AFAWG Report  
April 12, 2017 – SUMMARY DRAFT FOR FACULTY SENATE DISCUSSION

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Introduction

The main priorities for the Admissions and Financial Aid Working Group (AFAWG) in 2016-2017 focused on:

(1) Examining Fairness: considering the extent to which undergraduate financial aid programs fairly address need across socioeconomic groups, with a particular focus on whether there should be a rebalancing of how financial aid resources are distributed across family income groups; and

(2) Financial Sustainability: identifying and evaluating possible options for cost control for the undergraduate financial aid program while continuing Cornell’s commitment to financial aid providing access for all qualified students should there be another significant economic downturn that creates a need to control spending on Cornell grant aid.

The options below from the AFAWG are intended as a suite of choices for the university leadership to consider and choose from, depending on enrollment priorities and financial aid budget capacity for the university:

- We include a few specific recommendations for modest shifts to the loan maximum cut-off points to correspond more closely to current US income quintiles in the interest of addressing the “fairness” question particularly for middle and upper US income quintiles, and a recommendation for redistributing existing grant aid resources to fund this shift in cut-off points.

- We describe several options that could be considered by the university leadership if the university needs to implement controls on grant aid expenditures in anticipation of or in response to a significant economic downturn that would otherwise cause a major increase in grant aid costs. The scope of the AFAWG was limited to financial aid budgets; the university could identify non-financial aid mechanisms to provide the cost relief needed in the face of a significant economic downturn.

For each recommendation (fairness) and option (financial sustainability) presented below, the AFAWG suggests a desirability rating of low, moderate, or high. Financial implications are estimated based on current enrollment patterns.
Recommendations to University Leadership: Fairness

The AFAWG recommends implementing the following, regarding its charge of “examining fairness,” each with high desirability:

R1: Continue $0 parent contribution for students from families with <$60K annual income and <$100K assets. Desirability: High
If implemented: Continue as-is

R2.a: Shift the loan brackets for the $60K-$75K reduced loan group to be $60K-$85K. Decrease the maximum annual loan for students from families with $75K-$85K annual income from $5,000 to $2,500/year. Estimated impact: 210 students; Cost = $525K. Desirability: High
If implemented: Decide whether to implement for all students (new and continuing) beginning Fall ‘18 (or later), or just for new students. (Note: funding source as in R4 would be fully available starting in Fall ‘21 if implemented beginning Fall ‘18)

R2.b: Shift the loan brackets for the $75K-$120K reduced loan group to be $85K-$135K. Decrease the maximum annual loan for students from families with $120K-$135K annual income from $7,500 to $5,000. Estimated impact: 300 students; Cost = $750K. Desirability: High
If implemented: Decide whether to implement for all students (new and continuing) beginning Fall ‘18 (or later) or just for new students. (Note: funding source as in R4 would be fully available starting in Fall ‘21 if implemented beginning Fall ‘18)

R3: Continue post-admittance preferential URM parent contribution reduction for income groups $60K-$120K. Desirability: High
If implemented: Continue as-is

R4: Eliminate post-admittance URM parent contribution reduction for upper income groups from selected states >$135K. Estimated impact: 107; Savings = $1.25M. Desirability: High, with the purpose of redistributing grant aid resources to cover the loan bracket shifts as above for 3.a.2 and 3.b.2.
If implemented: Would apply only to new students beginning Fall ‘18 (or later)

R5. Explore the feasibility of Cornell joining the Private 529 college savings program https://www.privatecollege529.com/OFI529/ through which families can “purchase tomorrow’s tuition at today’s rates.” Estimated impact: (to be determined). Desirability: to be determined
Cost Control Options for Further Consideration by University Leadership if Needed

The AFAWG suggests the following options regarding its charge of “financial sustainability” in the face of a significant economic downturn for further consideration by the University leadership if cost control is needed. In describing the impacts of the options below, we assume that the recommendations above will be implemented (if they are not, the cost/savings figures below should be revised).

