

SENATE COMMITTEE ON ADMISSIONS, RECORDS, SCHEDULING,
AND STUDENT AID

Report on Access and Affordability at Penn State

(Advisory and Consultative)

Implementation: Upon Approval by the President

Background and Rationale

Over the past few years, rapidly increasing tuition coupled with reduced state support and a decreased federal commitment to student aid programs has created difficulties of access to and affordability of a college education for many low- and middle-income students. Given Penn State has the highest in-state tuition of any public university in the United States, consideration must be given to the effect of all these factors upon our students and upon Penn State's mission as the land grant institution in Pennsylvania. During the 2005-06 Senate year, a subcommittee of ARSSA, with members Milton Cole, Frederick Brown, Randy Deike and Anna Griswold, was charged with reviewing, comparing and analyzing current data, policies and strategies at Penn State and peer institutions and developing recommendations relevant for Penn State. The attached report is the culmination of the subcommittee's yearlong study along with consultation of the entire ARSSA committee. Recommendations appear on pages 20-21 of the report.

SENATE COMMITTEE ON ADMISSIONS, RECORDS,
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EXECUTIVE SUMMARY

Increasing tuition, reduced state support and a decreased Federal commitment to student aid programs create difficulties of access to and affordability of a college education for many low and middle-income students. This report examines these issues from both a national and a local Penn State perspective. The main body of the report addresses these issues, while the Appendix provides considerable factual background and a glossary.

Penn State has the highest in-state tuition of any public university in the United States. Moreover, this tuition is increasing much more rapidly than both the rate of inflation and family incomes. As a result, many well-qualified students are obliged to either choose less expensive institutions or borrow more money to come here. Among those who come, there are consequences of this financial stress, including the need to find part-time jobs and the attendant intangible cost of reduced focus on academics. Currently, the mean outstanding loan debt of our graduating seniors is \$22,420 (compared to the average debt nationally of \$15,500). This financial problem is particularly acute at the Commonwealth Campuses, where students' median family income is much lower than at University Park (\$48,000 vs. \$70,000). This income difference is correlated with academic success as reflected in the five-year graduation rates for students completing a four-year degree program. At the campuses, the graduation rate is just 48% in the group of students from families with income exceeding \$20,000, compared to 83% of those at University Park. Interestingly, students from the complementary low-income group (below \$20,000) are *more* likely to graduate if they start at a campus other than University Park.

It is critically important that Penn State remain affordable for students from all income levels. In point of fact, University scholarship funding has increased in recent years (three-fold during the last decade), currently exceeding \$40 million, or about \$500 per student, on average. However, this aid is directed in many ways, including to athletes and Schreyer Honors students. Approximately 40% is targeted on the basis of financial need. Unfortunately, Penn State ranks last among the Big 10 universities in the ratio of scholarships and grants to total cost.

Under these circumstances and as the Commonwealth's Land-Grant institution, we believe that Penn State should do more to address this problem, including publicizing it to potential donors and the state legislature.

1. INTRODUCTION

It is common knowledge that in recent years there has been a significant increase in the cost of tuition at most higher education institutions across the country. This increase is much larger than the modest increase in family income during the same time period. In the case of public institutions, including Penn State, a reduction in the state support for higher education has served as the primary cause for these tuition increases. At the same time, and further compounding the problem of rising tuition, the funding in Federal student aid programs, especially in the major Federal grant program, has remained flat, lessening the relative purchasing power of these programs. Furthermore, the Federal student aid commitment has shifted away from grant funds and toward educational loans to students and parents as the primary aid program for meeting the financial needs of students. This shift in public policy is particularly problematic for those students who cannot afford a college education without ample financial assistance. This is especially so for many low-income students who view the prospect of loan debt as a barrier to college. These circumstances have given rise to the question of access and affordability for low-income and some middle-income students. National data confirm these conditions.

Research shows that low and lower middle-income students are more sensitive to the price of education, and compared to their higher income counterparts, are often more reluctant to assume high loan debt to pay for college. Therefore, with the value of grant programs unable to keep up with the cost of tuition and faced with the prospect of high loan debt, many low and moderate income students are either not enrolling in college at all, or settling for lower cost colleges and community colleges as their only option for postsecondary education. National data, according to the National Center on Public Policy and Higher Education's report, "Losing Ground", 2001, estimates that 400,000 such students who are prepared for college either do not enroll, or settle for two year colleges because of lack of sufficient resources. This dynamic, while a function of fiscal reality, runs counter to both our charter as a land-grant institution and our Mission Statement, which declares in part "As Pennsylvania's land-grant university, we also hold a unique responsibility to provide access, outreach, and public service to support the citizens of the Commonwealth and beyond."

Educational costs as a percentage of family income, even with the availability of financial aid, is much greater for students from family incomes in the lowest income quartiles requiring these families to pay a net price that is most likely beyond their means. The burden of cost and net price for families in the higher income quartiles is much less. This condition of inequality of opportunity for higher education attainment should be a matter of serious concern for the nation. Appendix A includes data that demonstrate this burden.

In response to this concern, a number of colleges and universities have initiated new financial aid strategies to better ensure that low-income students will continue to have the opportunity to enroll at their institutions. These institutions are committing their own resources to augment federal and state grant programs in order to meet the full need of the lowest income students primarily with grant funds, and reducing or eliminating the amount of student loan debt these students must incur. These initiatives are typically targeted to students from families with incomes that are no greater than 150% of poverty level income. Appendix B provides a table summarizing some of these access programs.

Penn State faces this same concern about access and affordability for low income students. As the highest cost public university in the country, faced with significantly reduced state funding (see Appendix C), and with one of the largest student enrollments, the challenge of addressing the special

needs of low-income students is a particularly daunting one for the University. Penn State has taken steps to increase funding to its lowest income students through its initiative The Trustee Matching Scholarship Program; but, this is just the beginning of what is needed.

This report will provide an overview of the trends in student aid at Penn State and ask the questions: Is there more Penn State can do to better ensure access to low and moderate income students? To what extent should the University aspire to be an agent of change whereby educational opportunity exists for all students of the Commonwealth who wish to enroll regardless of their ability to pay the cost of education? These are overarching questions that need to be discussed, based in part on the facts described in this report.

This report will address the following trends at Penn State:

1. Tuition increases and growth in student aid applicants
2. Trends in student aid funding
 - loss of purchasing power of federal and state grants
 - growth in student and parent loans and average loan debt
 - growth in scholarship support
 - students and work
3. Unmet financial needs
4. Access programs for low-income students
5. Trends in applicants for admissions and offer acceptances
6. Trends in student persistence to graduation

Conclusions and recommendations appear as the final section of this report. Finally, the appendices provide a glossary of terms (Appendix D) as well as further data and information related to the content of this report. Appendix E lists resources used for direct reference within the report or as background reading for the committee.

2. TUITION INCREASES AND GROWTH IN STUDENT AID APPLICANTS

As the cost of tuition increases at Penn State, so does the number of undergraduates who seek financial aid to help defray those costs. Last year, 80% of Penn State undergraduates applied for and received some form of financial assistance. Tuition and fees for in-state students have more than doubled over the past 10 years, from \$5,308 for Pennsylvania residents in 1995-96 to \$11,508 in 2005-06. This trend is depicted in Figure 1. While the University has established lower tuition rates for students enrolled at the Commonwealth campuses, similar trends of increasing tuition and fees are evident at our campuses as well, also noted in Figure 1. This is especially challenging since the majority of Penn State's low income students are enrolled at the Commonwealth campuses. Not reflected in this figure is the tuition and fees for out of state students, which total \$21,744 at University Park in 2005-06. Non-resident tuition and fees for most of the non-University Park campuses is \$15,322.

Pennsylvania Undergraduate Tuition and Fees 1995-96 to 2005-06

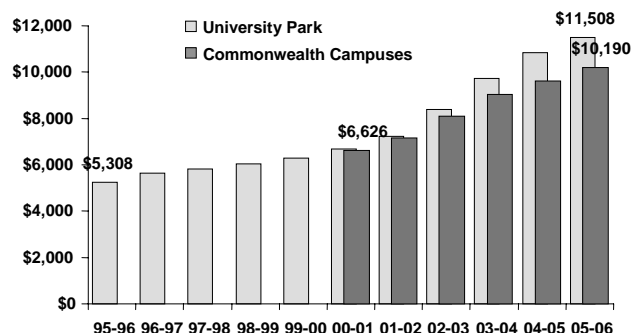


Figure 1

Penn State currently ranks highest with in-state tuition across all public colleges and universities in the country. With respect to out of state tuition, Penn State ranks third within the Big 10 publics; while our tuition is high, there are other public university systems (California, Colorado, Illinois, Michigan, Vermont and Virginia) with even higher tuition and fees for out-of-state students. The national average tuition and fees at public four year institutions in the United States is \$5,491. Tuition and fee averages vary regionally: \$7,277 (New England), \$6,586 (mid-Atlantic), \$6,555 (Midwest), \$5,005 (Southwest), \$4,472 (West) and \$4,433 (South) according to the College Board's Trends in College Pricing 2005. Appendix F provides a look at in-state tuition and fees at public universities within our region for further comparison.

In addition to tuition and fees, students require assistance with housing costs and books – all essential expenses to attend college. In 2005-06, these essential costs (defined as tuition, fees, room/board and books) at Penn State total \$19,708 for PA resident students at University Park (\$18,390 for students at Commonwealth campuses). Essential costs total \$29,944 for out of state students at University Park and \$23,522 at most non-University Park locations.

It is understandable, then, that an increasing number of undergraduates seek financial assistance each year. Figure 2 shows this growth trend in aid recipients. Ten years ago, 39,575 students received financial aid, representing 68% of all undergraduates; last year, 50,862 students received assistance, representing 80% of undergraduates.

Growth in Undergraduate Aid Recipients 1994-95 to 2004-05

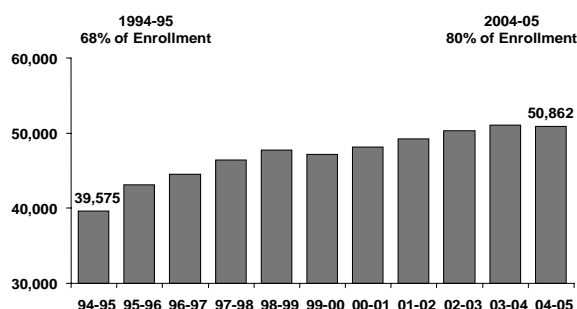


Figure 2

A look at the income distribution of Penn State recipients of student aid (Figure 3) is useful to understand the trends discussed throughout this report. Data about household income for Penn State undergraduates are known only for those students who apply for student aid. But this does represent income information for an overwhelming majority of Penn State undergraduates (80%).

