

**REPORT OF THE
FACULTY COMMITTEE ON ADMISSION AND FINANCIAL AID (FCAFA)
TO THE COMMITTEE OF SIX**

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Introduction

As part of its charge to FCAFA in early October of this year, the Committee of Six asked that we “develop a prioritized list of recommendations designed to meet or surpass the financial aid savings projections [totaling \$1,454,000 in FY10 through FY12] described on page thirteen of the report of the Advisory Budget Committee (ABC)” and “develop contingency plans that would define mechanisms by which 5 percent, 10 percent, and 15 percent reductions in projected financial aid expenditures, beyond those defined on page thirteen in the ABC report, might be achieved, should the financial exigencies of the College necessitate such savings”. What follows is FCAFA’s response to these parts of our charge, which has as its base the following assumptions that have been central to the committee’s thinking as our deliberations have proceeded.

1) Any proposals for changes in admission or financial aid policy assume that Amherst will continue to be need blind at all stages of the admission process – early decision, regular decision, wait list activity and transfer admission – and that Amherst will continue to meet the full demonstrated need of all admitted students.

2) All previous commitments to students currently enrolled at Amherst and to those students admitted in the current admission cycle will be honored.

3) The current expenditure level is the base. For academic year 2009-10 (FY10), the College’s institutional grant aid budget is \$33,995,444. Projected expenditures for the year, however, are currently \$35,483,150 – an overrun of \$1,487,706. The financial aid reserve will necessarily be drawn on to cover the excess. In developing projections for future years, it is assumed that the actual current expenditure level is used as a base, as has been done in past years. Not to do so means that any budgetary savings would have to address not only the current realities, but try to accommodate other envisaged savings as well.

4) Budgetary growth includes “natural growth”. College costs rise annually. An increase of \$2,000 in the comprehensive fee means that, for the approximately 1,000 students receiving institutional grant aid, their aggregate need will increase by \$2,000,000. This increment is referred to as “natural growth”. With the Advisory Budget Committee’s recommendation of five-percent growth in the comprehensive fee in the coming years, it is assumed that the financial aid budget will accommodate the natural growth even while contemplating measures to reduce the growth rate of the aid budget.

5) Substantial changes will occur through phased implementation. In past years, small adjustments in the aid program (e.g., increases in summer savings expectations, increases in term-time work expectations, modest student loan increases) have been implemented as a routine occurrence. Changes favorable to students have been implemented across the board for all students; however, substantial unfavorable changes (e.g., the increase in loan expectations, beginning in 1992-93) have been phased in with each successive new class, rather than affecting all current students. It is assumed that past practice will be followed, especially in light of financial aid policies and practices in place when current students applied for admission to the College.

6) Implementation begins with the Class of 2015. There is considerable lead time necessary for preparing and disseminating College publications – both print and electronic – that describe the financial aid program. Aid commitments, based on policies currently in place, will begin to be made for the Class of 2014 in early December 2009. It is imperative that any changes in policy or practice affecting the Class of 2015 be determined by February 1, 2010, so that there is sufficient time to alter our publications and alert prospective students about the changes. It is therefore assumed that any changes will be implemented for the Class of 2015 and beyond.

* * *

Potential Changes to Financial Aid Policies

Summer Earnings Expectation

One policy that FCAFA discussed last year and that has already been instituted was changing the amount of money that aided students are expected to earn over the summer. This expectation had not been changed in approximately 10 years, so the earnings expectation was modest relative to both what students actually earn and the earnings expectations of our peer institutions. Although the earnings expectation has been increased, it remains very competitive relative to our peer institutions. The summer earnings expectation for sophomores, juniors and seniors increased from \$1,800 to \$2,000 for students from middle-income (and higher) backgrounds and from \$950 to \$1,100 from lower-income backgrounds. Expectations from first-year students did not change.