O1. Continue $0 loans for students from families with <$45K annual income, but change the no-loan cut-off from $60K annual family income to $45K annual family income, increasing the maximum annual loan for the $45K-$60K annual family income range from $0 to $2,000/year. Estimated impact: 650 students; Savings = $1.3M. Desirability: Low (and only if cost control is needed)

O2. Using the new income cut-offs for maximum loan levels as in the recommendations above, if cost control is necessary, increase the maximum loan levels: (see details on pp. 22-24)
   a) Change the maximum loan limit to $3,500/year for the $60K-$85K income group (new income range as recommended above): Increase the maximum annual loan for the new income band $60K-$85K annual family income from $2,500 to $3,500/year. Estimated impact: 500 students; Savings = $500K. Desirability: High (if cost control is needed)
   b) Change maximum loan limit to $7,000/year for the $85K-$135K income group (new income range as recommended above): Increase the maximum annual loan for the new income band $85K-$135K annual family income from $5,000 to $7,000/year. Estimated impact: 1009 students; Savings = $2.0M. Desirability: Moderate (if cost control is needed)
   c) Increase the maximum loan limit to $9,000/year for the >$135K income group: Increase from $7,500 to $9,000/year. Estimated impact: 1,258 students; Savings = $1.9M. Desirability: Low (and only if cost control is needed)

O3. Increase the number of admitted no-aid international students using need-aware admissions (without decreasing the international aid budget, so aided international student admissions continue as-is). Estimated impact: Additional 150 non-aided international students would yield Savings = $2.03M. Desirability: High (if cost control is needed)

NOTE: Anticipating a severe economic downturn, the University Budget Office could identify other mechanisms for cost control (not from the financial aid budget). Non-financial aid mechanisms were not part of the AFAWG deliberations but could be considered by the university leadership in the face of a significant economic downturn.
Background Data

**Cornell Grant Aid Expenditures** (gray boxes = recessions; dotted lines = Cornell financial aid policy changes)

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**Percent of Undergraduate Students Receiving Cornell Grant Aid, 1997-2017**
**US Income Quintiles**
Current US income quintiles are:
- Lowest: $0 - $30,311
- Second: $30,312 - $55,376
- Third: $55,377 - $86,310
- Fourth: $86,311 - $133,525
- Fifth: >$133,526

**Cornell’s Economic Diversity: US Income Quintiles vs. Percent of Cornell Enrollment**

<table>
<thead>
<tr>
<th>US Family Income Quintile (Appx. Income Range)</th>
<th>Count</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lowest 20% (&lt;$30k)</td>
<td>948</td>
<td>7%</td>
</tr>
<tr>
<td>Second 20% (&lt;$55k)</td>
<td>1,137</td>
<td>8%</td>
</tr>
<tr>
<td>Third 20% (&lt;$86k)</td>
<td>1,024</td>
<td>7%</td>
</tr>
<tr>
<td>Fourth 20% (&lt;$134k)</td>
<td>1,419</td>
<td>10%</td>
</tr>
<tr>
<td>Highest 20% ($134k+)</td>
<td>1,765</td>
<td>12%</td>
</tr>
<tr>
<td><strong>Total: Need-based CU Grant</strong></td>
<td>6,293</td>
<td>43%</td>
</tr>
<tr>
<td>Not Receiving Need-based CU Grant</td>
<td>8,273</td>
<td>57%</td>
</tr>
<tr>
<td><strong>Total Fall 2016 Enrollment</strong></td>
<td>14,566</td>
<td>100%</td>
</tr>
</tbody>
</table>

57% of Cornell students are not aided; most of these would be in US Income Quintile 5 (Highest 20%).

**Enrolled Undergraduates by US Income Quintile and Cornell Aid Category**

![Graph showing enrollment by income quintile and aid category from 2003 to 2017](chart.png)
Net Cost to Families

Student Perceptions of Family Financial Impact: Cornell 2016 Senior Survey

In the chart below, federal aid categories are used: Pell are neediest (median Cornell grant aid of $50K); No Pell/Stafford Sub are next neediest (median Cornell grant aid of $26K); Need-based No Pell/Stafford is least neediest (median Cornell grant aid of $14K). Impact (by severity and number of students affected) appears to be greatest for the $100K-$149K group and the $50K-$99K group, and the aided portion of the $150K-$199K group. Size of circle reflects relative number of students.
Among 1,054 Fall 2016 admits in the highest Cornell SAT/ACT quartile, 4% were from the lowest two US income quintiles. There are 56 non-aided high-SAT/ACT admits for each high-SAT/ACT admit from the lowest US income quintile.

**Family Income of Undergraduates Receiving Need-based Cornell Grant Aid, FY16**

- 25th Pct: $45,493
- Median: $87,684
- 75th Pct: $138,220