A closer examination of the aid recipient population shows that approximately one-third of the recipients come from family incomes below \$40,000; another third are from middle income families with annual family incomes in the \$40,000 - \$85,000 range. Figure 3 shows this distribution over a four year period with the number of full-time, full-year students for each year. Family incomes were held constant for 2004 dollars for this comparison. The chart shows a 2% drop in the number of low income students and a 6% drop in the number of middle income students over the four years.

Even though low-income students benefit from both federal and state grant programs, the values of the grant awards have remained level over time, while tuition has increased. As grants cover a lesser percentage of costs, it is likely that the number of low income students may continue to decline. Some middle income students from Pennsylvania qualify for at least some state grant funding, but many in the middle income ranges qualify only for student loans and parent loans. This trend is consistent with admissions data, which show a loss of applicants for admission from the low and especially from the middle income ranges, as will be discussed in a later section of this report.

Figure 3 also demonstrates that much of the growth in the number of student aid recipients in recent years has been in the higher income ranges, above \$85,000. As costs increase, even families in the higher income range seek assistance through student and parent loan programs. Students from higher income families do not qualify for need based grant programs. The Federal Pell Grants are targeted to families from the lowest income ranges, typically no greater than \$40,000 of income. These grants range from \$400 to \$4,050. PHEAA state grants (for Pennsylvania residents) are targeted to students in both the low and middle income ranges. These grants range from \$400 to \$3,500.

Income Distribution of Aid Recipients

<i>Income Range (constant dollars)</i>	2001-02	2002-03	2003-04	2004-05
\$0 to \$40,000	12,635	12,464	12,455	12,391 (-2%)
\$40,001 to \$85,000	15,921	15,860	15,540	14,938 (-6%)
\$85,001 and higher	10,839	12,021	12,796	13,209 (+22%)

Figure 3

Figure 4 shows that the median income for **all** Penn State applicants for student aid is \$58,723. The median for students at University Park is \$70,524, while at the Commonwealth Campuses the median income is \$47,756. These figures compare to the national and state median family income of approximately \$53,000.

**Median Income for Enrolled Aid Applicants
2004-05**

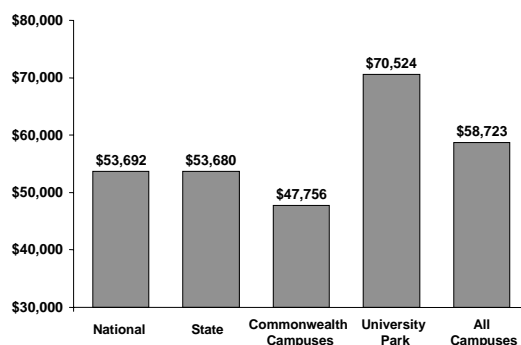


Figure 4

3. TRENDS IN STUDENT AID FUNDING

Student aid funding at Penn State comes from four different sources – Federal, State, Penn State, and external/private sources. Last year, the available student assistance for undergraduates from all sources of funding totaled \$538M with the majority of that assistance from Federal sources representing 61% of the funding. State student aid funds represent 10% of the total available aid with Penn State providing 14% of the total, and private, external sources making up the remaining 15%.

This funding is provided to students in four ways – Grants, Scholarships, Loans, Work-Study. Figure 5 shows that the funding distribution in 2004-05 of all available aid was student and parent loans 63%, grants 23%, scholarships 13%, and the work-study program comprised 1%, and the last shaded column is the percentage represented for each type of aid four years earlier, in 2001-02.

Sources and Types of Total Student Aid Funds 2004-05 - \$538M

Source of Aid	Percent of Total 2004-05		Type of Aid	Percent of Total 2004-05	Percent of Total 2001-02
Federal	61%		Grants	23%	28%
State	10%		Scholarships	13%	13%
Penn State	14%		Loans	63%	58%
Private	01%		Work-Study	01%	01%

Figure 5

This shows that educational loans comprise an increasing proportion of all the aid at Penn State. Just four years ago in 2001-02, loans comprised 58% of total funding, compared to 63% in 2004-05 with a corresponding decrease in percentage of grants from 28% in 2001-02 to 23% in 2004-05. The 5% *decrease* in grants and 5% *increase* in loans demonstrate the shift in federal commitment away from grants and toward loans. The percent of total aid comprised as scholarships has remained relatively unchanged even though actual dollars have increased as will be shown later. With respect to the work-study program, it should be noted that this is a federally funded work program that Penn State must match; students work on campus and are paid with 75% federal funding and 25% Penn State funding under the matching requirement. This program assists approximately 3,500 students each year across all Penn State campuses. This is a terribly under-funded program reaching only a fraction of the

students who qualify for this program. Many more students work part-time without the benefit of this program. Little data are available about the precise number of Penn State students who work. Further review of the available sources of student aid shows other trends that point to the challenge of access for low and many middle income students. Those trends are noted throughout this report.

3.1 Loss of purchasing power of federal and state grants

As mentioned previously, Federal and State funded grants have not kept pace with increases in tuition and fees. Grant award amounts in these programs have remained virtually unchanged since 2001-02 as illustrated in Figure 6.

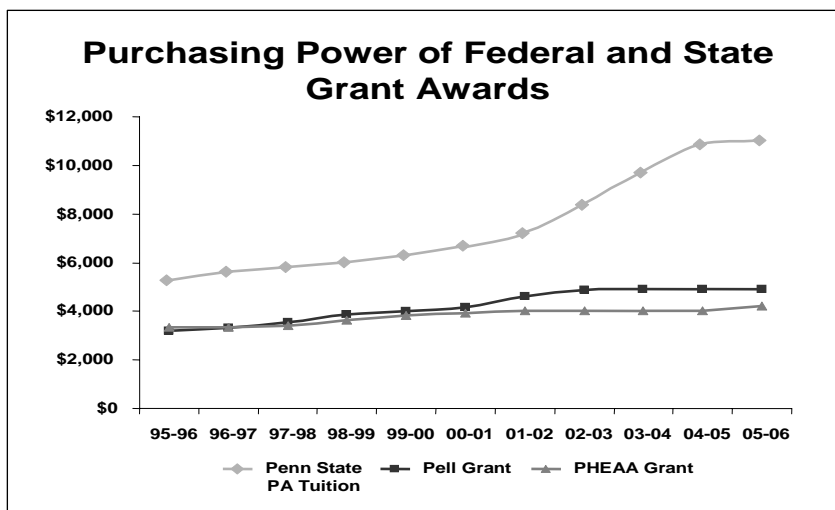


Figure 6

For example, the maximum Pell Grant covered 45% of a student's tuition 10 years ago but covered only 35% in 2005-06. The maximum State Grant (PHEAA) covered 51% of tuition 10 years ago but covered only 30% in 2005-06. The gap between the maximum award in each grant program and resident tuition at Penn State is apparent in Figure 6. Last year, 15,590 Penn State students received the Federal Pell Grant and 18,177 received the PHEAA State Grant.

3.2 Growth in student and parent loans and average loan debt

Like grants, the maximum loan from the primary federal student loan program has remained the same for well over a decade. Undergraduates can borrow only \$2,625 for the first year, with small increases in subsequent years. The total loan for the undergraduate degree is limited to approximately \$23,000 for most students. These limits fall considerably short of meeting the costs for most Penn State students.

To make up this shortfall, students and parents have been taking on additional loan debt. Ten years ago, Penn State parents borrowed \$16M through the Federal Parent Loan Program. Last year, they borrowed \$83M. For parents who could not or would not borrow from the Federal Parent Loan program, the students themselves turned to private educational loans borrowing \$65M last year, up from \$12M just four years ago. Last year, over 35,000 undergraduates (approximately 55% of all enrolled students) and their parents borrowed a total of \$338M in educational loans.

3.3 Increasing Student Loan Debt

The average loan debt of graduating Penn State seniors last year was \$22,420, exclusive of any debt their parents may have borrowed under the Parent Loan program. This compares to the national average student loan debt of \$15,500 for baccalaureate students at public colleges and universities. At private four year institutions, the average student debt is \$19,400 for baccalaureate students. These data are from the College Board's Trends in Student Aid 2005. Figure 7 shows the growth in average student loan debt upon graduation over the past six years. For students whose parents may not qualify for the Parent Loan program, additional loans can be found through private lenders. Interest rates can vary and are often much higher than the Federal student loan interest rates. However, some students are unable to qualify for private loans based on financial credit stipulations, and thus, may be left without the means to finance their expenses. For students who can qualify based on credit, it is typical that a student will graduate having borrowed through multiple loan programs in order to have pieced together the needed financing.

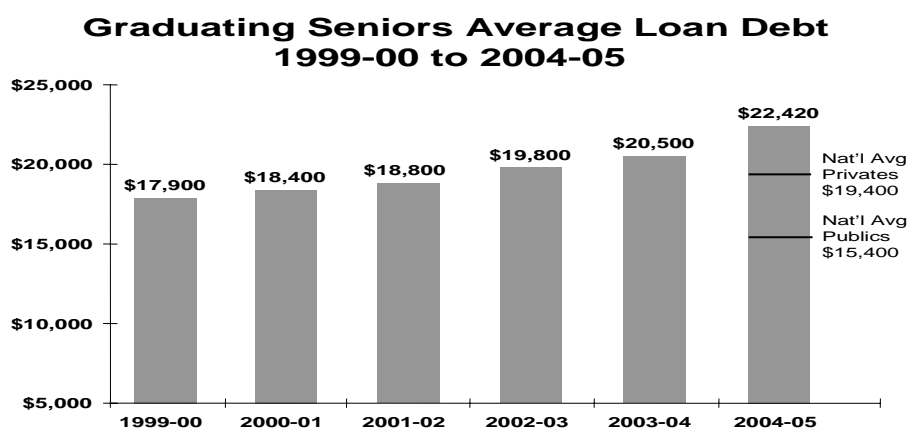


Figure 7

Unfortunately, even with access to Federal and State grants, low income students still must incur substantial debt. Figure 8 shows the average loan debt for Penn State graduating seniors based on their family income range.