Loans

Approximately ten years ago, Amherst replaced loan expectations for students in the lowest-income categories with grants. This policy enabled these students to graduate from Amherst without debt (although some of our students in these categories still choose to take out loans for personal reasons). Two years ago, Amherst replaced loans with grants for students from middle- and upper-income families as well. The goal of these policies was to ensure access to the most talented students in the applicant pool and to attract new students to the applicant pool who might have otherwise felt that Amherst was out of their financial reach.

Being one of the first institutions to move to a no-loan policy for all of its students positioned Amherst as a leader in American higher education, and the College has received a great deal of positive press and good will from the academic community on the basis of this decision. Consequently, the College is likely to suffer from some backlash if it backs away from this policy, especially if we were to be the first of our peer institutions to re-institute loans. In addition, such a policy would put Amherst at a distinct competitive disadvantage if peer institutions do not follow our lead. However, the College could realize significant savings by re-instituting loan expectations that are more modest than what was in place even two years ago; the prior maximum loan expectation was \$3,500 per year. As in the past, any loan system would be instituted on a sliding scale such that students in the lowest-income categories would still not carry any loans; loan amounts would increase gradually as family income increased. In the accompanying tables, the values given represent the maximum loan values that would be

expected from the wealthiest families that qualify for financial aid. The projected savings listed on the tables at the end of this report take the sliding scale into account. The decision to re-institute loans would be a significant change that would be difficult to reverse in the near term even if financial conditions improve. However, the amount of loans could easily be dialed up or down depending on the financial health of the College. In this way, adopting modest loans would provide the College with a measure of flexibility moving forward.

Altering the Packaging of Financial Aid Awards

“Packaging” a financial aid award refers to the process of determining how much a student can afford to pay. The less a student can afford to pay, the more the College must pay. Determining how much a student can afford to pay is a complex process that draws upon federal guidelines and other considerations. There are certainly a variety of ways that the College could reduce its financial aid expenditures by “tweaking” the criteria used in making packaging decisions. Many of these potential policy changes struck the committee as ethically questionable; others would reduce or eliminate our competitive advantage in attracting students; others would have indeterminate effects on financial aid expenditures (because it is difficult to determine exactly who is going to end up in our pool of accepted students and which of those students will elect to matriculate). Thus, although the committee examined financial aid packaging on a line-by-line basis, we did not find any clear opportunities for savings that would justify the costs associated with achieving those savings.

Potential Changes to Admission Policies

Community College Recruitment Program

Four years ago, the College received a grant from the Jack Kent Cooke Foundation to establish a program that would enroll a significant number of community college transfer students. In general, the students admitted to Amherst through this program come from extremely challenging backgrounds. In spite of the challenges they face, both the Admission Office and the Dean of Students Office report that these students are very successful at Amherst. They excel in the classroom and, according to the students on FCAFA, they have a valued presence outside the classroom as well, given their unusually rich array of life experiences. Such experiences would not be replicated by the traditional transfer students who would replace community college transfers if this program is discontinued.

The success and benefits of this program come at a significant financial cost. The average financial aid package for community college transfer students is significantly higher than that of other populations of aided students. Many of these students are financially independent and cannot draw on family income.

Another significant cost of the program is unrelated to financial aid, but relevant to our discussions of the program. The original grant runs out at the end of the current fiscal year (June, 2010 or FY10). Part of the grant was used to fund two administrative positions (one in the Admission Office and one in the Dean of Students Office). These staff members recruit students for the program and provide support for students once they arrive on campus. The Admission

Office and the Dean of Students Office agree that these staff people are essential to the success of the program. Because the backgrounds of community college transfer students have been so challenging, they require much more support than the average student. In addition, the committee members of FCAFA at the time when the program was initiated made pursuit of the grant contingent upon these two positions being part of the grant itself. Thus, maintaining the current number of community college transfers would require adding two new staff positions to the College budget at a time when a substantial number of staff positions are being lost across the campus. Two options would be to cut the program in half and fund one new staff member (to be split between the Admission and Dean of Students Offices) or to eliminate the program entirely. All three of these possibilities (maintaining the program at its current size, cutting the program in half, eliminating the program entirely) were discussed at length. Opinions on the committee tended to cluster at the two extremes.

