How Price and Affordability are Affecting Application and Enrollment Decisions in 2017

ACT Enrollment Planners Conference

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www.artsci.com

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Session Overview

▶ How do prospective students perceive the cost of college and financial aid?

▶ What are students’ perceptions of rising college costs?

▶ What is the impact of cost on student choice during the decision-making process?

▶ How are students planning to pay for college?

▶ Examples of research with individual institutions
Data sources for findings and examples

- **StudentPOLL survey of college-bound high school seniors**
  - Fielded online in March 2017 and May 2017 with a sample drawn from ACT test takers
  - Goal was to determine the influence of cost when applying to and enrolling in college

- **Simulated Decision Modeling (SDM) research with inquirers and admitted applicants for individual institutions**
  - Predicts how application and enrollment decisions are affected by specific changes to price and aid strategy at an institution

Which sources are students using to find information on college costs?

- **The FAFSA website is the most commonly used source of information on financial aid and paying for college**
  - Over 50% of students also report using colleges’ websites, a high school guidance counselor, or friends and family

- **Fewer than 40% of students indicate using online financial aid or net tuition calculators**

- **Less than 10% of students report using government sponsored tools, such as College Navigator or College Scorecard**
Perceptions of cost and financial aid
How do prospective students perceive the cost of college?

- Over half of students are not considering the full costs of college

- Students have an inaccurate perception of cost of college
  - Less than one-third of students reported a cost within 5% (plus or minus) of the published sticker price
  - Over half of students perceive a cost that is more than 10% different (plus or minus) than the actual cost
  - Those who overestimate are most likely to have an in-state public as their first choice

![Type of cost provided by students](chart.png)
What is the role of financial aid?

- Nearly all students have applied or intend to apply for financial aid, with many students applying early in the process (PPY effect)
  - 85% have already applied
  - Two-thirds applied during fall/early winter

- Underrepresented minorities, lower-income, and first-generation students, as well as those who attend a public high school, are more likely to apply for financial aid

- Only half of students are considering financial aid when looking at college costs
Students who are looking at college costs

- 8% I am not looking at any school costs
- 37% I am looking at the total cost per year, before taking financial aid into account
- 51% I am looking at the cost per year after subtracting what I think I might get in financial aid
- 5% Don't know

NET: Looking at costs - 87%

Students who apply for financial aid – by demographic cohorts

- Total: 91%
- UR Minority: 96% *
- White/Asian: 90%
- First Generation: 98% *
- Non-First Generation: 89%
- Income <$60K: 98% a
- Income $60K-$120K: 96% a
- Income $120K+: 78% b
- Public High School: 92% *
- Private High School: 84%
Students’ perceptions of rising college costs

- Students believe costs have risen faster than they actually have
  - Half of students perceive that college costs have increased significantly in recent years
  - This is in contrast to actual changes, which are more moderate

- As a result of rising costs, students are most likely to report applying for scholarships (65%) and planning to work while in school (61%)
  - Fewer than one-quarter of students are unable to attend their first-choice school
  - Fewer than 10% are unable to study what they are most passionate about
Students' perception of recent college cost trends

- Increased significantly: 50% a
- Increased somewhat: 40% b
- Not changed: 2% c
- Decreased somewhat: 0% c
- Decreased significantly: 0% c
- Net: Increased: 90%

Options students have considered due to rising college costs

- Apply for a lot of scholarships: 65% a
- Work while in school: 61% a
- Not apply to some schools only because they are too expensive: 40% b
- Take on more student loans than I expected: 28% b
- Attend a school that gives a lot of financial aid: 35% b
- Attend a public school in my home state: 28% c
- Not be able to attend my first-choice school: 22% d
- Spend all of my savings on the first year of college: 20% d
- Live with my parents and commute to school: 18% e
- Not be able to study what I am most passionate about: 9% f
- Rising costs not influential: 16% e
Parental influence

