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College Admission Counseling**

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Financial Aid and Admission: Tuition Discounting, Merit Aid and Need-aware Admission

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The views and opinions expressed in this report are solely those of the author and not necessarily those of NACAC.

Introduction

This report is based on a survey conducted in the Fall of 2007 by the National Association for College Admission Counseling (NACAC). The survey was conducted as part of NACAC's annual Admission Trends Survey, and for the first time since 1994, questions were added about the financial aid practices of colleges and universities. The purpose of this report is to describe how financial need and financial aid are considered and utilized in the admission process. While need-blind admission was originally adopted by many colleges and universities to ensure that applicants were not rejected due to financial need, need-aware admission, including tuition discounting, merit aid and/or need-aware admission, has re-emerged as a prominent practice. While such practices are, in many cases, well-intentioned, they provoke questions from stakeholders concerned about access for low-income students, fairness in college pricing, rising college costs, and the use of institutional aid. The conclusion of this report contains a brief comparison of the results here to those of the earlier survey conducted in 1994.

The survey was distributed to all postsecondary institutions in the United States that granted baccalaureate degrees, participated in the federal government's Title IV financial aid programs, and were public or private, not-for-profit colleges and universities in the 50 states and the District of Columbia. A total of 1,916 surveys were distributed, and 382, or 20 percent, were returned to NACAC.¹ The institutions returning the survey enrolled approximately 22 percent of all undergraduates in the 2006–2007 academic year. Table 1 compares the characteristics of the institutions returning the survey to the universe of four-year institutions.

¹ Five of the 382 institutions responded anonymously. Two indicated that they were private institutions in New England, one private institution in the Midwest, one public in the West, and one public in the South.

Table 1: Comparison of characteristics of survey respondents and all institutions

			Public institutions		Private institutions	
	Survey respondents	All institutions	Survey respondents	All institutions	Survey respondents	All institutions
Total	100%	100%	27.9%	32.5%	72.2%	67.6%
Undergraduate enrollment						
Mean	4,706	4,155	11,092	8,961	2,242	1,840
<3,000	63.1%	65.9%	17.1%	26.4%	80.9%	84.9%
3,000 – 4,999	11.9	10.4	9.5	13.9	12.9	8.7
5,000 – 9,999	10.1	11.7	25.7	26.4	4.0	4.6
10,000 – 14,999	6.1	5.5	18.1	13.7	1.5	1.5
15,000 – 19,999	4.2	3.1	13.3	8.9	0.7	0.3
20,000 or greater	4.5	3.6	16.2	10.8	--	0.1
Region						
New England	10.3%	8.6%	6.7%	6.9%	11.7%	9.4%
Middle States	19.6	21.2	19.1	19.8	19.9	21.8
South	17.5	21.3	20.0	22.4	16.5	20.7
Midwest	35.0	27.0	31.4	22.4	36.4	29.2
Southwest	5.0	8.0	6.7	12.6	4.4	5.8
West	12.5	14.0	16.2	15.9	11.0	13.1
SAT Scores						
Reading – 25th %tile	499	478	490	462	502	485
Reading – 75th %tile	608	589	598	571	611	598
Math – 25th %tile	505	482	509	473	504	487
Math – 75th %tile	615	594	617	583	615	599
Average % of applicants admitted	68.0%	68.3%	70.1%	70.5%	67.2%	67.3%
Average % of admitted applicants who enrolled	39.5%	45.6%	43.2%	45.6%	38.1%	45.6%

Note: Percentages may not sum to 100% due to rounding.

Source: 2007 NACAC Admission Trends Survey and US Department of Education, National Center for Education Statistics, IPEDS Executive Peer Tool and Peer Analysis System, 2006–07 academic year

Public institutions completed the survey at a slightly lower rate than did private institutions; while just under one-third of all four-year institutions nationally were public institutions, only 28 percent of the surveys returned were from public institutions. For both public and private institutions, the survey respondents tended to come from larger institutions. Looking at the regional distribution of the colleges and universities, the distribution of the survey respondents was roughly equivalent to the population of institutions, with the exception of the Midwest, which represented a larger proportion of respondents than the population of institutions.

The institutions that completed the survey also enrolled students with slightly higher SAT scores than the population. Shown in Table 1 are the mean 25th to 75th percentile ranges for each group. The survey respondents were approximately 15 to 25 points higher in each category (all institutions, public institutions and private institutions) than is the population of colleges and universities.

The admission selectivity (percentage of applicants who were admitted to the institution) of the survey respondents tracked very closely to the population of institutions in both the public and private sectors. Survey respondents had yield rates (percentage of admitted applicants who enrolled) that were below the population in both the public and private sectors, with the gap the largest among private institutions.

Survey Results

Locus of Control Over Admission and Financial Aid Policy

The survey asked respondents who in their institution had *principal* authority over both admission and financial aid policy. Table 2 presents the results for both policy domains. At 13 percent of all institutions, faculty members had the principal authority over admission policy, but at fewer than one percent of the institutions were they primarily responsible for financial aid policy. Both policy domains were the primary responsibility of the campus CEO in approximately 11 percent of the colleges and universities across the board. Private institutions were more likely to vest the authority over admission policy to a chief admission or enrollment management officer than were public institutions, but public institutions were more likely to utilize a chief financial aid officer to oversee financial aid policy. Private institutions were more likely to give the trustees of the institution or the chief enrollment management officer primary authority over financial aid policy.

