

This report has been edited slightly for clarity. Believing that the fullness of the information presented here is more important for the community's discussion than presenting a verbatim transcript, I offered Michael Beseda a chance to edit his remarks and slightly expand on some of his answers. - Tom Pounstone

## **Academic Senate meeting, October 1, 2009**

### **-- Report from Michael Beseda, Vice Provost for Enrollment --**

TOM POUNDSTONE: As is our custom, every fall the Senate invites Michael Beseda to speak about the new enrollment data. In preparation for Michael's visit, we posted his report on webpage for everyone to study. Moving beyond what we have in that report, we asked Michel to present a more complete discussion of the discount rate which increased to 47.6% this year, up from 29.5% five years ago. We also asked Michael to discuss the percentage of Pell Grant eligible students we are accepting in comparison to our peer institutions. (You might recall that Bro. Ron cited our mission-related goal of enrolling an undergraduate student body that is 25% Pell Grant eligible as a reason for why he thought Goal 2 should be removed from the Faculty Salary Policy.) As Michael's report indicates, 31.8% of our incoming undergraduate students are now receiving Pell Grants. In the previous five ears, that figure had never been higher than 25.5%.

Michael, on behalf of the Senate, welcome.

MICHAEL BESEDA: Thanks, Tom, for the opportunity to meet with you today. Tom has very helpfully proposed some questions, and I want to hone in on them, but before getting to those questions about Pell Grants and discount rates, I want to say a couple things about the enrollment report which was distributed earlier through the SMC Bulletin, and I hope you've had a chance to review it. I think it is important to note something beyond the specific data points in the report. In a year in which the

country was going through some dramatic financial challenges, a year in which many colleges responded by admitting a higher proportion of their applicants, we made a conscious decision -- and when I say we, that is the leadership of the college: the President, Provost Dobkin, the College and Trustee Budget Committees and others -- to follow a different course. We decided to admit a slightly lower proportion of applicants in order to achieve other important objectives, such as improving the overall profile of the class. Coupled with fewer applications, that did in part, result in a smaller freshmen class, but also a freshmen class with a slightly different composition. Given these conditions I'm pleased with where we ended up, both in terms of the size and the character of the class, and I hope the faculty who are engaging with them in the classrooms are feeling the same.

To the more focused questions that Tom brought up about Pell Grants and discount rates, I want to first provide some cautions. First, about Pell Grant data. The chart that I developed for today's meeting comes from multiple sources, and historically there hasn't been a national standard on how Pell Grant data gets collected and reported. The data shared in the report comes from a couple of different sources. So, I can't tell you, for example with regard to the 2001, 2002, and 2003 data that it reports exactly the same information as the 2007 data. The 2007 data is drawn from federal sources. Over time, as part of federal efforts to increase the accountability of institutions of higher education, colleges have been required to provide better information around cost and aid, including Pell grants data. Thus the 2007 data is probably more reliable than some of the other data. But the other data is, I think, worth looking at as well. Unfortunately 2008 and 2009 data is not yet available.

Let me make a few comments about what Pell Grants mean in my view for Saint Mary's and for the discount rate issue. One of the things I think we are going to find when we eventually receive the 2008 and 2009 data for other institutions is evidence, via their Pell grant totals, that the nation has been in the midst of a huge economic crisis. Those numbers, not just at Saint Mary's, but at every college in the country may look very different. You may have heard last year that the federal government reported a 20% increase in the number of students applying for Pell