- Students report having a fairly open dialogue with their parents about college costs
  - Two-thirds of students talked with their parents about the cost of college they could afford

- In response to high college costs, two-fifths of students report their parents insist they work while in college or apply to/attend more affordable schools
  - Parents are more likely to insist on applying to/attending affordable schools if the student has low ACT scores, is an underrepresented minority, or is lower-income than peers

- Fewer than one-third of students say their parents are ruling out a college because cost

### Parental influence regarding college costs

- Discussed the cost of college you can afford: 68% a
- Insisted you work while in school: 44% b
- Insisted you apply to or attend schools that are more affordable: 42% b
- Ruled out applying to or attending a school because of cost: 29% c
- Insisted you pay for most or all of your education: 24% c
Parental influence regarding college costs – by income

- Discussed the cost of college you can afford: 67% ab, 75% a, 63% b
- Insisted you work while in school: 36% b, 46% ab, 53% a
- Insisted you apply to or attend schools that are more affordable: 32% b, 43% a, 50% a
- Ruled out applying to or attending a school because of cost: 22% b, 35% a, 30% ab
- Insisted you pay for most or all of your education: 16% b, 25% ab, 34% a

Cost, academic quality and value
What is the impact of college costs?

- College costs are an incredibly salient issue
  - Nine-in-ten students are looking at college costs and consider them to be influential in their decision to apply to or attend college

- But, college costs are not the most influential factor when determining where to apply to / attend college
  - Nearly all students indicated at least one reason they would still consider a school, which they would otherwise rule out as too expensive
Reasons for considering a school that would otherwise be too expensive

- About three-quarters of students indicate they would overlook high costs if they consider the school to...
  - Have strong academics in a specific field of interest
  - Be a place where they will fit in and feel comfortable

- About two-thirds of students indicate they would overlook high costs if they consider the school to...
  - Have an excellent record of helping graduates get into graduate or professional schools or get a good job
  - Have a prestigious academic reputation

What are the most important characteristics when selecting where to attend college?

- Cost of attendance is viewed as less important than academic characteristics, such as academic quality and majors offered
  - Not surprisingly, cost of attendance is equally important to academic quality/majors offered for lower-income and underrepresented minority students
  - For more affluent cohorts, factors such as location and social life become more important than cost
Characteristics influencing students’ decision of where to attend college

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>Importance (Mean Rating)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Academic quality</td>
<td>8.6 a</td>
</tr>
<tr>
<td>Majors offered</td>
<td>8.5 a</td>
</tr>
<tr>
<td>Cost of attendance</td>
<td>7.4 b</td>
</tr>
<tr>
<td>Safety</td>
<td>7.2 b</td>
</tr>
<tr>
<td>Location</td>
<td>7.0 b</td>
</tr>
<tr>
<td>Social life</td>
<td>6.3 c</td>
</tr>
<tr>
<td>Rankings</td>
<td>6.0 c</td>
</tr>
<tr>
<td>Size</td>
<td>5.9 c</td>
</tr>
<tr>
<td>Sports</td>
<td>4.2 d</td>
</tr>
</tbody>
</table>

Note: Mean ratings on a 10-point scale where 1 = Not at all important and 10 = Extremely important

Importance of cost of attendance – by demographic cohorts

<table>
<thead>
<tr>
<th>Demographic Cohort</th>
<th>Importance (Mean Rating)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>7.4</td>
</tr>
<tr>
<td>UR Minority</td>
<td>8.4 *</td>
</tr>
<tr>
<td>White/Asian</td>
<td>7.1</td>
</tr>
<tr>
<td>Income &lt;$60K</td>
<td>8.3 a</td>
</tr>
<tr>
<td>Income $60K-$120K</td>
<td>7.6 b</td>
</tr>
<tr>
<td>Income $120K+</td>
<td>6.3 c</td>
</tr>
</tbody>
</table>

Note: Mean ratings on a 10-point scale where 1 = Not at all important and 10 = Extremely important
What drives students' perception of “value”?