International Students

The committee discussed altering admission and/or financial aid policies for international students, who are ineligible for federal grants. Financial aid packages are on average higher than financial aid packages for domestic students both because the family income of international students tends to be lower than that of domestic students and because of the increased travel costs of getting students to and from campus. Early on, the committee discussed the possibility of abandoning our policy of being need blind for international students, which has been in effect for one complete admission cycle. Given that the size and depth of our international pool increased noticeably when we became need blind for international students, one must assume that reversing this policy would have the opposite effect. The committee also struggled to find a compelling justification for maintaining a need-blind policy for only domestic students, but not international students. The additional costs of enrolling international students did not strike us as a strong argument for having different need-blind policies across the campus.

Affirming need-blind admission policies for international students did not make the additional costs of international students any less real, so the committee continued to investigate whether there might be ways to achieve savings without compromising the need-blind policy. One possibility was to replace a small number of aided international students with non-aided international students. Although it would be possible to enact such a policy while remaining need blind, “selling” this policy would be tough, particularly outside the College; that is, many people in the educational community both domestically and internationally would be skeptical about whether we were in fact need blind. As well, our ability to remain need blind while adopting this kind of policy would depend on the diversity and quality of the applicant pool. Thus, it would be difficult to guarantee that Amherst would be need blind in a given year until we knew the composition of the applicant pool. We could only affirm our need-blind status in the midst of an admission cycle, which is clearly an untenable approach.

Another possibility we considered was including a target for international students. Adopting a target does not imply a hard cap or quota on the number of international students that we aim to enroll. It would represent a target like the targets we have for many other constituencies in the applicant pool, including students with the highest academic reader ratings, legacy applicants, student athletes, and so forth. The recent report from the Committee on

Academic Priorities (CAP) recommended increasing the number of international students from 6% to 8%; the percentage of international students in the most recently admitted class (2013), which is the first one admitted with need-blind admission policy in place, is close to 10%. Thus, it would seem that the reduction in the number of international students would not compromise the long-term mission of the College.

One drawback of adopting this policy change is that, relative to some of the other policy changes presented in this document, it is more difficult to anticipate the amount that would be saved. If we are to remain need blind, it could be that in any given year, the best set of international applicants would be as costly as the set of international students that would be matriculated under the current policies. Furthermore, reducing the percentage of international students might have the effect of compromising the geographical diversity of the international student body, leaving certain areas of the globe under-represented. However, adopting a target allows the Admission Office maximum flexibility to maintain a strong and academically gifted population of international students without compromising our need-blind admission policy.

Admission Preference for Lower-Income Students with an Academic Reader Rating of 2

The committee also considered whether we might eliminate the current admission preference of low-income students with an academic reader rating of 2. Eliminating this admission preference would result in a student body in which race would be so correlated to family income that our students' privacy would be compromised. The committee was unanimous in endorsing the current admission preferences given to this category of applicants.

Other Potential Mechanisms for Savings

Financial Aid Reserve Fund

The Advisory Budget Committee and the Trustees rejected FCAFA's proposal to use the financial aid reserve fund to cover the natural growth in the aid budget. There remain, however, the purposes for which the fund was established in the early 1990s – namely, to provide for any annual budgetary overruns and to allow the College time to address short-term financial and budgetary needs in the case of revisions in financial aid policy or practice. Since the fund was established, there have been five years (including the present year) in which excess aid expenditures have been covered by the reserve. Similarly, when the College adopted the policy of no loans for lower-income students in 1999, the fund was drawn on in the subsequent year to accommodate the additional expenditures and provide time for budgetary adjustments for the new institutional grant aid base.