Grants. At Saint Mary's we also saw that change, and I've reported that SMC's new student population has gone from about 25% Pell eligible to about 32%. It is important to note that at the point we are admitting students, we don't know if they are Pell Grant eligible. Our knowledge of that comes later. Also, the 32% Pell Grant eligibility that we experienced this fall is not the result of an intentional strategy to recruit more Pell Grant students; nor did we know at the time we were admitting students that a greater proportion would be Pell Grant eligible. That is something that fell out once the financial aid application materials came in and were processed. Let me give you a sense of how the nation's economic condition appears to be impacting Saint Mary's, not only on the new student level, but also on the returning student level. In preparing to address Tom's questions, I looked to see if there was a change in the percent of Pell Grant eligibility of the students who returned from last year. About 22% of our returning students were Pell Grant eligible last year. This year 29% of those same students were Pell Grant eligible. So we had a huge shift in our current returning students becoming Pell Grant eligible because of the economic situation. The federal government in a way contributed to this change by, for the first time, putting an additional question on the Federal Financial Aid Form (the FAFSA) that asked, "Are you or a member of your family a dislocated worker?" Basically, the definition is "did a significant wage earner in your home lose their job this year?" We saw 10% of our total aid applicants, both new and returning, reporting dislocated worker status this past year. All of those factors contributed to a growth in Pell Grant eligible students at SMC. I think that as we look at 2008 and 2009 we will probably see some interesting trends across the board for colleges in the United States.

The data in the report also show that there is not a direct connection between Pell Grant and discount rate. If you look at last year's information, you'll see that we actually had a much bigger rise in our discount rate last year when our Pell Grant rate changed very little.

TOM POUNDSTONE: Michael, may I interrupt you for a second? On behalf of many of us, would you explain what "discount rate" means? I suspect that some aren't

familiar with that term. Perhaps you could also explain what makes a student Pell Grant eligible.

MICHAEL BESEDA: Thanks, Tom, that is a great suggestion. The “discount rate” reports what proportion of all tuition revenue is given out in the form of institutional aid to students. If you took a gross calculation of \$30,000 in tuition times however many students there are, and then you looked at how much grant aid the institution, and just the institution provides to those students, that proportion is the discount rate. It is an important figure in all kinds of ways, one being as a measure of the financial impact of providing aid to students.

The “Pell Grant” is a federal grant program that’s targeted to the most needy in society, typically families making \$40,000 or less, although the average is \$20,000 for those students who qualify. In the national discussion about access and equity, it has become a de facto measure of a college’s commitment to economic diversity. For example, US News and World Report – one of my favorite magazines (laughter) – has something called an economic diversity index, where it ranks colleges by how economically diverse they are, and it uses the proportion of Pell Grant eligibility in the student population to rank schools in terms of economic diversity.

Back to the issue of discount rate. The thing that has really changed our discount rate dramatically isn’t the Pell Grant number (and I will say one more thing about that in a second), but that the proportion of students receiving aid in our class has grown significantly. Two years ago 72% received aid at Saint Mary’s; this year that number is 86%. In other words, the number of families that come to Saint Mary’s and don’t receive any aid from Saint Mary’s has shrunk enormously in the last two years. That’s what has really driven up the discount rate, not the Pell Grants. And the other reason for that is that, to give you another figure in the report: the average net tuition revenue, which for this year’s class is about \$17,000. The  $\frac{3}{4}$  of Pell Grant recipients who are also Cal Grant recipients bring over \$15,000 in net tuition revenue per student from non-Saint Mary’s sources to the college. So, if that was the only aid money we received, their Pell Grant and Cal Grant, which would be rare (since even for those needy students we are typically asking for some contribution), they would

be about average in terms of our net tuition revenue. Without going into more detail, I think that discount rates and Pell Grant eligibility are both important statistics to look at, but what's really driving the discount rate is that the proportion of those in our population who can pay for a Saint Mary's education has significantly declined.

ZACH FLANAGIN: Just a question on the discount rate. Is that measured in terms of fellowship and grants, or does it also include things like workstudy and loans?

MICHAEL BESEDA: "Discount rate," refers only to institutional grant aid. We are not talking about Cal Grant money, Pell Grant money, loan, workstudy, etc. It is only dollars returned to students in the form of institutional aid.

ROY WENSLEY: I assume that comes from Pell Grants indirectly, somehow. It's like taxing dollars more than once, I assume.