- **Students’ perception of “value” is driven by academic quality**
  - Students view the academic quality of a school as much more important than the cost of a school

- **To be considered a good value, colleges should focus more on academic quality than on cost**
  - An expensive school can still be seen as a good value if the academic quality is high, but a low quality school can never be a good value

- **The influence of academic quality over cost is more pronounced for certain cohorts, such as under-represented minorities, females, students whose first-choice school is a private college, and students who intend to major in non-humanities subjects**

### Good value ratings

<table>
<thead>
<tr>
<th>Category</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very high quality &amp; inexpensive</td>
<td>9.1 a</td>
</tr>
<tr>
<td>Very high quality &amp; expensive</td>
<td>7.1 b</td>
</tr>
<tr>
<td>Very high quality &amp; Very expensive</td>
<td>6.5 bc</td>
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</tr>
<tr>
<td>Low quality &amp; inexpensive</td>
<td>3.1 e</td>
</tr>
<tr>
<td>Low quality &amp; expensive</td>
<td>1.7 f</td>
</tr>
<tr>
<td>Low quality &amp; Very expensive</td>
<td>1.5 f</td>
</tr>
</tbody>
</table>

Note: Mean ratings on a 10-point scale where 1 = Not a good value and 10 = Very good value
Good value ratings

- **Very expensive**: 4.7 c
- **Expensive**: 5.0 c
- **Inexpensive**: 7.0 b
- **Very high quality**: 7.6 a
- **High quality**: 7.2 b
- **Low quality**: 2.2 d

Note: Mean ratings on a 10-point scale where 1 = Not a good value and 10 = Very good value

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How are students planning to pay for college?
How are students planning to pay for college?

- Students expect merit scholarships and need-based aid to cover nearly half of college costs
  - Four-fifths of students expect they will receive some merit scholarships
    - Nearly half of low ACT scorers expect to receive academic scholarships
  - 19% of higher-income students expect to receive need-based aid

<table>
<thead>
<tr>
<th>College payment sources – by demographic cohorts (1 of 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
</tr>
<tr>
<td>30% Merit scholarships</td>
</tr>
<tr>
<td><strong>$120K+</strong></td>
</tr>
<tr>
<td>31% Merit scholarships</td>
</tr>
<tr>
<td><strong>$60K-$120K</strong></td>
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<tr>
<td>33% Merit scholarships</td>
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<td>29% Merit scholarships</td>
</tr>
<tr>
<td><strong>28+</strong></td>
</tr>
<tr>
<td>37% Merit scholarships</td>
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<tr>
<td><strong>24-28</strong></td>
</tr>
<tr>
<td>32% Merit scholarships</td>
</tr>
<tr>
<td><strong>&lt;24</strong></td>
</tr>
<tr>
<td>21% Merit scholarships</td>
</tr>
</tbody>
</table>
Examples of Effects of Price on Students’ Decisions
Effect of initiatives on number of applications and matriculations – University A

Effect of initiatives on number of applications and matriculations – University B
Examples of Effects of Non-Pricing Initiatives on Students’ Decisions

Effect of initiatives on number of applications - Inquirers

- **INTERNATIONAL AWARENESS**
  - All: +20%
  - Much: 0%
  - Some: -20%

- **REAL-WORLD LEARNING**
  - All: -1%
  - Much: 7%
  - Some: -24%

- **ENVIRONMENTAL AWARENESS**
  - All: 7%
  - Much: 0%
  - Some: -11%

- **LEADERSHIP DEVELOPMENT**
  - High: 13%
  - Usual: 2%


Summary

- Students are definitely looking at college costs, but grossly over/under estimating the actual costs
- Academic quality trumps cost
- Students have high expectations for merit and need-based aid
- Every institution’s price position is *sui generis*
Discussion

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