Table 2: Authority over admission and financial aid policy

	Admission policy			Financial aid policy		
	Public institutions	Private institutions	All institutions	Public institutions	Private institutions	All institutions
President or CEO	11.2%	10.2%	10.5%	11.2%	11.3%	11.3%
Other administrators	8.4	12.4	11.3	18.7	24.0	22.5
Trustees/board	6.4	6.6	6.5	2.8	10.2	8.1
Faculty or faculty group	18.7	10.9	13.1	2.8	0.0	0.8
Chief admission or enrol. mgmt. officer	28.0	49.1	43.2	0.9	14.9	11.0
Chief financial aid officer	–	–	–	43.9	28.0	32.5
State agency	17.8	0.0	5.0	5.6	0.0	1.6
No response	9.4	10.9	10.5	14.0	11.6	12.3

Financial Need in the Admission Process

Responding institutions were asked about their use of financial need in their admission processes. While there are differences in how the term “need-blind” is interpreted, the survey provided a standard definition:

Colleges and universities that are need-blind admit candidates on the basis of academic and personal criteria. They agree not to use financial need as a consideration in selecting students. Need-conscious institutions are those that apply, or hold the option of applying, candidates’ financial need as a consideration in the admission of any portion of the applicant pool.

Institutions responded overwhelmingly that they practiced need-blind admission. Ninety-three percent of public institutions and 81 percent of privates indicated that admission is conducted need-blind throughout the entire process. An additional six percent of private colleges indicated their admission process is need-blind until May 1, but it then reverts to a need-conscious policy. Only two percent of public institutions and 10 percent of privates indicated that they were need conscious through the entire admission cycle.²

The colleges and universities were asked whether the use of financial need in the admission process had been reviewed recently. As shown in Table 3, private institutions were more likely to have conducted this review, with 36 percent of them indicating a review had been conducted at some point in the last three years or was currently underway at the time the survey was completed. A quarter of the public institutions had conducted such a review. The institutions were also asked if they anticipate a change to their admission policy with respect to consideration of financial need in the near future (either switching from need-blind to need-conscious or vice-versa); only two percent of public institutions and five percent of private institutions anticipating a change, with most of this small number indicating a switch from a need-blind process to a need-conscious one.

Table 3: Review of need-blind admission policies?

	Public institutions	Private institutions	All institutions
Currently under review	1.9%	5.8%	4.7%
Reviewed in the last year	16.8	20.7	19.6
Reviewed in the past three years	6.5	9.1	8.4
Not reviewed recently	64.5	55.6	58.1
No response	10.3	8.7	9.2

² Throughout this narrative, the difference between 100 percent and the sum of the responses indicated represents those institutions that did not respond to the question. For example, three percent of private institutions (100% – 81% – 6% - 10% = 3%) did not respond to this question. Missing responses will be shown in tables, where sums may not equal to 100 percent due to rounding.

Determination of Financial Need and Aid Packaging

The majority of both public and private institutions use federal methodology—a formula developed by the US Department of Education based on the laws passed by Congress regarding federal financial aid policy—for determining the financial need of the student and her eligibility for aid. Eighty-one percent of public institutions and 53 percent of private institutions reported that they used federal methodology. Another three percent of private institutions (and no public institutions) reported that they used institutional methodology, a formula created by the College Board. Fourteen percent of public institutions and 39 percent of private institutions reported that they used a combination of the two for determining need.

The survey respondents were asked if their institutions provided financial aid packages that met 100 percent of demonstrated need for every admitted student. Thirty-two percent of public institutions were able to make this commitment, while 60 percent did not. Only 18 percent of private institutions met full need, while 77 percent were unable to do so. Institutions that did not meet the full demonstrated need of all students were asked which types of students were likely to not receive a full aid package (Table 4). Most institutions indicated that they applied “gapping”—admitting students, but not meeting their financial need—to all categories of students, while 34 percent of private institutions (but no public institutions) reported that they targeted gapping at less academically talented students.

Table 4: Students likely not to receive 100 percent of demonstrated need*

	Public institutions	Private institutions	All institutions
All students	78.1%	61.3%	65.2%
Less academically qualified students	0.0	34.0	26.1
Students not in a targeted group the institution wished to attract	4.7	14.2	12.0

* For those institutions that indicated they did not meet the full financial need of all admitted students. Institutions could indicate more than one category of students.

The colleges and universities in the survey were asked whether they ever admitted students through a need-blind admission policy, but then denied aid to any students with financial need. Only four percent of public institutions and five percent of private institutions reported that they did this; 90 percent of each group indicated that they did not utilize such a policy. The great majority of institutions also reported that they utilize a financial aid waitlist, with 86 percent of public and 88 percent of private institutions indicating so.

Some colleges and universities award different financial aid packages depending upon the desirability of the student they are trying to enroll, a practice known as “differential packaging.” Fifteen percent of the public institutions reported they practiced differential packaging, while 79 percent indicated they did not. Private institutions were more likely to employ differential packaging, with 63 percent reporting that they used the policy and 31 percent indicating they did not.