MICHAEL BESEDA: There is a complicated and important conversation implied in answering your question about whether grant aid awarded as a discount would be replaced with other dollars if you didn't get it from that other source;

ROY WENSLEY: Something struck me when you said this, because I never thought of this before. We say we want to have 25% Pell Grant eligibility as our target, and yet we don't use any of that information for admissions. So, how can you target something that you don't measure while you are admitting students?

MICHAEL BESEDA: Thank you. That is a great question, Roy. We have some ability to target. I said we didn't intentionally go out to recruit 31.8% Pell Grant eligible students, but we do structure our recruitment program to recruit a diverse student population. For example we target the exclusive prep schools, urban schools, schools with the Avid programs, and other community programs for disadvantaged students. And we target our Lasallian partner schools that also aim to enroll needy students. We have a recruitment strategy that's quite broad in terms of trying to

reach economically challenged students --- we do go to the college prep schools and the Bentleys, but we are also going to Oakland Tech, and to Verbum Dei, the whole range. So in a sense of recruitment and outreach, we are looking to get both ends of that spectrum and hopefully a bit of everything in between. The other tool to shape the economic profile of the class is through the structure of our aid program. And, we are in the midst of taking a look at that, how we package aid. That packaging strategy is driven by institutional priorities. I am going to be arguing that we need to come back to 25% on Pell Grant for a number of reasons. How you structure your own aid program can have a shaping influence on whether you are at 30%, 25% or 20%, Pell grant eligible.

ROY WENSLEY: So it is on the back end where people are accepting our offers?

MICHAEL BESEDA: Right, exactly. And just one last thing, those who were involved in this conversation in the past may recall that some of these discussions. Saint Mary's is a college that decided it wanted to be more economically diverse. There was concern here in the '80's among faculty members, Christian Brothers, in all kinds of communities, that we had become a school primarily for wealthy suburban students. The College made an intentional decision both in terms of how we recruit and how we target aid to try and diversify our student body across many dimensions. At some of the other colleges that we compare ourselves with, very different priorities have shaped their recruitment and aid strategies. In fact, a decision may have been made at some of those schools to maximize net tuition revenue. If that's the institution's goal, you would structure your aid program and your recruitment program differently. You would not likely expend much resource on recruiting and providing aid for needy students. You would likely provide smaller targeted grants to upper middle income and very upper income students in trying to recruit them, and you would spend less on aid. That does happen. Saint Mary's did not take that approach.

ED TYWONIAK: Three statistics jumped out as highly positive, for me. One of them was the 11-12% of the incoming class coming from Lasallian institutions. I thought that was very good as well as 35% of the class enrolling from Catholic high schools. Also, I was encouraged by the increase of almost 3% in the male student population of this current class. I was very encouraged by that. I have a question that was sent via e-mail from a colleague. It relates to what you were just talking about in terms of the tuition discount rate. The question is this, "What does the administration see as a proper and sustainable discount rate, and how do they intent to move us to it?" The question might be contextualized by this editorial comment later in his e-mail: "It seems like it doesn't really matter what financial aid budget we decide, we simply continue shoveling money at students until we hit out enrollment targets." Maybe you can respond to that.

MICHAEL BESEDA: There seems to be an opinion buried in that question. We budgeted for a 34% discount rate, 4% lower than last year. That was the goal. So we overshot it, absolutely. To the question of do we keep shoveling money, no, but what does occur is there is a very narrow window in which you admit students. You need to provide them with aid packages, and you wait to see who takes your offers. There is an extent to which, if we wanted to ration more, we could have a strategy of saying, (and actually I have seen this done at Saint Mary's – it didn't work very well but in my time I have seen it done), "OK, let's go with a low award and wait to see who appeals. And the appeals we'll fund, but that way we won't go over budget." The risk is that those students get better offers from other places and they go there, they may pay the deposit here, but we lose them. There's a number of strategies, but in terms of shoveling money to students, no, there's a packaging scheme based on complicated data analysis and institutional priorities. In two of the past thirty year more aid has been accepted picked up then expected. I think this reflects the economic climate more than "shoveling money" at students to achieve enrollment targets.