**Average Loan Debt by Income of Graduating Students
2004-05**

	PA	Non-PA
Income Range	Average Loan Debt	Average Loan Debt
\$0 - \$40,000	\$26,678	\$32,199
\$40,001 - \$85,000	\$21,852	\$28,922
\$85,001 +	\$17,099	\$23,251

Note: Average Debt for all students = \$22,420

Figure 8

Average loan debt for low-income students who graduate is over \$4,000 greater than the average debt for all graduating students; almost \$5,000 more than their middle income counterparts; and over \$9,000 more than students from family incomes greater than \$85,000. Also noted in Figure 8 are loan debt figures for non-resident students that are higher (for students in all three income bands), than the average debt for all students.

3.4 Growth in scholarship support

Given the reduced level of Federal and State support for financial assistance, Penn State, like most public institutions, has stepped up its effort to increase scholarship endowments and to direct additional tuition revenue toward increased student support. Scholarship funding is critical if we are to be competitive in student enrollments. We do not know the degree to which students and their parents will be willing to continue taking additional loan debt, as described above, in order to attend Penn State. Therefore, scholarships are needed both to attract new students, and to reduce student debt burden. Penn State has continued to increase scholarships to students from both institutional funding and through private fund raising. Figure 9 below shows the growth in scholarship assistance over a ten year period from 1994 to 2004. While admirable, further growth in scholarship support is needed in light of more recent rapid increases in tuition.

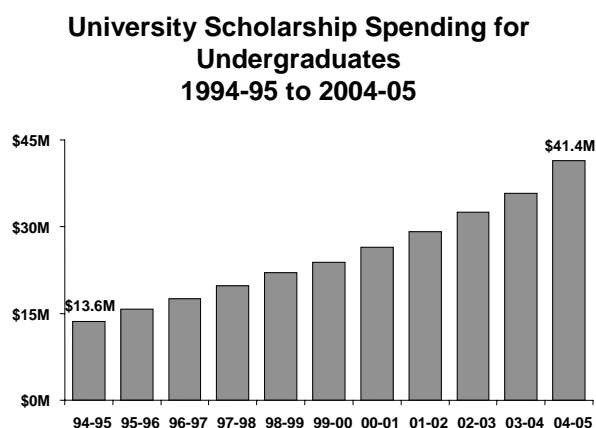


Figure 9

It is common for students and parents to look at the amount of scholarship and grant assistance available to meet their essential educational costs when making comparisons across different educational institutions and deciding which college to attend. Benchmark data with other public Big 10 schools in Figure 10 show that Penn State ranks last in the scholarship and grant packages offered to our lowest income in-state students.

**Grants and Scholarships as a Percent of Cost for Low-Income Students
Public Big 10 Comparisons**

<u>School</u>	<u>Cost</u>	<u>Total Grant/ Scholarship</u>	<u>% of Cost</u>
Northwestern	\$44,592	\$37,767	85%
Michigan	\$19,643	\$12,450	63%
Minnesota	\$18,430	\$11,622	63%
Michigan State	\$16,480	\$10,080	61%
Iowa	\$16,142	\$ 9,890	61%
Purdue	\$16,068	\$ 9,748	61%
Illinois	\$19,240	\$10,938	57%
Indiana	\$17,602	\$ 9,122	52%
Wisconsin	\$15,994	\$ 7,900	49%
Ohio State	\$18,987	\$ 7,558	40%
Penn State	\$21,674	\$ 8,300	38%

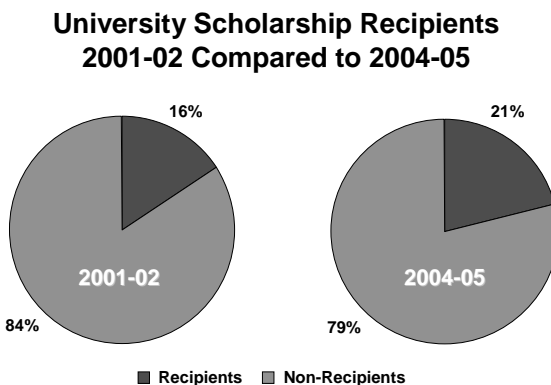
Figure 10

(Note: The cost figures used in this chart include the student's total cost of attendance that is allowed in determining eligibility for Federal student aid. These cost figures are inclusive of incidental expenses incurred by all students, such as transportation costs, personal and incidental expenses over and above essential costs of tuition, fees, room, board and books.)

The Grants and Scholarships packaged by each school are funded through federal, state, and university programs of assistance. While distribution of funding from Federal and State financial aid programs is made based primarily on financial need of the student, in the case of institutionally funded grants and scholarships, criteria such as academic merit or talent may be primary factors used to determine the selection of recipients. Examples of merit or talent scholarships at Penn State include the Schreyer Honors College scholarship program, and full and partial athletic grants; these are programs for which financial need is not a criterion for an award. It is important to note, that at Penn State, approximately two-thirds of University funded scholarships are distributed primarily on the basis of academic merit or talent. However, some of these scholarships may also take the student's financial need into consideration once merit or talent qualification is established. To this extent, merit based scholarships with a need component do have the potential to help many low and middle income students who exhibit academic skills or talent.

To improve the percent of grant/scholarship funding available to Penn State's low income students, additional resources must be developed. Increasing Penn State's endowments requires a continuous effort over time.

Scholarships assist about 21% of our undergraduates. But, as noted previously, a significant number of our undergraduates come from low and middle income families and scholarship support is of growing importance to these students and to the University if we are to ensure access and improve affordability. There is modest progress as shown in Figure 11 - scholarships reached 21% of undergraduates last year compared to 16% four years earlier. The average scholarship is approximately \$2,200 per student receiving scholarships.



**Out of 63,833 Undergraduates in 2004-05,
13,339 received University Scholarships**

Figure 11

Further analysis of scholarships at Penn State is depicted in Figure 12. This chart shows the various programs or units that distribute scholarships. The scholarships are either donor based (from endowments or annual giving) offered by colleges and campuses, centrally funded (as is the case with Bunton-Waller Scholarships and Trustee Scholarships), or funded primarily through auxiliary enterprises as in the case of athletics. Scholarships through Schreyer Honors College are funded through the University's contract with Barnes and Noble. Approximately 60% of total scholarship funds use merit or talent as primary selection criteria for awarding to students.

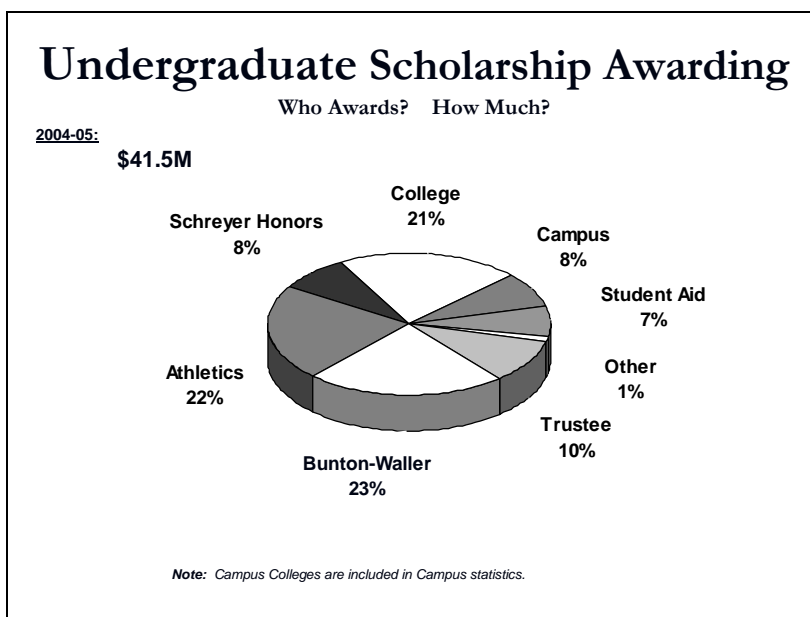


Figure 12

Figure 13 shows the distribution of scholarships to undergraduates as a function of students' family income. Also shown in this figure are the number of students and scholarship dollars received for whom no student aid application was provided. Thus, the income of these students is not known. Athletic Scholarships are shown separately in the figure as these awards, by design, cover full or partial costs for tuition and other expenses; these awards are not typical of other scholarship programs.

Another observation for this figure is this: students who are not applicants for need based aid (2,788) and students from family incomes in excess of \$85,000 (1,710), combined, represent 50% of all merit scholarship recipients at Penn State and receive higher average scholarship awards than students in the low and middle income ranges.

**Scholarship Distribution by Income 2004-05
(Total Merit Based Scholarships \$28.8M)**

Income Range	Number of Recipients	Total Scholarships	Average Award
\$0 - \$40,000	2,072	\$3,796,381	\$1,832
\$40,001 - \$85,000	2,261	\$4,330,151	\$1,915
\$85,001 and higher	1,710	\$4,411,033	\$2,580
Income unknown	2,788	\$7,059,310	\$2,532
All	8,831	\$19,596,865	\$2,219
Student Athletic Awards	525	\$9,221,292	\$17,564

Figure 13

For further context about the use of scholarships at Penn State compared to scholarships at private institutions and the practice of discounting, see Appendix G where data from the University of Chicago show average grants (scholarships) range from \$10,335 to \$31,511. This discounting puts the net cost of enrollment at the University of Chicago within comparable range of Penn State's net cost even for students at the highest income ranges.

3.5 Students and Work

Data for Penn State are limited regarding the extent to which students work part-time or more in order to pay for their educational expenses; anecdotal evidence suggests this is significant. National data show a positive effect for students who work 1 to 15 hours per week, especially for those who work on campus. Students who work more than 15 hours AND those who do not work at all do not persist at the same rate at those who work 1 to 15 hours. Other benefits of moderate part-time work include better time management by students and the opportunity to limit the amount of educational debt they might otherwise incur. However, for the many students thought to work in excess of 15-20 hours and often at multiple jobs, the impact can significantly interfere with academics. Students in this situation are at risk of poor scholarship, taking minimum course loads, stopping in and out, withdrawing, or prolonging their time to degree. This can actually be more costly to the student than borrowing more, working reasonable number of hours, and completing their degree in a shorter time span. Students should seek a balance in this regard. However, given limited student aid, as described in this report and the difficulty for some students in accessing adequate private loan assistance, excessive employment is, for many, a reality. See Appendix H for national data from NCES about students and work and effects on academic success.