The institutions were asked what criteria were used for determining to whom differential packaging would be applied. Table 5 summarizes the responses for institutions that reported they did use this policy. The most popular criterion indicated for differential packaging was academic merit, with approximately nine out of 10 of both public and private institutions indicating this response. Other forms of talent, such as musical or artistic talents, were the second most common criterion for private institutions. For public institutions, however, the income level of the student was the second most common criterion used for differential packaging.

Table 5: Criteria used for differential packaging*

	Public institutions	Private institutions	All institutions
Alumni relationship	6.3%	17.8%	16.8%
Athletic ability	31.3	28.2	28.4
Academic merit	87.5	93.1	92.6
Ethnicity	18.8	35.1	33.7
Gender	6.3	5.8	5.8
Geographic area	31.3	25.9	26.3
First generation	18.8	19.0	19.0
Income level (low, middle)	62.5	36.8	39.0
Talent (i.e., musical, artistic, etc.)	25.0	52.3	50.0

* For those institutions that indicated they utilize differential packaging. Institutions could indicate more than one criterion.

The colleges and universities were also asked how the financial aid packages differed across students, i.e., how were the types of aid and amounts of each in packages adjusted based on the criteria discussed above. Table 6 shows the three options schools were allowed to indicate. Similar proportions of both public and private institutions, approximately two-thirds, were likely to adjust whether a student's total need was met or not as a form of differential packaging. Similar proportions in both types of institutions were likely to adjust the proportion of loans versus grants in formulating a financial aid package for different students. Public institutions, however, were approximately three-times more likely to adjust the proportion of federal versus private loans, the latter of which generally have higher interest rates and less favorable repayment terms.

Table 6: Major differences across aid packages*

	Public institutions	Private institutions	All institutions
Total need met or not met	68.8%	69.5%	69.5%
Proportion of loans vs. grants in the package	43.8	46.0	45.8
Proportion of private loans vs. federal loans	12.5	4.0	4.7

* For those institutions that indicated they utilize differential packaging. Institutions could indicate more than one type of difference.

Use of Merit Aid

The respondents to the NACAC survey overwhelmingly reported that they offer merit-based financial aid awards. None of the public institutions reported that they did not offer merit aid, and 93 percent confirmed that they did. Among private institutions, 90 percent reported offering merit aid while six percent said they did not. While the use of merit aid is highly prevalent, the survey respondents reported, however, that the use of merit aid did not influence whether they adhered to a need-blind admission policy, with 92 percent of public institutions and 88 percent of private institutions reporting that their merit aid policies did not influence need-blind admission.

The institutions were also asked what criteria were used to award merit aid. Academic performance prior to college was the most popular criterion used by institutions, with grades and standardized test scores being the individual measures used by approximately three-quarters or more of the institutions (Table 7). Class rank in high school and other, non-academic forms of talent were also popular, with legacy status and athletic ability less frequently used.

Table 7: Criteria used for merit aid awards*

	Public institutions	Private institutions	All institutions
High school grades	79.0%	75.8%	76.7%
SAT/ACT scores	83.0	73.8	76.4
Class rank	47.0	39.9	42.0
Legacy status	11.0	11.7	11.5
Athletic ability	29.0	19.4	22.1
Talent (i.e., musical, artistic, etc.)	30.0	44.4	40.2

* For those institutions that indicated they offer merit aid. Institutions could indicate more than one criterion.

Financial Aid Funding

Survey respondents were asked to provide information about their institution's spending on financial aid. The first line of Table 8 shows total institutional aid (of all forms) as a proportion of all aid administered by the financial aid office. Approximately two-thirds of the institutions reported these data, and in private colleges and universities, institutional aid represented 46 percent of all the aid administered by the financial aid office. In public institutions, this proportion was only 16 percent. Looking just at grant aid (second line of Table 8), the institutional proportion of all grant aid was just under one-quarter in public institutions, and 65 percent in private colleges and universities. This is reflective of the fact that private institutions tend to discount their sticker prices through the awarding of institutional aid at higher rates than do public institutions.³

Table 8: Financial aid spending

	Public institutions	Private institutions	All institutions	% of all inst. reporting
1. Institutional aid as % of all administered aid*	16.0%	45.5%	38.2%	68.8%
2. Institutional grant aid as % of all administered grant aid*	24.3	64.6	54.6	67.8
3. % of institutional grant aid budget directed to merit aid	41.9	43.1	42.8	64.4
4. % of institutional grant aid budget directed to need-based aid	46.6	49.8	49.0	64.1
5. Student aid as a % of educational and general expenditures	7.6	25.6	21.7	56.8

* Excluding athletic aid

The respondents were also asked to indicate the distribution of their institutional grant aid budget between merit and need-based aid (lines 3 and 4). Both public and private institutions reported similar distribution of the grant aid between need and merit, ranging from 42 to 50 percent in each category. It should be noted that these two categories of grants clearly are not mutually exclusive and exhaustive of all the types of grant aid that institutions report. The mean value of the sum of the proportion of the two types of aid is 92 percent for all institutions. Of the 245 institutions that reported these percentages, for 49 of them the total of the need and merit percentages summed to less than 95 percent. For another seven institutions, the sum of the need and merit percentages exceeded 110 percent. These factors may indicate that there are likely other types of grants that institutions do not categorize as being strictly need or merit based. Some institutions, for example, may characterize grants as being "merit within need," i.e., they apply both financial means-testing, as well as use merit criteria in the awarding of the grants.