TOM POUNDSTONE: Do we have a target of what is a sustainable discount rate, and do we have a strategy for how we can attain that goal? Likewise, are there some numbers, perhaps the rate we hit this year of 47.6%, up from 29.5% rate from five years ago, that we can say are not sustainable? Is 30% sustainable? Is 40% sustainable? Is 50% sustainable?

MICHAEL BESEDA: The reason I mentioned 34%, was that was what the Budget Committee agreed a year ago was a sustainable target. The Budget Committee will review the model and determine if that seems reasonable at this time. So that's probably the best answer I can provide to your question at this time.

STEVE CORTRIGHT: A moment ago you referred to our population being such that fewer and fewer are capable of paying full freight at Saint Mary's College. That brings up the question of shifting our population, which is, of course, a matter of recruitment strategy. But I note, looking at *The Fact Book*, that while we had a spike two or three years ago in applications which took us to an all time high close to 5,000 applications, we have been running over a decade at around 3000-3500 applications. It seems like that will tend to limit our ability to recruit a larger percentage of matriculants whose family can afford the full freight cost of Saint Mary's, so what's the right size applicant pool for us?

MICHAEL BESEDA: I totally agree that growing the applicant pool, particularly among those with the ability and willingness to pay for a Saint Mary's education, is an important priority. And the spike you talked about, Steve, was in the years we used a strategy that many colleges have used, viz., the Priority Application, and it didn't work for us. We got a lot more applications, but they didn't matriculate.

STEVE CORTRIGHT: Take that year out of the statistics and then just look at the applicant pool of the decade: you will see a low of about 2850 and a high of about 3600 and an average right around 3400. It seems like over a decade, that should be

telling us we are doing something wrong. We need to grow that applicant number. What are the obstacles \_\_\_\_\_?

MICHAEL BESEDA: Big conversation --- I'm not so sure I would agree we're doing something wrong.

STEVE CORTRIGHT: Not obtaining the results that are optimum, how's that?

MICHAEL BESEDA: Yes, much better. Our immediate goal for this year is to receive 4000 applications and to drive our admit rate down to 75%. I'm hopeful we can do that. We've used a lot of different recruitment strategies over the years to drive the applicant pool up and frankly, as I've said to the Senate before, I think our challenges have less to do with our recruitment strategies and more to do with other factors that we've experienced in the last decade, such as competitive disadvantages that we face in the market place. Whether that is around facilities, or reputational issues, or institutional marketing that other institutions are doing -- addressing those factors I think are more likely to yield meaningful growth in our applicant pool than waiving the application fee, or sending another 100,000 search mailers out. We've tried all that and many things more and they haven't worked.

STEVE CORTRIGHT: Right now you are speaking, as you ought to, from your experience and your intuitive appreciation of what's going on in the minds of parents and students. Can you hang on that some actual differences in conduct of the institution as a whole that we ought to be thinking about.

MICHAEL BESEDA: I think the things that people have talked about for at least the past decade are the fact that many of our facilities are far inferior to our competitors' facilities. We've made some strides and I'm really glad about that. Creating the Visitor's Center is a tremendous step forward, but until we address issues around the library, recreation facilities for students, and until we can ensure that the resident's facilities are at least comparable to those at competing institutions, it will

be difficult to grow the application pool, particularly among those with significant financial resources.

TOM POUNDSTONE: Unfortunately, we need to stop this discussion and move on to debate the proposed speaker policy. Michael, on behalf of the Senate, let me express our thanks. Hopefully you'll accept an invitation to come back. These are some profound questions we need to pursue, and we didn't even get to the question about comparative Pell Grant eligibility rates at our comparison schools which is an important question as we look at the faculty salary policy.

MICHAEL BESEDA: It's always a pleasure.