadian Financial Aid SEM context

- Low income Canadians overestimate costs of post-secondary education by 75%; underestimate benefits by 40%
- Needy students reduce their perceived need and avoid debt by taking less costly programs, living at home and working while in school
- Timing is everything: financial aid decisions are available to students only after they make enrolment decisions
- Timing is structural: government-administered need assessment relies on tuition information from school

# Contrasting Financial Aid Practices

- Need assessment and aid packaging
  - Administered by government in Canada
  - Schools have larger role in the U.S.
- Scholarship versus bursary timetable
  - Scholarships in January through June, July
  - Bursaries in October through December
- Tuition discounting: done everywhere?
- Leveraging: varying the aid package according to the desirability of student

# Financial Aid Practices, continued

- Merit scholarships
- Athletic scholarships
- Needs-based aid/bursaries
- Work-study programs
- Tuition/pricing policies (inc. freezes)
- Debt relief (tax credits, post-graduation tax rebates, income-contingent loan repayment, tuition payment plans)

# The Role of Financial Aid in Canadian SEM

Answers to quizzes!

Questions, comments, debate

# Quiz #1

**For Canadian undergraduate students graduating in 2006, what was the average debt attributable to student loans (according to CUSC)?**

- A. \$8,327
- B. \$13,763 debt all sources, all grads
- C. \$20,542 student aid debt, only debtors
- D. \$24,047 debt all sources, only debtors

# Quiz #2

**What is the total net tuition for a Manitoba resident taking a four-year Arts degree at the University of Manitoba?**

- A. -\$1,611 (after tax credits and tuition rebates)
- B. \$12,966 sticker price
- C. \$16,399 general subsidy
- D. \$29,365 cost
- E. \$33,639 sticker price for internationals

# Under-served Student Groups of Greatest Interest [to PSE institutions]

(Smith & Gottheil 2008)

	CANADA	USA
Canadian Aboriginal, First Nations, Metis, Inuit/Native American	79%	46%
Recent Immigrants	36%	20%
Asian	30%	49%
Northern Canadians	23%	—
Rural Students	23%	20%
Students with Disabilities	23%	20%
First Generation	19%	37%
Black	17%	80%
Male	17%	—
Low Income	6%	56%

# Under-served Student Groups of Greatest Interest, continued

(Smith & Gottheil 2008)

	CANADA	USA
Dislocated Workers	4%	15%
Female	4%	—
Home Schooled	4%	—
Francophone	2%	—
Hispanic/Latino	2%	12%
LGBT	2%	—
Sole-Support Mothers	2%	15%
Displaced Homemakers	—	10%
Displaced Workers	—	—
Urban	—	10%

“Enrollment or Enrolment” ([uwindsor.ca/sem](http://uwindsor.ca/sem))

# Questions

- Should one build a bursary program for students with hearing impairments?
- Can we believe that only one percent of Canadian institutions discount tuition?
- Bursaries are usually awarded based only on ‘assessed need’ to students who have met min. academic achievement thresholds. If this threshold is low, do we call it a support service? If it is high, do we call it SEM?

# Questions, continued

- Is it true that males are of greater interest for recruitment (17%) than females (4%)? How does this play out in the world of awards admin.?
- How is 'low income' different from 'high need'? (Why are we abandoning 'high need' students?)
- For how many of the 17 'groups of interest' noted in the paper does your institution have targeted awards or admissions? Is this kind of targeting appropriate (or required) in each case?
- When should we assess need for bursaries?

# The Role of Financial Aid in Canadian SEM

Contact info:

**Peter Dueck**

Executive Director,  
Enrolment Services,  
University of Manitoba

[peter\\_dueck@umanitoba.ca](mailto:peter_dueck@umanitoba.ca)