It appears from the ABC report that there are intended savings in the financial aid budget to be achieved in fiscal years 2010, 2011 and 2012. Aside from the modest savings from an increase in upper class students' summer savings expectations beginning in FY 2010, no substantive savings in FY 2010 or FY 2011 can be achieved without affecting current aid policies and practices in ways contrary to the assumptions outlined in the introduction to our report. Changes in financial aid can certainly be implemented in FY 2012, but if the assumption about phased implementation is observed, the entering Class of 2015 cannot by itself bear the

total burden of the savings objective unless there were draconian changes in aid policy. Use of the reserve will allow an orderly, phased implementation over time of any changes.

Recommendations

Appendix A shows the savings associated with the various options outlined above. Obviously, there are many, many different combinations of policies that could be used to achieve the kinds of savings we are trying to achieve. After extensive conversation, FCAFA has reached consensus on two recommendations:

** Increase the summer earnings from \$1,800 to \$2,000 for students in the upper three classes from middle-income (and higher-income) backgrounds and from \$950 to \$1,100 for those from lower-income backgrounds.* This policy has already been implemented and will reap an expected total savings of approximately \$407,000 over the next three years (FY10-FY12).

** Decrease the number of community college transfer students by 50%.* This was a very painful choice, but one that seems necessary given the staffing constraints of the College and the financial costs of the program. This recommendation is contingent upon the administration making one new staff position available to serve the needs of these transfer students. Reducing this program by half would produce an expected savings of approximately \$700,000 by the end of FY12. This recommendation represents a compromise between those on the committee who wanted to eliminate the program entirely and those who wanted to maintain it at its current size. One argument for maintaining a smaller version of the program is that the size of the program could be restored in the future if financial conditions and staffing pressures permitted. Re-starting a program that had been eliminated entirely would be much more difficult. However, eliminating the program entirely would alone achieve sufficient savings to meet the directive of the ABC report.

As unpleasant as the above-noted policy changes would be, they would only get us approximately two-thirds of the way to the goal mandated by the ABC report. We can envision a number of ways of generating the remaining \$400,000 in savings; three scenarios, each of which relies on one of the three additional policy changes described below, are outlined in Appendix B as a non-ranked list.

Scenario 1: Reintroducing loans. In our conversations with faculty and staff, we have heard considerable support for reintroducing loans as a means to decrease financial aid expenditures. It does not seem unreasonable to ask students to assume a larger share of the cost for their education. Loan expectations would be made using a sliding scale and would not affect financial aid for the lowest-income students. There is the potential for some negative press and competitive risk as a result of reinstating loans, but the long-term financial health of the College outweighs these concerns. Instituting a loan expectation of \$2,500 for middle- and upper-income students who qualify for financial aid would save approximately \$334,000 in FY12, which would get us very close to the savings target.

Scenario 2: Setting a target for the percentage of international students. A modest reduction in the number of international students has the potential to reduce financial aid expenditures

while affecting a relatively small number of applicants. Maintaining our need-blind admission policy would keep the size and depth of the applicant pool very strong, so we believe that adopting this target would still allow us to enjoy a geographically diverse and engaging international population. A target of 8% international students (which corresponds to a reduction of 6 from to the number in the Class of 2013), as proposed in the CAP report, is a reasonable goal that would save approximately \$200,000 in FY11 and \$400,000 in FY12.

Scenario 3: Using the financial aid reserve fund. Using the reserve fund is attractive because it would not require alteration in other policies. However, repeated use of the reserve fund in this way might undermine long-term budgetary goals. The ABC asked FCAFA to propose sustainable changes in financial aid policies. Although long-term yearly use of the reserve fund would not be sustainable, the proposal in Scenario 3 is for a one-time use of the reserve fund.

Although in the short term these three scenarios achieve the recommendation of the ABC for cumulative savings in FY10 through FY12, they have very different long-term financial consequences, as shown in Appendix B.