³ For more on tuition discounting, see Lapovsky, L., & Hubbell, L. L. (2003). Tuition discounting continues to grow. *NACUBO Business Officer*, 36(9), 20-27; Redd, K. E. (2000). *Discounting toward disaster: Tuition discounting, college finances, and enrollments of low-income undergraduates*. Indianapolis, IN: USA Group Foundation; Davis, J. S. (2003). *Unintended consequences of tuition discounting*. Indianapolis, IN: New Agenda Series, Lumina Foundation for Education; and Heller, D. E. (2006). *Merit aid and college access*. Paper prepared for the Symposium on the Consequences of Merit-based Student Aid, Wisconsin Center for the Advancement of Postsecondary Education, University of Wisconsin, Madison.

The important role that institutional aid plays in private colleges and universities is reflected in line 5, which shows that student aid expenditures represented more than a quarter of all educational and general spending in the private institutions responding to the survey. In contrast, aid spending represented only eight percent of total spending in public institutions. Table 9 displays how this spending has changed over the prior five years. While approximately one-third of the respondents overall did not answer the question, among those who did, the majority reported that institutional aid spending today represents a larger proportion of educational and general expenditures than five years ago.

Table 9: Change in institutional aid spending as a proportion of educational and general expenditures, prior five years

	Public institutions	Private institutions	All institutions
Decreased	3.7%	6.9%	6.0%
Stayed the same	19.6	26.2	24.4
Increased	28.0	34.9	33.0
No response	48.6	32.0	36.7

Institutional Selectivity and Financial Aid Policies

The previous section of this report focused on differences (and similarities) in financial aid policies among public and private colleges and universities who responded to the NACAC survey. But there are also differences across institutions with differing levels of admission selectivity. To examine these differences, the admission selectivity rate for each institution was computed based on the responses to two questions:

- How many completed applications did your institution receive for Fall 2007 admission?
- How many applicants were admitted for Fall 2007?⁴

The institution's admission selectivity was calculated by dividing the total applicants by the number of students admitted. The rates were then used to divide the institutions into quartiles based on their admission selectivity. Table 10 displays the results for public, private and all institutions.

Table 10: Admission selectivity rates*

	Public institutions		Private institutions		All Institutions	
	Proportion	Mean selectivity	Proportion	Mean selectivity	Proportion	Mean selectivity
First quartile (most selective)	18.2%	46.4%	27.8%	42.3%	25.1%	43.1%
Second quartile	33.3	64.6	22.1	65.3	25.1	65.1
Third quartile	19.2	77.9	27.4	76.9	25.1	77.1
Fourth quartile (least selective)	29.3	90.2	22.8	91.0	24.6	90.7

* For those institutions that reported applicant and admitted student numbers

The quartiles were created based on the admission selectivity rates for all institutions, so approximately 25 percent of all institutions fall into each quartile. While the private institutions roughly mirrored this distribution (with each quartile containing roughly one-quarter of all the private institutions responding), the distribution of public institutions was somewhat more unequal. Both the first quartile (representing the most selective institutions) and third quartile had well fewer than one-quarter of the institutions, while the second and fourth quartiles were over-represented among public institutions.

The average selectivity rates in each quartile were roughly equivalent across public and private institutions. In the group that was most selective, the average admission rate was 46.4 percent among public institutions and 42.3 percent among private institutions. Five institutions, all private, reported selectivity rates below 20 percent.

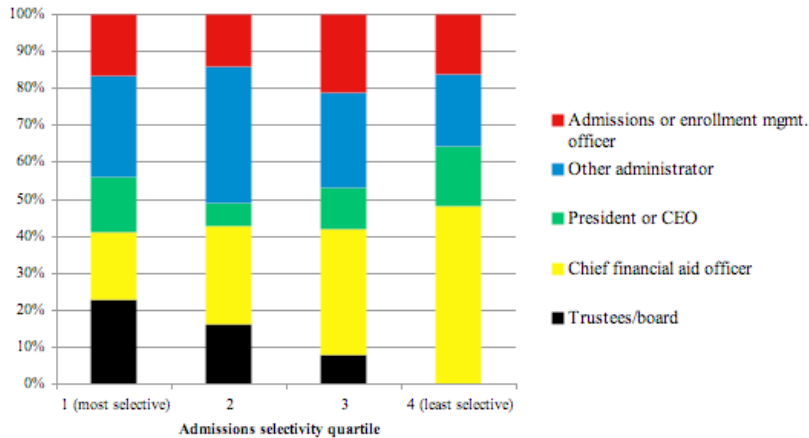
At the other end of the scale, the group with institutions that were the least selective, both public and private institutions admitted approximately 90 percent of all applicants on average. Twenty-four institutions (eight public and 16 private) reported that they admitted more than 95 percent of their applicants. Four institutions, all private, reported that they admitted every applicant.

⁴ The survey instructed respondents to include only those applying as "full-time, first-year, degree-seeking undergraduate students."