4. UNMET FINANCIAL NEED

The growth in Federal student and parent loans and the growth in private, external loans have been necessitated by the conditions of under-funding in the Federal and State grant programs over the past four years and Penn State's unprecedented tuition increases. Figure 14 shows the typical student aid

package for low and middle income resident students and the shortfall between their essential educational costs, their family contribution and the available sources of student aid. The figure shows how the shortfall (or unmet need) has increased by approximately \$4000 for both income groups over just the past four years.

In 2005-06, our lowest income student, qualifying for the greatest amount of federal and state grants and student loans still had to find additional resources of \$6,133 to meet their essential costs (compared to four years ago when the shortfall was just \$2,067). This shortfall represents the amount that the student’s family needs to borrow through parent loans or private educational loans. This shortfall also contributes to the decline in students from the low income ranges among our student aid applicants. Similarly in 2005-06, a middle income student, who would not qualify for as much grant funding, would have a shortfall of \$9,583 between their essential costs, family contribution and available financial aid (compared to \$5,317 four years ago). The challenge is even greater for out of state students.

Financial Aid Award Examples for First year Students at Penn State

Year	<i>Low Income Range: \$0 to \$40,000</i>		<i>Moderate Income Range: \$40,001 to \$85,000</i>	
	2005-06	2002-03	2005-06	2002-03
Essential Costs	\$19,708	\$14,942	\$19,708	\$14,942
Family	0	0	5,000	5,000
Grants	8,750	8,050	2,500	2,000
Loans	4,825	4,825	2,625	2,625
Total Aid + Family	13,575	12,875	10,125	9,625
Shortfall	\$ 6,133	\$ 2,067	\$ 9,583	\$ 5,317

Figure 14

This student Aid profile is for a resident student from a family of four with little to no assets. The low income student’s family would not be expected to contribute to the cost of college under the federal need analysis. The moderate income family would be expected to contribute \$5,000 to the cost of education.

Again, as a point of comparison, see Appendix G for an example of how one “high cost” private University, the University of Chicago, provides financial aid to students from various family income ranges and the portion of the aid that is in the form of grants. (At private institutions, the term ‘grant’ is often used to mean ‘scholarship’.) For example, for students from middle income families, the average grant at University of Chicago is more than 60% of the total cost (\$41,440 for the year 2003-04). For a middle income family, the typical grant (about \$26,000) is so large that attending this nominally expensive private institution is actually less expensive than for a PA resident to attend Penn State.

Please see Appendix I for a more detailed explanation of how financial need is determined.

5. ACCESS PROGRAMS FOR LOW-INCOME STUDENTS

Appendix B provides a summary table of many programs known as ‘access programs’ that have been developed by major Universities across the country in the past two years. Since the table was last updated several programs have been added including one from another Big 10 school, Minnesota.

These programs are in direct response to several higher education policy studies with data that show students from low-income families are likely to enroll and complete college at only a fraction of the rate as do their higher income counterparts of equally qualified students. Several college presidents around the country have sounded the alarm on this situation and have tackled this problem aggressively with a commitment at their institutions to help address this national challenge.

Some of the most common characteristics of these programs are:

1. Targeting students from very low family incomes, especially first-generation students.
2. Low-income is typically defined as students from families whose incomes are not greater than 150% to 200% of poverty income for the family's household size.
3. These family income ranges often equated with those required to qualify for the Federal Pell Grant Program – those in the low and lower-middle income ranges.
4. Selects students who meet the institution's admission standards but typically bring some risk factors that may affect their success, often common for students from low socio-economic backgrounds.
5. Meets the full financial need of the targeted students.
6. Limits or eliminates the amount of loan debt the students must incur by guaranteeing maximum or near maximum grant and work-study funding in the financial aid packages.
7. Tracks students in the access program through their four years with concurrent academic and social support programs.
8. The program goal is for the student to achieve graduation within a four to five year timeframe.

The first such program of this type was introduced by the University of North Carolina-Chapel Hill, known as the Carolina Covenant. The features of this program are described in Figure 15, including the cost to implement the program at UNC-CH. Using this program as a model, Penn State's Office of Student Aid provided a side by side comparison (Fall 2004) that demonstrates the cost of the program at UNC and the cost to replicate the program at Penn State.

<u>Carolina Covenant Program Features</u>	<u>Comparable Penn State Features (2002-03)</u>
1. Targets lowest income students – 281 (first year)	1. 1,551 low-income students (first year)
2. Meets student's full need	2. Full financial need is not met
3. Replaces all loans with grants	3. Students receive substantial loan aid
4. Awards Work Study as retention tool	4. Awards work-study
5. Students can graduate with no loan debt	5. High loan debt for graduates
6. Per student state appropriation \$14,472	6. \$3,440 per student state appropriation
7. In-state tuition is \$4,072	7. In-state tuition is \$10,856
8. Annual cost to UNC-CH is \$1.38M	8. Annual cost for comparable UNC program with no loans is \$62M (cost with some loan, \$36.4M)

Figure 15

Clearly, given the size of Penn State's enrollment and the numbers of students we enroll who fall into the low-income student cohort served at UNC, the cost of a comparable program is substantial for Penn State (up to \$62M). The Access Programs described in Appendix B reveal that different schools identify their cohorts differently using factors that limit the number of students their program will target. A second model in place at the University of Michigan is also described in Appendix B with an analysis of cost required to implement a comparable program at Penn State. The cost for the University of Michigan's program, which covers students receiving Pell Grants, would be around \$5M, while the comparable program at Penn State would approximate \$100M in cost.

Penn State’s effort to increase opportunity for low income students is articulated in the goal of the new Trustee Scholarship Program. The University has stated publicly its desire to make sure that no qualified student who wishes to enroll at Penn State would be denied the opportunity just because they lack the funds to pay. While it is expected that such funds necessarily include student loans, it is also recognized that scholarship funding must be made available. To that end, the University created the Trustee Scholarship Program several years ago. This program offers scholarships to academically capable students who are recipients of the Federal Pell Grant. By definition, these are among the most financially needy students. The University has committed \$5M to leverage private endowments. Each endowment of \$50,000 to the Trustee Scholarship Program is matched by 5% of University funds. A goal of \$100M has been established for this program. When reached, together with the matching funds, it is expected to yield at least \$10M in new scholarships for undergraduates, in perpetuity. The typical scholarship in 2005-06 ranged from a minimum of \$1,250 to a maximum \$3,000, with higher awards possible for out of state students. Last year 3,511 students benefited from this program with available funds of \$5.6M (central matching plus endowment earnings). The average GPA of those students receiving a Trustee Scholarship was 3.49, their median income was \$28,014, and many were first generation or low-income students (incomes less than 150% of poverty level). This is a very important initiative for Penn State.

6. TRENDS IN APPLICANTS FOR ADMISSION AND OFFER ACCEPTANCES

Characteristics of applicants for admission may provide insight into the types of students expressing interest in Penn State, and how internal and external forces might affect this interest. Figure 16 compares across the University the family income profiles by income range (adjusted to 2005 dollars) for freshman baccalaureate applicants for Fall 1996, 2000, and 2005, who applied for financial aid.

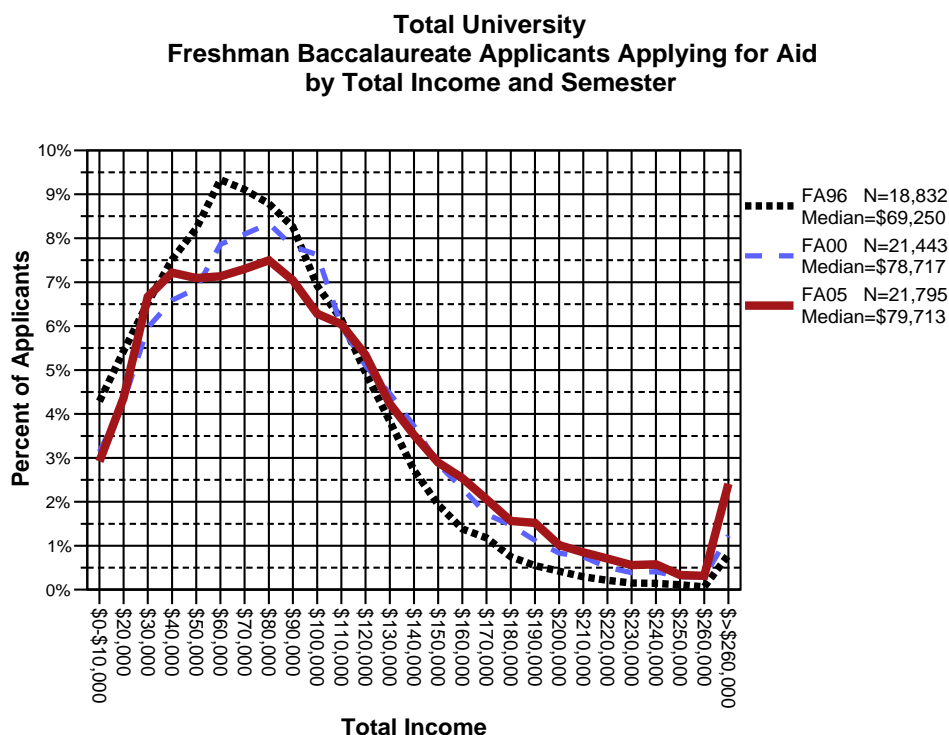


Figure 16

Comparison of Fall 1996 to 2005 applicants among lower, middle, and higher incomes indicates a 2.5 percentage point decline for those up to \$40K, an 8.4 percentage point decline between \$40K and \$110K, and a 10.9 percentage point increase for those above \$110K, with figures taking inflation into account.

A separate analysis of paid acceptances for University Park (UP) and the Commonwealth Campuses (CC) comparing Fall 1996 to 2005 reveals the following: Although the total University curves (shown in the chart above) for applications are generally similar to those for paid accepts for each population separately, some noteworthy differences occur. At UP the decline for paid accepts with incomes up to \$40K was 5.5 percentage points, while the decline for paid accepts with incomes between \$40K and \$110K was 7.3 percentage points. However, there was a 12.8 percentage point increase in paid accepts with incomes above \$110K. In contrast, for the CC, there was a 1.2 percentage point increase for paid accepts with incomes up to \$40K, a 7.6 percentage point decrease in paid accepts between \$40K and \$110K and a 6.5 percentage point increase in paid accepts with incomes above \$110K, about half that at UP.