None of the three scenarios described gets us to the higher additional targets set by the Committee of Six. Meeting the charge of the ABC required cutting the budget by less than 5%; this necessitated some extraordinarily painful choices. It is very difficult for us to conceive of how we might achieve additional cuts of 5%, 10%, and 15% without drastically changing the character of the College. These targets could only be met by eliminating the community college transfer program entirely AND reducing the number of international students significantly AND instituting loans AND eliminating the admission preference for low-income students with an academic reader rating of 2 (Appendix C). Even if we made all of these draconian changes in concert, we would still fall short of the additional 15% target requested by the Committee of Six.

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In conclusion, these recommendations represent what we think is a prudent course to follow for trimming financial aid expenditures in light of the current financial situation and the directive of the ABC report. As noted earlier, there are many potential scenarios and sets of changes that one might consider. Part of our goal in preparing this report was to provide information regarding what was possible and what was necessary to achieve various levels of saving. We look forward to receiving the input from the Committee of Six and our faculty colleagues.

APPENDIX B

Scenario 1							CUMULATIVE SAVINGS FOR FY10-FY15
	FY10/CLASS OF 2013	FY11/CLASS OF 2014	FY12/CLASS OF 2015	FY13/CLASS OF 2016	FY14/CLASS OF 2017	FY15/CLASS OF 2018	
ADJUSTMENT OF F.A. AWARD PACKAGING POLICY							
INCREASE SUMMER EARNINGS EXPECTATION	\$ 134,000	\$ 136,000	\$ 137,000	\$ 139,000	\$ 139,000	\$ 139,000	\$ 824,000
SCALE BACK THE JKC PROGRAM							
REDUCE THE NUMBER TO 17 (HALF OF CURRENT SIZE)		\$ 220,000	\$ 479,000	\$ 504,000	\$ 530,000	\$ 558,000	\$ 2,291,000
INCREASE LOAN EXPECTATION FOR UPPER-INCOME AID RECIPIENTS							
MAXIMUM LOAN OF \$2,500			\$ 334,000	\$ 677,000	\$ 1,029,000	\$ 1,372,000	\$ 3,412,000
Savings in specified FY	\$ 134,000	\$ 356,000	\$ 950,000	\$ 1,320,000	\$ 1,698,000	\$ 2,069,000	
Cumulative savings from FY10 through the end of specified FY			\$ 1,440,000	\$ 2,760,000	\$ 4,458,000	\$ 6,527,000	\$ 6,527,000
Scenario 2							CUMULATIVE SAVINGS FOR FY10-FY15
	FY10/CLASS OF 2013	FY11/CLASS OF 2014	FY12/CLASS OF 2015	FY13/CLASS OF 2016	FY14/CLASS OF 2017	FY15/CLASS OF 2018	
ADJUSTMENT OF F.A. AWARD PACKAGING POLICY							
INCREASE SUMMER EARNINGS EXPECTATION	\$ 134,000	\$ 136,000	\$ 137,000	\$ 139,000	\$ 139,000	\$ 139,000	\$ 824,000
SCALE BACK THE JKC PROGRAM							
REDUCE THE NUMBER TO 17 (HALF OF CURRENT SIZE)		\$ 220,000	\$ 479,000	\$ 504,000	\$ 530,000	\$ 558,000	\$ 2,291,000
FA PROJECTIONS FOR NON-U.S. CITIZENS							
CAP-RECOMMENDED 8% TARGET FOR NON-U.S. CITIZENS (ADMITTED NEED-BLIND)		\$ 200,000	\$ 400,000	\$ 600,000	\$ 800,000	\$ 800,000	\$ 2,800,000
Savings in specified FY	\$ 134,000	\$ 556,000	\$ 1,016,000	\$ 1,243,000	\$ 1,469,000	\$ 1,497,000	
Cumulative savings from FY10 through the end of specified FY			\$ 1,706,000	\$ 2,949,000	\$ 4,418,000	\$ 5,915,000	\$ 5,915,000
Scenario 3							CUMULATIVE SAVINGS FOR FY10-FY15
	FY10/CLASS OF 2013	FY11/CLASS OF 2014	FY12/CLASS OF 2015	FY13/CLASS OF 2016	FY14/CLASS OF 2017	FY15/CLASS OF 2018	
ADJUSTMENT OF F.A. AWARD PACKAGING POLICY							
INCREASE SUMMER EARNINGS EXPECTATION	\$ 134,000	\$ 136,000	\$ 137,000	\$ 139,000	\$ 139,000	\$ 139,000	\$ 824,000
SCALE BACK THE JKC PROGRAM							
REDUCE THE NUMBER TO 17 (HALF OF CURRENT SIZE)		\$ 220,000	\$ 479,000	\$ 504,000	\$ 530,000	\$ 558,000	\$ 2,291,000
FINANCIAL AID RESERVE FUND							
ONE-TIME USE OF RESERVE FUND TO ACHIEVE ABC GOAL		\$ 348,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 348,000
Savings in specified FY	\$ 134,000	\$ 704,000	\$ 616,000	\$ 643,000	\$ 669,000	\$ 697,000	
Cumulative savings from FY10 through the end of specified FY			\$ 1,454,000	\$ 2,097,000	\$ 2,766,000	\$ 3,463,000	\$ 3,463,000
ABC-targeted reduction in financial aid expenditures	FY10/CLASS OF 2013	FY11/CLASS OF 2014	FY12/CLASS OF 2015				
Savings in specified FY	\$ 112,000	\$ 668,000	\$ 674,000				
Cumulative savings from FY10 through the end of specified FY			\$ 1,454,000				