Control over financial aid policy is one characteristic that differs depending upon the admission selectivity of the institution. In the least selective public institutions (those in the third and fourth quartiles), the chief financial aid officer was most likely to have primary authority over financial aid policy. In more selective public institutions, the authority was more likely to be assigned outside of the financial aid office itself.

Figure 1 displays the primary control over financial aid policy in private institutions.⁵ The greater the selectivity of the institution, the more likely it is that the board of trustees retained primary authority over financial aid policy. In contrast, as selectivity declines the greater is the likelihood that the institution has assigned the authority over financial aid policy to the chief financial aid officer. An interesting pattern is that while relatively few institutions assigned this authority to the president, it is most common in the most and least selective institutions.

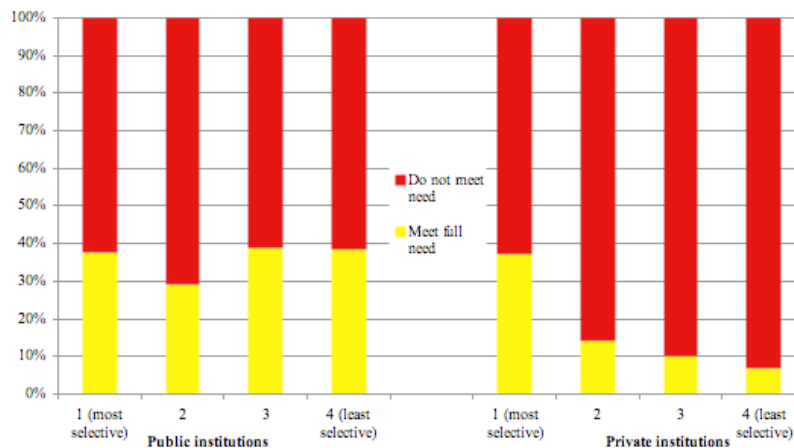
Figure 1: Primary control over financial aid policy in private institutions, by admission selectivity quartile



⁵ Where there are large differences in the patterns between public and private institutions, each category is shown separately in this section of the report. Institutions in just one category of control are shown if there was no distinctive pattern in the other category.

Institutional selectivity in private institutions is also related to policies regarding whether the institution meets the full financial need of all admitted students. Figure 2 shows for public and private institutions in each of the admission selectivity quartiles, the proportion of respondents who indicated their institutions meet the full need of all admitted students. Among private colleges and universities, the more selective the institution, the greater was the likelihood it had a policy of meeting the full need of all students admitted. In the most selective quartile, 37 percent of the private institutions met the full financial need of students who were admitted. In the least selective quartile, only seven percent of institutions had such a policy. There was no such pattern in public institutions, however. Even though in total they were more likely to meet the full need of their students than were private institutions, the rates at which they did so were more similar across the four quartiles of admission selectivity.

Figure 2: Institutional policies regarding meeting all financial need, by institutional control and admission selectivity quartile



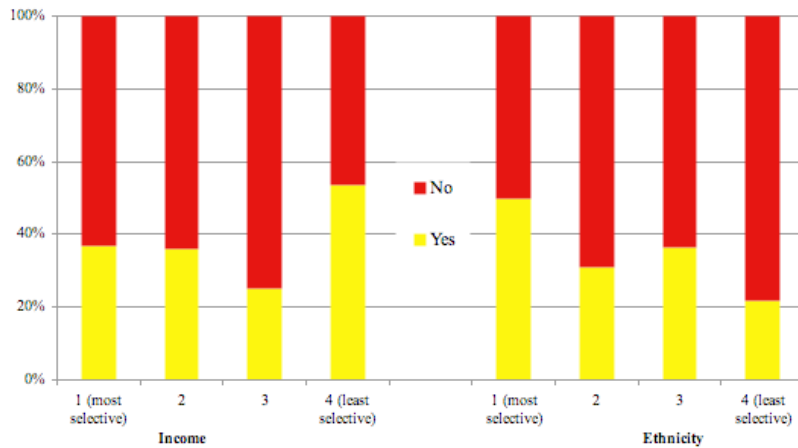
The relationship between admission selectivity and meeting the full need of students in private institutions (as compared to no apparent relationship in public institutions) may be related to the fact that they are higher cost, and in general, more reliant on financial aid than are public institutions (see Table 8). In addition, the most selective institutions charge higher prices than do the least selective institutions, and thus, may need to enact a policy of meeting full need in order to ensure that admitted students will enroll.

There has been much focus on the use of affirmative action in admission, but much less discussion regarding affirmative action in the financial aid arena. While this discussion historically has been on the use of race and ethnicity as a criterion for affirmative action, in more recent years the discussion has turned more toward income as a criterion.⁶ As described earlier, approximately two-thirds of private colleges and universities reported that they utilized differential packaging in the financial aid process.

⁶ See for example Bowen, W. G., Kurzweil, M. A., & Tobin, E. M. (2005). *Equity and excellence in American higher education*. Charlottesville: University of Virginia Press; and Kahlenberg, R. D. (2004). *America's untapped resource: Low-income students in higher education*. Washington, DC: Century Foundation Press.

Figure 3 shows the proportion of private institutions in each admission selectivity quartile who reported that they used income or ethnicity as a criterion in determining financial aid packages for their admitted students.⁷ The least selective institutions were actually those most likely to report that they used income as a criterion in aid packaging.⁸ The most selective institutions were approximately twice as likely as the least selective institutions to utilize ethnicity as a criterion in aid packaging.