Applicants and paid accepts in the income range of \$40,000 or less approximate the Pell Grant recipient pool, the students with highest need. Access for low income students is a national concern and the percentage of paid accepts defining the freshman class in this income range has declined at University Park, but increased slightly at the Commonwealth Campuses.

The most significant percentage point decline comes in the middle income range, identified nationally as the hardest hit by increasing cost and lack of grants and scholarships. Although middle income students from Pennsylvania qualify for at least some state grant funding, many middle income students have an expected family contribution too high to qualify for federal grants and find themselves eligible for only student and parent loans.

The most significant percentage point increase comes for applicants and paid accepts with incomes over \$110,000. As the cost of higher education increases everywhere, students who once considered private education are now considering public institutions, and often these families have higher income levels. High school guidance counselors report that these students and their families see Penn State as an alternative to private education costing \$40,000 or more and also see Penn State as an excellent investment.

Although a more thorough analysis should be conducted to consider other factors which might explain the differences in income profiles, it appears as though increased cost and lack of gift aid, coupled with a family's ability to pay increasing tuition and fees, could contribute to the percentage point decline in applicants in the lower and middle income ranges and could also play a part in explaining the percentage point increase in applicants with incomes over \$110,000. Also, there is evidence that within certain income ranges, incomes have been increasing nationally.

The above incomes have been adjusted for inflation, but not for any real change in incomes at the national level, which could help explain the changes in income profiles of applicants and paid accepts at Penn State. According to the U.S. Census Bureau's 2006 Statistical Abstract, when comparing national family incomes in 1990 with 2003 adjusted to 2003 dollars, there has been a significant increase in the percentage of families with incomes above \$100,000 and a decline in the percentage of families with incomes in the \$50,000 to \$74,000 income range. Even though this time period does not

match the above graphs, these national changes in real family income do help explain some of the difference we see in the income profiles of applicants and paid accepts and must be considered.

7. TRENDS IN STUDENT PERSISTENCE TO GRADUATION

This section characterizes the 8,837 incoming freshman baccalaureate students of 2000 at University Park (UP) and the Commonwealth Campuses (CC) who applied for student aid. Of their total, 61.5% graduated by 2005 (after five years) while 38.5% did not. For those students beginning at UP, the five year graduation rate is 83%. For students beginning at the CC, 48% graduated somewhere at Penn State, including UP, after five years.

The observed differences in graduation rates for those students beginning at UP vs. those beginning at the CC, come as a function of many possible factors. On average, students who begin at UP come with higher SAT scores and high school GPAs. Other factors, including socioeconomic status (family income), could contribute as well.

As can be seen in Figure 17, the median family income of students who began at University Park and graduated was \$85.3K compared to \$67.6K for those who did not graduate. For students who began at the CC, the median income of students who graduated at any campus of Penn State, including UP, was \$63.2K and for those students who did not graduate, \$55.7K. It is also important to note that graduates had higher mean SAT scores and high school GPAs than non-graduates.

Fall 2000 Freshman Baccalaureate Cohort Applying for Aid Total Income, Total SAT Score and Total High School GPA by Graduate/non-Graduate Status for University Park and Commonwealth Campuses					
		University Park		Commonwealth Campuses	
		Graduate (2,780 83%)	Non-Graduate (567)	Graduate (2,656 48%)	Non-Graduate (2,834)
Total Family Income	Mean	\$92.1K	\$77.4K	\$67.4K	\$60.1K
	Median	\$85.3K	\$67.6K	\$63.2K	\$55.7K
Total SAT Score	Mean	1202	1160	1016	965
High School GPA	Mean	3.81	3.62	3.25	3.02

Figure 17

Although the difference in graduation rates can be explained in part by the differences in SAT scores and high school GPAs, what is noteworthy from this table is the fact that mean and median incomes of graduates are higher than of non-graduates, providing some indication that lower and middle income students are having more difficulty completing their degree.

8. CONCLUSIONS AND RECOMMENDATIONS

A combination of economic, demographic, and psychological factors have converged nationally to reduce funding sources and opportunities for the nation's public universities. As a result, Penn State approaches the future with a certain degree of uneasiness with respect to its role as one of the nation's flagship state universities. The University already charges the highest tuition of any public university in the United States. Penn State risks movement toward a more elite student body that can afford the cost of tuition while many low- and middle-income students have come to question whether the University is affordable. Such a shift in student demography would potentially thwart the University's mission as the principal university for the education of the Commonwealth's children. Can Penn State endure this evolution? While this committee believes the University can succeed as a business, we are concerned about the potential of sacrificing its Land-Grant educational mission.

The long-term economic slide of the state's industries has reduced the overall income and tax base for committing state educational funding support for Penn State. As the proportion of family income required to pay the cost of a Penn State education increases, families, especially those with low and moderate incomes, will seek less expensive educational options. The shift in federal funding policy away from adequate grant support toward long-term educational loan programs has caused already financially burdened families from low socioeconomic levels to shy away from encumbering their children with future burdensome loans. Still, for the many students who do take on such a burden, years of repayment of student loans defers or lessens the ability of alumni to contribute much needed support back to their University.

Several questions regarding the overall impact of high priced tuition should be considered. Has Penn State struck the right balance between university academic excellence and the accessibility to this education? Are we losing ground if we cannot fulfill the promise to the People of the Commonwealth's children? Do we risk the loss of the best and brightest students? The University's pursuit of alumni support for greater scholarship funding must be the *sine qua non* to sustain Penn State's place of eminence among public universities. Access to and affordability of its quality education must be one of our highest priorities.

If sufficient funding is not found for Penn State University, then its days as a leading national research institute and foremost public educational institution for the children of this Commonwealth are at risk. The case needs to be made that the long-term survival of this priceless asset of a University is one of a long term personal/spiritual commitment. Serious challenges in these times require new thinking to meet them successfully.

8.1 Recommendations

While funding deficits at both state and federal levels certainly challenge the financial stability of the University, several areas within its control should be strongly considered. The following two recommendations are advanced:

- 1) The University should continue to emphasize as one of its highest priorities in the next fund-raising campaign increased funding for financial aid, especially need-based aid for its undergraduate students. If successful, this can improve continued access to a Penn State education for low- and lower middle-income students of the Commonwealth in support of our mission as the state's land-grant institution.

2) The University Development Office should continue to pursue and strengthen a “request for giving” strategy to ask donors for both general, unrestricted gifts and for endowments to specifically fund academically promising but financially needy students. The existing Trustee Matching Scholarship Program is a very good start for this effort, providing a foundation for developing more need-based scholarships.

These recommendations, if acted upon, present an opportunity for the University to assume a leadership role in addressing the national problem of access to college for bright and promising low- and middle-income students. If our University is committed to the belief that an educated populace is a public good, not solely a personal benefit, then it must step forward to help address the disturbing trends associate with upward spiraling tuition costs as outlined in this report.

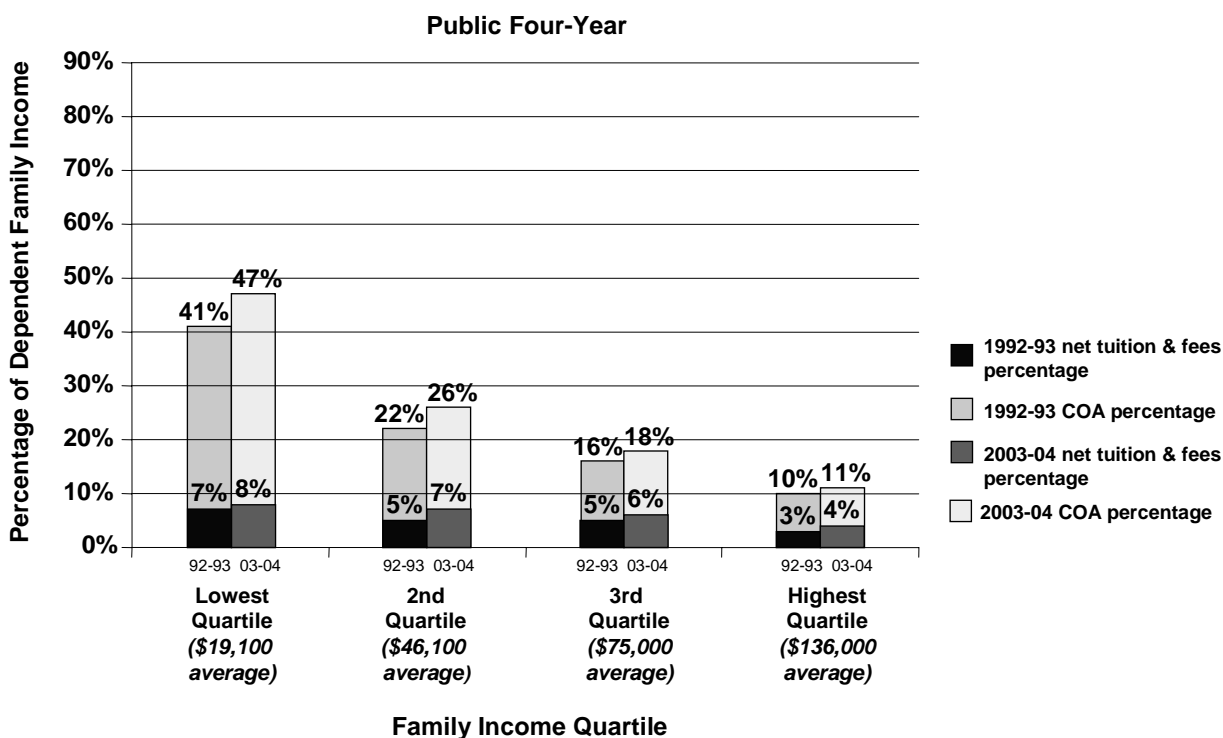
APPENDIX

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Appendix A

Net Price as a Percent of Family Income

Full-time Dependent Student Net Tuition and Fees and Net Cost of Attendance (COA)
As a Percentage of Family Income, 1992-93 and 2003-04, at Public Four-Year Institutions



Note: Net price is defined here as published price less grant aid. Percentages are based on the actual net prices and family incomes of students. Income percentiles are based on all full-time dependent undergraduates. Average family incomes for these quartiles are noted above.