APPENDIX C

Scenario 4	FY10/CLASS OF 2013	FY11/CLASS OF 2014	FY12/CLASS OF 2015	FY13/CLASS OF 2016	FY14/CLASS OF 2017	FY15/CLASS OF 2018	CUMULATIVE SAVINGS FOR FY10-FY15
ADJUSTMENT OF F.A. AWARD PACKAGING POLICY							
INCREASE SUMMER EARNINGS EXPECTATION	\$ 134,000	\$ 136,000	\$ 137,000	\$ 139,000	\$ 139,000	\$ 139,000	\$ 824,000
SCALE BACK THE JKC PROGRAM							
ELIMINATE THE JKC PROGRAM		\$ 455,000	\$ 941,000	\$ 990,000	\$ 1,042,000	\$ 1,096,000	\$ 4,524,000
INCREASE LOAN EXPECTATION FOR UPPER-INCOME AID RECIPIENTS							
MAXIMUM LOAN OF \$5,500			\$ 735,000	\$ 1,489,000	\$ 2,264,000	\$ 3,018,000	\$ 7,506,000
FA PROJECTIONS FOR NON-U.S. CITIZENS							
5% TARGET FOR NON-U.S. CITIZENS (ADMITTED NEED-BLIND)		\$ 731,000	\$ 1,537,000	\$ 2,426,000	\$ 3,403,000	\$ 3,579,000	\$ 11,676,000
ELIMINATE ADMISSION PREFERENCE FOR LOW-INCOME ACADEMIC 2s							
THIRTY FEWER LOW-INCOME STUDENTS PER CLASS		\$ 261,000	\$ 522,000	\$ 783,000	\$ 1,045,000	\$ 1,045,000	\$ 3,656,000
Savings in specified FY	\$ 134,000	\$ 1,583,000	\$ 3,872,000	\$ 5,827,000	\$ 7,893,000	\$ 8,877,000	
Cumulative savings from FY10 through the end of specified FY			\$ 5,589,000	\$ 11,416,000	\$ 19,309,000	\$ 28,186,000	\$ 28,186,000
C6-targeted reduction in financial aid expenditures	FY10/CLASS OF 2013	FY11/CLASS OF 2014	FY12/CLASS OF 2015				
(ABC+5%) cumulative savings for FY10 through FY12			\$ 3,229,000				
(ABC+10%) cumulative savings for FY10 through FY12			\$ 5,004,000				
(ABC+15%) cumulative savings for FY10 through FY12			\$ 6,778,000				