Figure 3: Use of income and ethnicity in differential packaging, private institutions by admission selectivity quartile

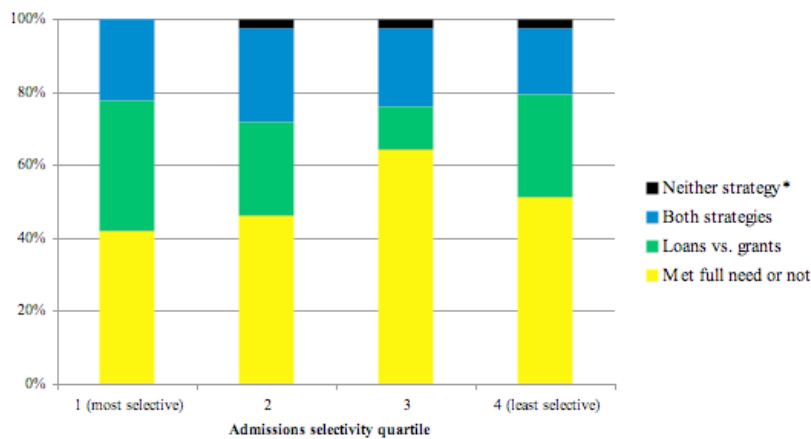


⁷ There were no major differences in the proportion of private institutions reporting that they utilized differential packaging across the selectivity quartiles, ranging from 66 to 72 percent.

⁸ Recall that the survey question identified this measure as "income (low, middle)," so the use of income in packaging was presumably for the purpose of favoring poorer students by giving them more generous or better financial aid packages.

There are differences across institutions not just in the criteria they use in deciding whether to distinguish financial aid packages among students, but also the strategies they employ in creating the packages themselves (as shown earlier in Table 6). Figure 4 shows the strategies employed by private institutions in each admission selectivity quartile, for those institutions which reported that they did utilize differential packaging. The most common packaging strategy for all institutions was to either meet full need or not, with the least selective institutions more likely to utilize this singular strategy. The second most common strategy was to adjust the proportion of loans versus grants in the financial aid package, with the least selective and most selective institutions likely to do this. And from 18 to 26 percent of the institutions in each of the selectivity quartiles utilized both of these strategies.

Figure 4: Differential aid packaging strategies in private institutions, by admission selectivity quartile

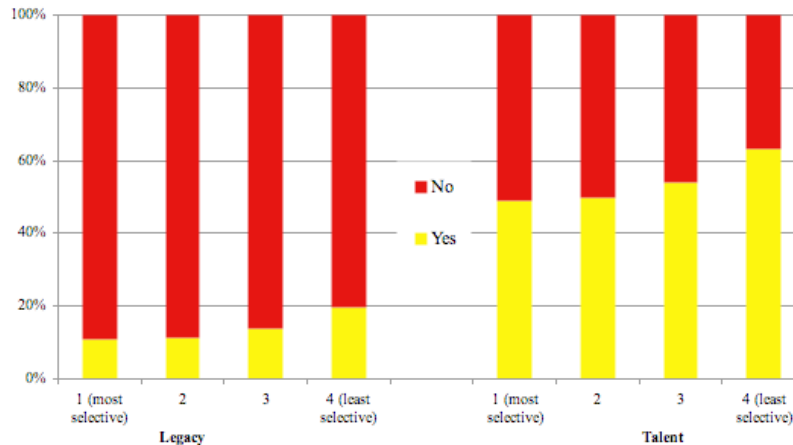


* These institutions utilized the strategy of adjusting private loans versus federal loans

As noted earlier, the majority of respondents to the NACAC survey reported that they offered merit aid awards to admitted students, with more than 90 percent of both public and private institutions reporting that they awarded merit aid. There were slight differences across the selectivity groups, however. While 82 percent of the most selective institutions (in the first quartile) reported that they offered merit aid, from 91 to 94 percent of the institutions in the other three quartiles indicated that they do so.

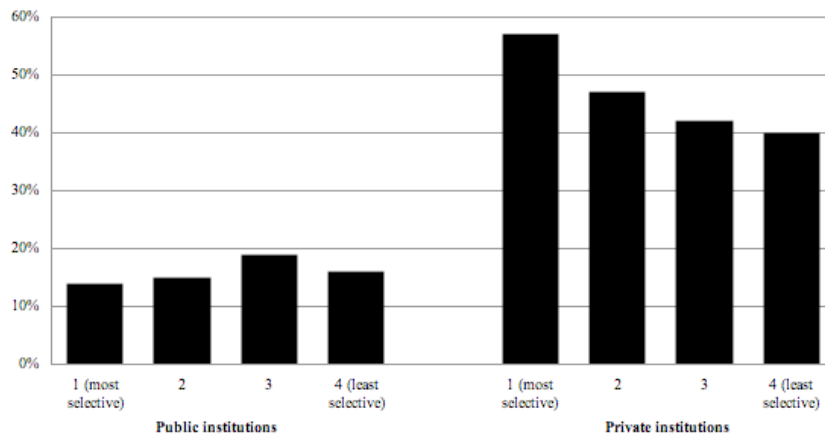
In examining the criteria institutions used for awarding merit aid, the most clear patterns are with respect to the use of the student's legacy status or form of talent (other than academic talent) by private institutions. Figure 5 shows the proportion of private institutions indicating they used these criteria, for those who do award merit aid. The least selective the institution is, the more likely they are to use legacy status in determining whether to award the student merit aid, with the least selective institutions approximately twice as likely as the most selective to use this criterion. Similarly, the least selective institutions were more likely to award merit aid to students based on some form of talent, such as musical or artistic abilities.