Source: National Postsecondary Student Aid Study (NPSAS): 1993 Undergraduates, NPSAS: 2004 Undergraduates; calculations by the College Board, Trends in Higher Education Series.

The bottom segment of each bar shows the percentage of income required to pay the average net tuition and fees, after subtracting average total grant aid received by full-time dependent students in the specified income quartile. The entire bar shows the percentage of income required to pay the total net cost of attendance. It includes room, board, books, transportation, and personal expenses, in addition to tuition and fees.

Appendix B Summary of Access Programs for Low-income Students

Institution/ Program Name	Date of Announcement/ Implementation	Income Group(s) Targeted	Projections of Cost and Impact	Details of Offer and Program
UNC – Chapel Hill Carolina Covenant Scholars	Originally Announced Oct. 1, 2003, and began with freshman in fall '04; On Sept. 29, 2004, University extended the program to begin with freshman in fall of '05	Originally, families at 150% of federal poverty level or below; Expanded to families at 200% of federal poverty level or below (~ \$37K for family of four, ~ \$24K for single parent) *Reduced expectation will also be seen for moderately low-income students	<ul style="list-style-type: none"> • 225 Covenant Scholars enrolled in Fall '04 • ~345 w/ revised guidelines • Nearly \$2.7 million has been donated in private gifts to support program • Initially ~\$1.4 million; 2005 change added an additional ~\$1.3 million (according to Herald-Sun) • For Fall '04 Cohort – About 88% are from NC; 37% are white, 33% black; 16% Asian, 7% Hispanic, 2% Native American 	<ul style="list-style-type: none"> • Combines work study (10-12 hours), and federal, state, university, and private grants and scholarships to meet financial need • Entering cohort averaged 4.21 GPA and 1,209 SAT • Avg. annual income for entering cohort was \$13,400 • Only incoming full-time freshman and transfer students are eligible (must have been already admitted) • Students are eligible for renewal each year (up to 9 semesters), but must make satisfactory progress
Harvard University Harvard Financial Aid Initiative	Announced February 28 th , 2004 and began with Fall '04 freshman class	Families w/ income under \$40,000 *Families between \$40-60K will see reduced expectation	<ul style="list-style-type: none"> • Harvard set aside \$2 million in new funds to cover expanded aid for program; • Is expected to benefit more than 1,000 students (though doesn't say how many are in the full-aid group); 	<ul style="list-style-type: none"> • No financial obligation for students or parents under \$40K • Harvard is also making a special effort to intensify efforts to reach out to talented students that would qualify for the program (including a summer academy for talented local students from financially disadvantaged backgrounds) • Students have the option of work study or a loan to meet the \$3,500 self-help requirement
Williams College No Name (?)	Announced Jan 18, 2004 to begin in Fall '05	Students w/ average incomes around \$20,000 *Will also drop loan expectations for families with up to \$80,000 in avg. income	<ul style="list-style-type: none"> • Will affect ~100 students and will cost Williams around \$250,000 	<ul style="list-style-type: none"> • No real details available
University of Virginia Access UVa	Originally announced Feb. 6 th , 2004, to begin with freshman in Fall '04 On Jan. 17 th , 2005, UVA expanded program, to begin fall '05	Expanded to families at 200% of the federal poverty level or under to start w/ fall '05; also expanded to make transfer students from Virginia Community College eligible *Also capped need-based loans at ~25% of 4-year cost, and will meet difference w/ grants	<ul style="list-style-type: none"> • Over 100 students enrolled in program in fall '04 • Total cost projected at \$16.4 million (includes replacing some loans with grants for middle income students) • Cost will increase to \$17.9 million with expanded eligibility criteria in 2005 	<ul style="list-style-type: none"> • Does not include a stipulation that students have a work study position (UVA cited research showing students that work part time struggle academically) • No application other than normal UVA financial aid application and FAFSA is necessary
Princeton University No Name (?)	Originally announced Jan. 27, 2001 and affected all students beginning in fall '01 Expansion of the program begun with freshman in fall '98 that removed loans from aid for families with avg. income under \$46,500	No student will be required to take out a loan, all aid packages will consist solely of grants and some required contributions from students (work-study and summer jobs)	<ul style="list-style-type: none"> • Projected to cost the University more than \$5 million in 2002 	<ul style="list-style-type: none"> • Didn't find any additional information

Institution/ Program Name	Date of Announcement/ Implementation	Income Group(s) Targeted	Projections of Cost and Impact	Details of Offer and Program
U. of Maryland Pathways Program	Announced April 12, 2004 to begin with students entering in fall '04 (?)	Grants and work study will replace loans in award packages to students in families under the federal poverty level (\$21,000) *Also has a component that awards grants to student ineligible for Pell Grants because they work to meet living expenses (award will cover amount of lost Pell Grant)	<ul style="list-style-type: none"> • Reached 300 students in 2004 • Expected to reach ~500 students in 2005 • ~\$1.6 million annually (made available from the Maryland Higher Education Commission) 	<ul style="list-style-type: none"> • Students are expected to work 8-10 hours a week • Rest of financial aid award is grants, scholarships, etc.
U. of Nebraska	Approved by Nebraska Board of Regents on April 26, 2004, to go into effect with 2005-06 school year	Students that applied for an received Pell Grants are eligible (90% have family incomes under \$40,000)	<ul style="list-style-type: none"> • University estimates plan would have helped 1,500 students this past year; it should help at least that many next year • \$2.5 million set aside for first year of program 	<ul style="list-style-type: none"> • University will cover difference between Pell Grant award, any other awards, and full cost of tuition and fees
Brown University	Began with class of 2006 (freshman entering fall '02)	Anyone that would typically have work study as part of aid package	<ul style="list-style-type: none"> • 	<ul style="list-style-type: none"> • Waived work study for first year students and replaced earnings with grant funds • Only for first-year students
Ohio State University Land Grant Opportunity Scholar	Announced Jan. 11 th , 2005 to begin with fall 2005	1 student from each Ohio County (88 total) from a family under \$40,000	<ul style="list-style-type: none"> • Scholarship will cost OSU nearly \$1.5 million next year 	<ul style="list-style-type: none"> • Recipients will get full tuition, room and board, and fees, plus book allowance, money for supplies and for travel
University of Illinois The Illinois Promise	Announced Dec. 2004 Effective Fall 2005	125 new students each year Academically qualified In-state students only from family incomes at or below poverty level and no expected family contribution	<ul style="list-style-type: none"> • \$280,000 in the first year • Through private support, fundraising currently underway 	<ul style="list-style-type: none"> • University Grants added to other student aid to meet full cost of tuition, fees, room, board and books • No student loans • Meets full need • 10 hours per week in work-study • Renewable for 4 years.

Courtesy of Donald Heller, Associate Professor and Senior Research Associate, Center for the Study of Higher Education, Penn State University, with Additions from A. Griswold

Appendix B (cont.)

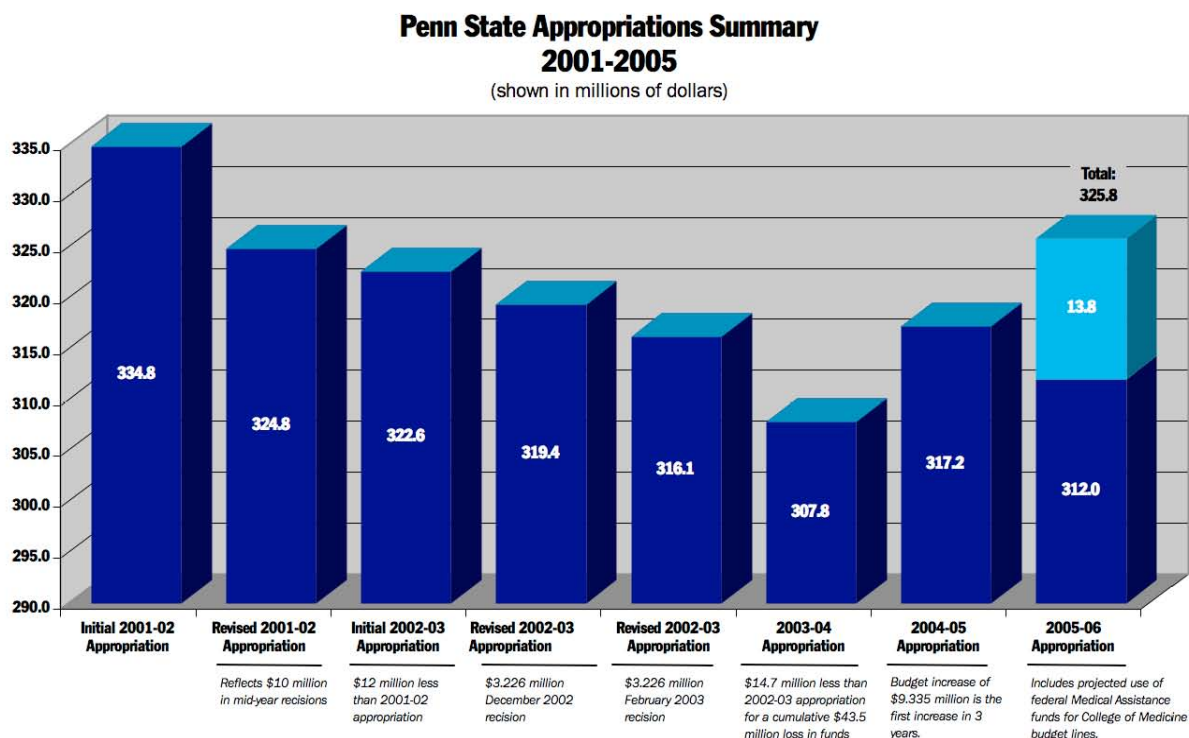
Comparison of University of Michigan M-PACT Program to Penn State Aid Offers