Figure 5: Use of legacy status and talent in awarding merit aid, private institutions by admission selectivity



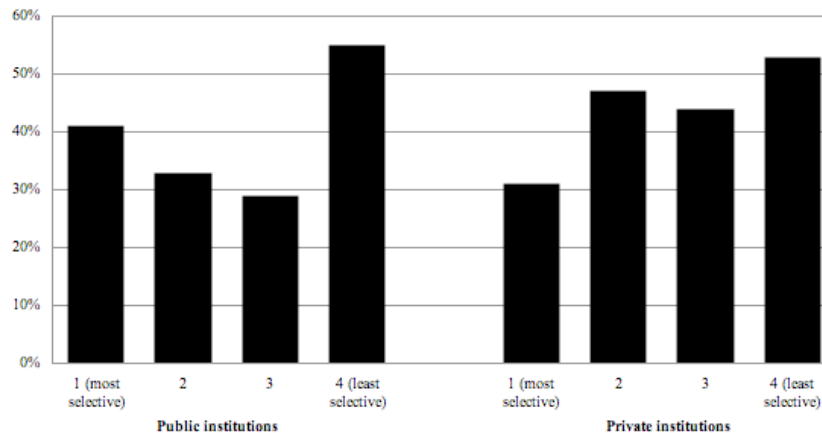
As described earlier, institutions were asked to report information about their overall financial aid budgets. One measure is the institutional aid offered by the institution as a proportion of all financial aid (exclusive of athletic scholarships). Figure 6 shows that in public institutions, there was little difference across the quartiles of admission selectivity. In private colleges and universities, however, the more selective the institution the higher proportion of the overall aid spending was from institutional sources. Besides being more likely to meet the full need of all admitted students (as shown in Figure 2), the most selective institutions are also the most expensive institutions, with an average total of tuition, fees, room and board of \$35,810, as compared to \$27,146 for the least selective. Most other external sources of aid, including federal grants and loans, and state grants, are insensitive to prices at this range. Thus, the more selective institutions have to invest more in their own institutional aid budgets in order to meet the full demonstrated need of their students.

Figure 6: Institutional aid as a proportion of all administered aid, by institutional control and admission selectivity quartile



Researchers have documented the relationship between spending on merit aid and institutional selectivity (see footnote 3). In general, they have found that less-selective institutions—those that have the hardest time competing for and attracting students—are the ones most likely to rely on merit scholarships for enrollment management purposes. The findings from the NACAC survey confirm this relationship, at least in part. Figure 7 shows the proportion of institutional grants spent on merit aid for public and private institutions.

Figure 7: Proportion of institutional grant aid spent on merit grants, by institutional control and admission selectivity quartile



Among public institutions, the most selective ones devoted an average of 41 percent of their aid budgets to merit aid. The least selective public institutions had the highest proportion of spending on merit aid, at 55 percent. Interestingly, however, the two middle quartiles based on admission selectivity had the lowest proportions of their institutional aid budgets directed toward merit aid.

In private institutions, the general pattern is the same, with the most selective institutions spending the smallest proportion of their institutional grant budgets on merit aid, and the least selective institutions spending the most. Colleges and universities in the two middle quartiles had average spending on grant aid in proportions between the most selective and least selective institutions. The fact that the relationship between admission selectivity and spending on merit grants is not perfectly linear—particularly for public institutions—may be a factor of the sampling of the respondents (there were only 54 public institutions responding to this question as opposed to 184 privates).

Comparison With the 1994 NACAC Survey

Any comparison with the results of the 1994 NACAC survey, *Report on the Results of the Membership Survey of Need-Blind and Need-Conscious Admission Practices*, should be undertaken with some caution, largely because the pool of respondents to the two surveys are different. The 1994 survey included a small proportion (seven percent, evenly distributed between public and private) of two-year institutions; the current survey was distributed only to those institutions awarding baccalaureate institutions. In 1994 public institutions represented 30.9 percent of those four-year institutions responding; in the current survey, they represent only 27.9 percent of the respondents. With this caveat in place, the following is a comparison of the results of the two surveys.

Enrollment management professionals have increased their authority over both admission and financial aid policy in recent years. In 1994, 34 percent of institutions reported that admission or enrollment management officers had primary control over admission policy; in 2007, this had increased to 43 percent.⁹ The loss of primary authority over admission policy was largest for faculty, decreasing from 22 percent of institutions in 1994 to 13 percent in 2007.

A similar pattern was seen with respect to authority over financial aid policy. In 1994, 35 percent of institutions reported that financial aid policy was primarily under the purview of either enrollment management officers or financial aid administrators; in 2007, this had increased to 44 percent. This shift in control came largely at the expense of presidents, trustees and boards, and faculty. Schools are more likely today to be using the federal methodology to determine financial aid awards, with 81 percent of public institutions and 53 percent of privates utilizing federal methodology. In 1994, the comparative proportions were 75 percent and 37 percent, respectively.

The use of need-blind admission has been a consistent practice in admission, at least since 1994. In the earlier survey, 97 percent of public institutions and 88 percent of private institutions reported that they maintained need-blind admission through May 1. There has been a small decrease in these proportions in the ensuing 13 years, with 93 percent of public and 81 percent of private institutions reporting they practiced need-blind admission in the 2007 survey. More institutions in the earlier survey reported that their need-blind policies were either currently under review or had been reviewed in the prior three years—43 percent in 1994 compared to 33 percent in 2007.

In addition to practicing need-blind admission, some colleges and universities have policies of meeting the full demonstrated need of all aid applicants. While the proportion of public institutions that reported employing such a policy increased from 19 percent in 1994 to 32 percent in 2007, there was a small decrease in the proportion of private institutions reporting this, from 20 percent in 1994 to 18 percent most recently. For those institutions that did practice gapping, the targeting of “gapped” students was very similar both in 1994 and 2007 (as shown in Table 4).

⁹ This increase is not simply a reflection in the change of the mix of public and private institutions completing the survey. In both categories of control more institutions reported that the admissions or enrollment management professionals had primary authority in 2007 than in 1994.

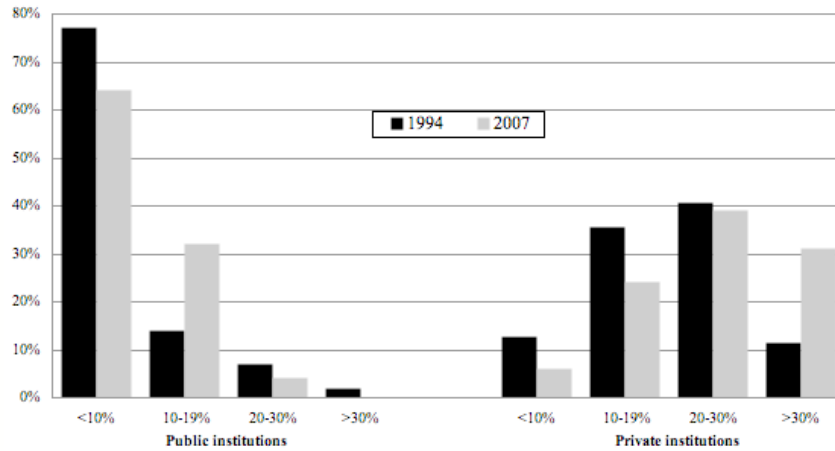
The use of preferential packaging by private institutions decreased slightly between the two years, with 67 percent in 1994 and 63 percent in 2007 reporting the use of such a policy. Among public institutions, however, the proportion who reported that they used preferential packaging decreased from 34 percent to 15 percent. Academic merit has remained the most popular reason for packaging students preferentially; 87 and 93 percent of respondents used this criterion in 1994 and 2007 respectively. Packaging criteria that showed major changes in the proportion of schools utilizing them in the two years include: ethnicity, decreasing from 55 percent in 1994 to 34 percent in 2007; first generation students, increasing from four percent to 19 percent; low or middle income status, rising from 31 percent to 39 percent; and talent, increasing from 36 percent to 50 percent.

The use of merit aid, which was close to universal in 1994, has grown even further over the 13 year period. In 1994, only five percent of public institutions and 14 percent of private institutions reported that they did *not* offer merit aid. In 2007, no public institutions reported that they did not offer merit aid and only 6 percent of private institutions reported not offering it. The proportion of the institutional grant budget allocated to merit aid, rather than need-based aid, also has continued to grow. In 1994, colleges and universities overall reported that 27 percent of their institutional aid funds were merit-based and 66 percent were need-based; in 2007, this has shifted to 43 percent merit grants and 49 percent need-based grants.¹⁰

¹⁰ This mirrors a similar trend in a report on institutional grant aid written in 2006 (Heller, D. E. 2006. *Merit Aid and College Access*. Madison: Wisconsin Center for the Advancement of Postsecondary Education, U. of Wisconsin). In that study, which used a nationally representative sample of all four-year colleges and universities, the proportion of all institutional grant aid that was merit-based was 36 percent in the 1995–96 academic year, and 54 percent in 2003–04. While the direction of the trend in the two studies is similar, the difference in the absolute numbers is likely due to the different samples employed.

Institutions participating in the NACAC survey report spending an increasing proportion of their overall budgets on student aid. In the 1994 survey, respondents were given percentage ranges in which to report, while in the more recent survey they were asked for the specific percentage. By converting the 2007 data to the same ranges as the 1994 survey, a more direct comparison between the two years can be made. This is shown in Figure 8. Among the public institutions, the proportion which spent 10 to 19 percent of their operating budgets on student aid more than doubled, from 14 percent in 1994 to 32 percent in 2007. Among private institutions, the proportion reporting that they spent more than 30 percent of their budgets on student aid increased from 11 percent to 31 percent.

Figure 8: Student aid as a proportion of operating expenditures, by institutional control (1994 and 2007)



* For institutions who responded to the question. It should also be noted that this includes aid from all sources, not just institutional aid.