	<u>Michigan</u>	<u>Penn State</u>
<u>COSTS</u>		
Tuition/fees	\$ 8,200	\$10,856
Room/Board/Books/other	<u>\$10,000</u>	<u>\$10,000</u>
Total Cost of Attendance	\$18,200	\$20,856
<u>FAMILY RESOURCES</u>		
Family Income:	up to \$20,000	
Expected family contribution:	\$0	
<u>FINANCIAL NEED</u>		
Cost	\$18,200	\$20,856
less Family Contribution	<u>0</u>	<u>0</u>
= Need	\$18,200	\$20,856
<u>FINANCIAL AID OFFER</u>		
Grant Aid		
New M-PACT grant	\$1,500	NA
Other Grants	\$6,650	\$4,500
Pell grant	<u>\$4,050</u>	<u>\$4,050</u>
Total Grants	\$12,200	\$8,550
Other Aid		
Work study	\$2,500	\$2,400
Loans	\$3,500	\$4,825
Total Financial Aid	\$18,200	\$15,775
Unmet Need	- 0 -	\$ 5,081
% need covered by grants/work-study	80%	52%
% need covered by total financial aid	100%	76%
<i>Note: Number of Pell Grant students:</i>	3,335	15,685

Source: Information taken from University of Michigan website and Penn State's Office of Student Aid

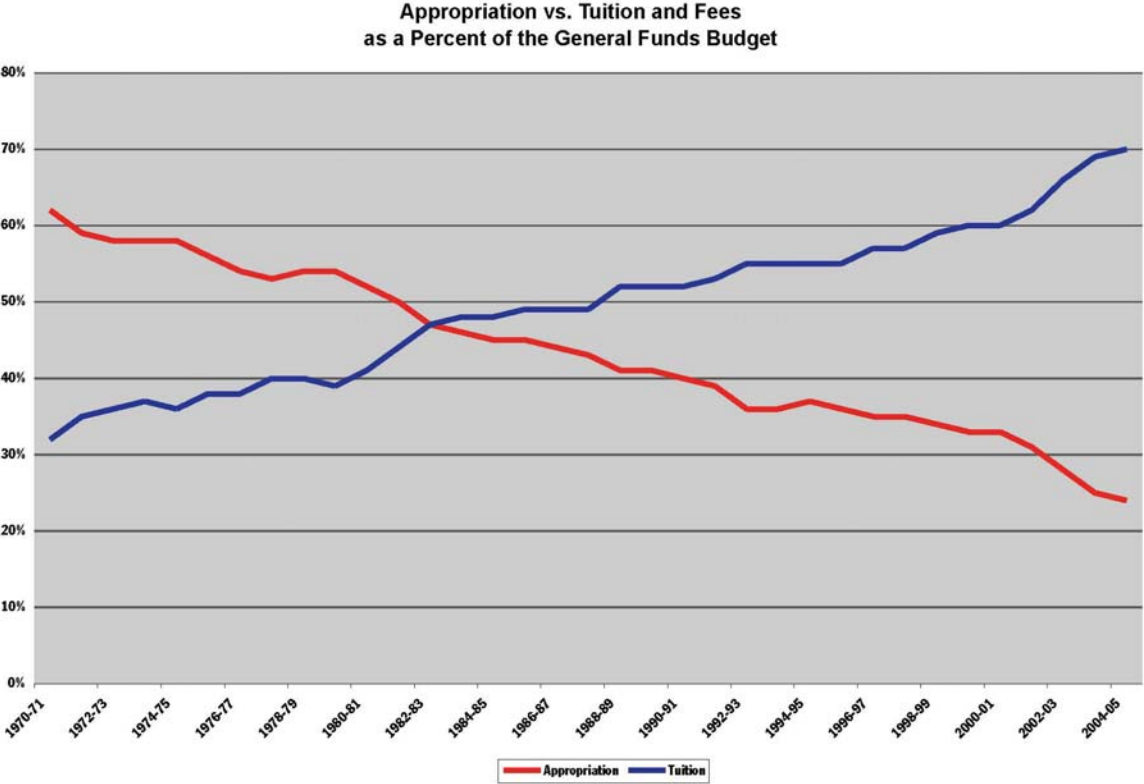
Appendix C

Decline in State Funding for Penn State



Penn State experienced five budget cuts from the state during the last several years, including three mid-year cuts by Governors Ridge, Schweiker and Rendell, and a permanent cut to start the 2002-03 fiscal year. The appropriation for 2005-06 eliminates more than \$11 million in state funding for medical education, the Central Pa. Psychiatric Institute and the Children's Hospital. The original appropriation proposed to replace those funds with \$11.6 million in Federal Medical Assistance funds, providing funding through the Pennsylvania Department of Public Welfare, which would have increased the funding to \$323.6 million. The original proposal has been revised to include an additional \$2.2 million, also anticipated to be approved as part of the Federal Medical Assistance funding proposal. The \$13.8 million in Federal Medical Assistance funds, which would bring the total appropriation to \$325.8 million, has not yet materialized.

Appendix C (cont.)



Appendix D

Glossary

Bunton-Waller Scholarship Program – This is a University funded scholarship program that is used to help achieve enrollment goals for needy students who are under-represented at Penn State, including students from low socio-economic circumstances and low-income out of state students. Award amounts equal 25% of in-state tuition and students must be in good academic standing.

Cost of Attendance - The cost of attendance is an estimate of a student's educational expenses for a specific period of enrollment. The cost of attendance varies based on the number of credits taken, the courses chosen, and a student's living arrangements. In addition to tuition and fees, living expenses such as meals, rent, transportation, and books are built into each cost of attendance. Cost of Attendance is also referred to as Price.

Expected Family Contribution - The Expected Family Contribution (EFC) is a calculated figure that is used to estimate a family's ability to contribute towards a student's education. The income and household information submitted on the Free Application for Federal Student Aid (FAFSA) is entered into a formula established by Congress and federal law to complete a process known as “need analysis.” The need analysis is then used to calculate a student’s expected family contribution.

Federal Loans - The Federal Stafford Loan is a low-interest loan for both graduate and undergraduate students. Students must complete the FAFSA to be automatically considered for these loans, and answer "yes" to the question on the FAFSA which asks if the student is interested in loans. The student must also maintain federal student aid eligibility requirements. Stafford loans have a lower interest rate than most private loans, and if subsidized, the federal government will pay the interest on the loan while the student is in school. Students must repay these loans and typically are allowed 10 or more years to repay.

Federal Parent Loan Program – Federal Parent Loans typically offer lower interest rates than the private loans. They also offer federal protection and more repayment options. These loans are taken out in the Parent’s name.

Federal Pell Grant - A Pell Grant is a federally funded student aid source that does not need to be repaid. The student must meet federal student aid eligibility requirements. A student is automatically considered for this grant upon completion of the FAFSA. This award is based on expected family contribution and the number of credits that the student has scheduled. This grant may be awarded to students who have less than half-time enrollment status. Currently at Penn State, the maximum fall-spring-summer award is \$4,050 for the academic year; the maximum per semester is \$2,025. The typical Pell Grant recipient comes from a family income below \$40,000.

Financial Need - When the Expected Family Contribution is subtracted from the Cost of Attendance, This determines a student's financial need. The Financial Need determines a student's eligibility for most aid programs.

Grant – A grant is gift aid that does not have to be repaid. Grants are awarded based on financial need, enrollment status, expected family contribution, cost of attendance and certain eligibility requirements.

Net Price – The price (or cost of attendance) less grant/scholarships received by the student is referred to as the ‘net price’.

Price – Same as Cost of Attendance (see above)

Private Loans - Private loans, or Alternative Loans, are available through a multitude of sources including but not limited to: banks, guaranty agencies and secondary student loan markets. These loans are typically at market interest rates or higher. Private loans are not guaranteed by the federal government. These loans are taken in the student’s name, and typically require a cosigner.

Scholarship – A scholarship is gift aid that does not have to be repaid. Scholarships are given based on scholastic merit or talent and sometimes, financial need, or other criteria set forth by the donor.

State Grant (PHEAA Grant) - The Pennsylvania Higher Education Assistance Agency (PHEAA) state grant is state-funded gift aid that is awarded to undergraduate Pennsylvania residents who demonstrate high to modest financial need. Students must also meet federal student aid eligibility requirements to receive this award. This award is based on financial need and enrollment status: Full-time (12 or more credits) or half time (6 credits) for a maximum of 8 semesters to students enrolled in a four-year program and a maximum of 4 semesters to students enrolled in a two-year program. Currently at Penn State, the maximum full-time award is \$3,500 per year; the maximum half-time award is \$1,750 per year.

Trustee Scholarship Program – This scholarship was authorized by Penn State’s Board of Trustee’s to assist the University’s financially neediest students; the goal of the program is to help keep Penn State affordable for those least able to pay. The scholarships are endowed and the University matches each endowment with 5% of the gift.

Appendix E

Resources used in this Report

Advisory Committee on Student Financial Assistance, “Empty Promises: The Myth of College Access in America,” www.ed.gov/ACSFA, June 2002.

Advisory Committee on Student Financial Assistance, “Access Denied: Restoring the Nation’s Commitment to Equal Educational Opportunity,” www.ed.gov/ACSFA, February 2001

William G. Bowen, Martin A. Kurzweil, and Eugene M. Tobin, *Equity and Excellence in American Higher Education*. Charlottesville: University of Virginia Press, 2005.

Losing Ground

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Appendix F

National and Regional Data on Costs, Aid and Other Trends

Tuition and fees at public universities in this region, for in-state students during the 2005/6 year, compiled by the College Board as part of "The Annual Survey of Colleges of the College Board, 2004-2005." From Chronicle of Higher Education, 10/05, in increasing order:

West Virginia	\$4,164
SUNY, Stony Brook	\$5,575
U. Virginia	\$7,133
U. Delaware	\$7,318
U. Maryland (College Park)	\$7,821
U. Connecticut	\$7,912
Ohio State (Columbus)	\$8,082
Rutgers	\$9,108
Temple	\$9,640
Penn State University College	\$10,190
U. Pittsburgh	\$11,436
Penn State (University Park)	\$11,504

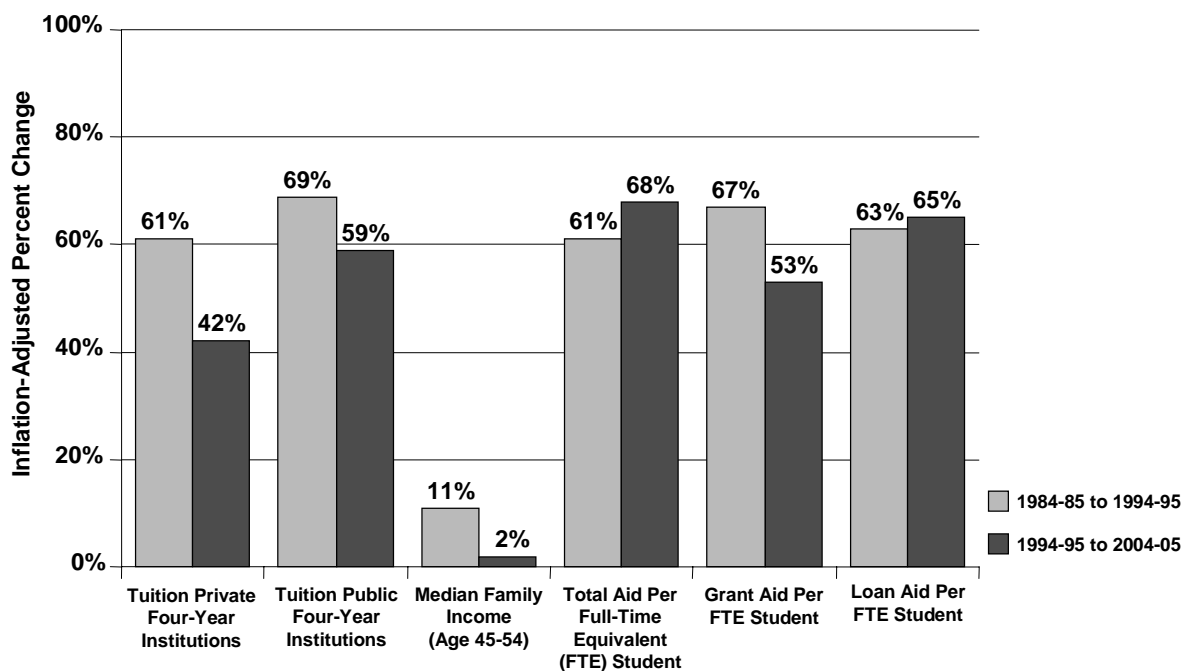
The tuition and fees at campuses in the Pennsylvania System of Higher Education are substantially lower. For full-time enrollees for the 2005/2006 year, the tuition and fee cost per academic year is the following at three representative campuses in this system:

Lock Haven University	\$6,658
Clarion University:	\$6,448
Indiana University of PA	\$6,220

Appendix F (cont.)

Data published by the College Board depicted in the graph below show that tuition costs for higher education at private and public four year institutions have sharply increased over the past 20 years. These costs have lessened somewhat over the last decade (average 59% increase for publics) as compared with the prior decade (average 69% increase for publics). The increase in costs has far outstripped the meager increases in family income for each decade (11% and 2%). Also, shown in the graph below is a slight increase in total aid for the most recent decade primarily attributed to the increase in student loans. The graph also notes the decline in grant aid to students in the more recent decade.

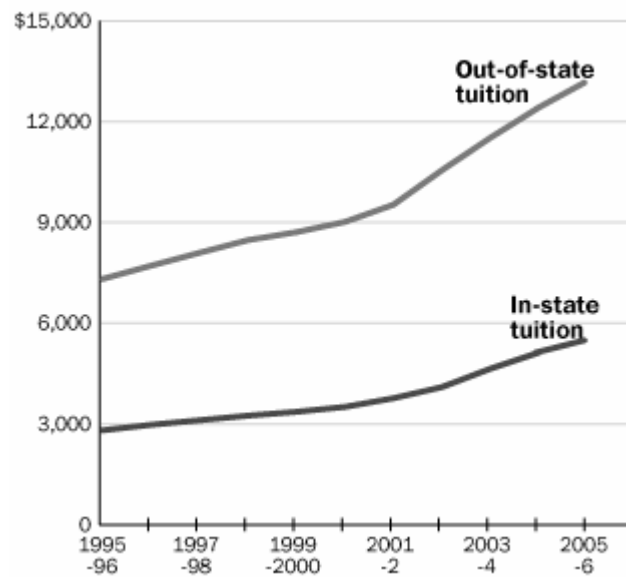
Growth in Tuition and Fees, Income, and Aid



This graph shows Increases over two ten year periods, 1984-1995 and 1994-2005, in tuition, grants, loans and family income (in constant 2005 dollars) - Data from Trends in Student Aid 2005, published by the College Board.

Appendix F (cont.)

This graph depicts the national trend in increasing cost for both in-state and out-of-state tuitions over the past decade. These same trends/trajectories appear for Penn State's tuition rates as well.



Increasing costs at public four year institutions over the last decade. From the Chronicle of Higher Education 1/27/06.

Appendix G Scholarships at Private Colleges

Example:

The University of Chicago

2003-2004 Freshman Financial Aid by Income Range

PLEASE NOTE: This chart does not reflect family assets, family size, and number of children attending college, which are factors that affect awards of need-based assistance. Further, while the University of Chicago uses both custodial (parent with whom the student resides) and non-custodial parent financial information to determine eligibility for need-based funds, the chart reflects only custodial parent income. Please also note that this chart includes information for matriculating students only, and lists Grant/Scholarship amounts may include scholarships from outside sources.

The cost of attendance for 2003-2004 was \$41,440; the current cost of attendance (2004 – 2005) is \$43,570. These amounts include tuition, room, board, books and personal expenses.

Income Range (\$)	Applicants for Aid	Awarded Aid	Average Award (\$)	Average Grant (\$)	Average Loan (\$)	Average Work (\$)
0 – 17,999	29	26	34,304	29,550	3,308	1,446
18,000 – 26,999	33	33	35,758	31,511	2,956	1,291
27,000 – 35,999	35	33	34,294	28,240	3,857	1,797
36,000 – 44,999	49	47	32,372	26,618	4,028	1,726
45,000 – 53,999	60	59	32,808	26,868	4,078	1,862
54,000 – 62,999	64	61	31,211	25,858	3,815	1,538
63,000 – 71,999	66	61	28,320	22,990	3,768	1,562
72,000 – 80,999	46	42	28,173	22,537	3,976	1,660
81,000 – 89,999	46	42	26,175	20,347	3,907	1,921
90,000 – 98,999	43	40	23,868	17,796	4,241	1,831
99,000 – 107,999	42	38	24,407	18,629	4,020	1,758
108,000 – 116,999	48	37	17,309	11,500	3,920	1,889
117,000 And over	205	60	16,266	10,335	4,247	1,684

Appendix H

Students and Work

The following is an excerpt from The National Center for Educational Statistics, Education Statistics Quarterly, Vol. 1 Issue 2, “College Access and Affordability” by Susan P. Choy. This section of the report provides national data and observations about students use of work as a means to help pay for college.

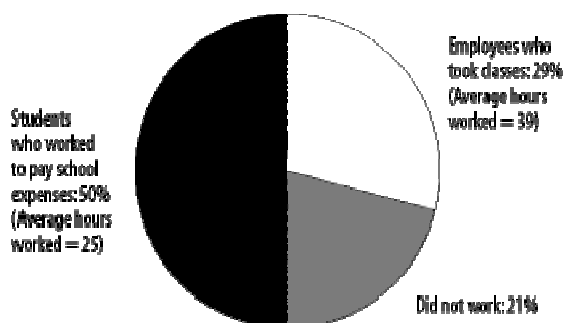
Coping With the Price of Attending College

Students pay for their postsecondary education with a combination of savings, help from families and friends, financial aid, and work. Their use of work and borrowing are of particular interest because working may affect their academic opportunities and performance while enrolled, and borrowing may result in a substantial debt burden after they graduate.

Students rely heavily on work to help pay for their education.

A large majority of undergraduates (79 percent, including both dependent and independent students) worked while enrolled during the 1995-96 academic year (Figure H-1). Among students who considered themselves primarily students working to pay their education expenses (50 percent of all students), the average number of hours worked per week was 25. Among students who considered themselves primarily employees taking classes (29 percent of all students), the average was 39 hours.

Figure H-1.—Percentage of undergraduate students who worked while enrolled: 1995-96



SOURCE: U.S. Department of Education, National Center for Education Statistics, 1995-96 [National Postsecondary Student Aid Study](#).

Working can have negative consequences on students' academic opportunities and performance.

In 1995-96, among undergraduates who considered themselves primarily students working to pay school expenses, the more they worked the more likely they were to report that their working limited their class schedule, reduced their choice of classes, and limited the number of classes they could take (Figure H-2). Among those who worked full time while enrolled (35 or more hours per week), at least half reported each

of these effects. In addition, 55 percent of dependent undergraduates who considered themselves primarily students and who worked full time reported that working negatively affected their grades.

Figure H-2.—Percentage of undergraduates who worked to help pay for school expenses and various effects of work on their studies, by average hours worked: 1995-96

Average hours worked per week while enrolled	Limited class schedule	Reduced class choices	Limited number of classes	Negatively affected their grades*
Total	40	36	30	37
1-15	22	16	15	17
16-20	31	28	24	34
21-34	42	38	32	46
35 or more	61	60	51	55

*Asked only of dependent students.

Students and their families cope with the price of attending college using savings, income, borrowing, and work. While some work experience while enrolled may complement students' academic experiences and improve their employment prospects after graduation, full-time work appears to have some negative consequences. In addition, there is some evidence that borrowing to reduce the number of hours a student needs to work to no more than 15 hours per week may increase a student's chance of completing a degree.

SOURCE: U.S. Department of Education, National Center for Education Statistics, 1995-96 [National Postsecondary Student Aid Study](#).

APPENDIX I

How Financial Need is Determined

Given that the majority of student aid funding comes from Federal and State programs, it is important to know that eligibility for student aid is determined based on a Federal needs analysis formula that measures a family's ability to pay for college. This formula uses family income, taxable and non-taxable, as well as family assets (savings and investments), and general family demographics (number of family members, number enrolled in college, age of parents, etc.) to make this determination. The formula determines discretionary income which can be assessed, in part, to direct toward cost of the student's education; this assessment is known as the 'expected family contribution'. This figure, subtracted from the cost of attendance at the specific college or university, determines the student's eligibility for financial aid, referred to as the student's 'financial need'. In principle, this need is to be met by student grants, employment, loans and other sources of support. Here are two examples:

Example 1 - For a student from a low-income household, family of four, where the family income is \$25,000 and having no assets, the expected family contribution would be \$0. In other words this family would be considered to have no discretionary income that could be tapped to pay for college. This student would be considered to have full financial need.

Example 2 – For a student from a middle-income household of four, where the family income is \$55,000 and with low to moderate assets, the expected family contribution would be \$5,000. This amount would be subtracted from the cost of education with a resulting financial need that is \$5,000 less than that of the student