



Charting Scholarships to a Better Destination

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Goals for Scholarship Awarding

Particular people groups desired for campus?

Raise average academic credentials?

Recruit a student from every state?

Many countries?

Certain counties within your state?

Local students (to enhance the community impression of your school)?

Goals for Scholarship Awarding

Expand economic diversity on campus?

Ethnic diversity?

Make donors happy?

Promote new academic programs?

Goals for Scholarship Awarding

Or the more common temptation...

Offer the moon to just make the freshman enrollment goals

Common Scholarship Types

Academic Merit

Need-based

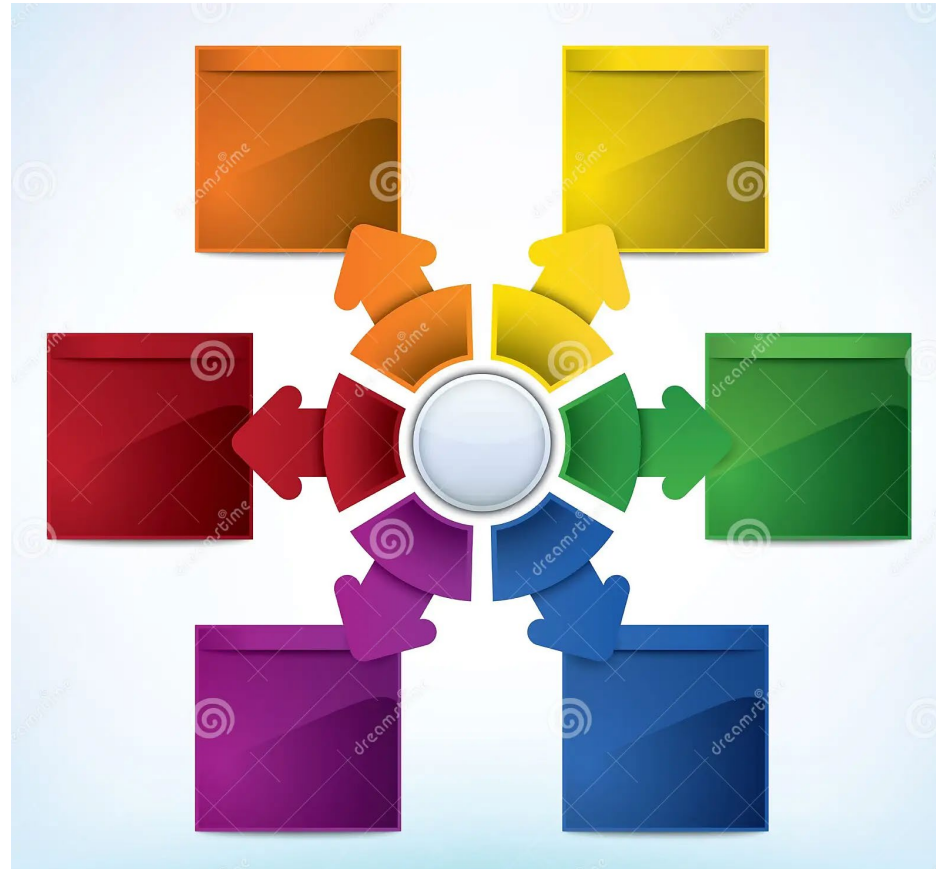
- What definition of “need” is used?
- Cover remaining tuition?
- Up to full COA?

Accomplishments

- Valedictorian/Salutatorian
- Eagle Scouts
- 4-H achievements

Activities-based

- Marching band
- Debate team



Funded v. Unfunded

Did a donor give a one-time donation for this program?

Was money set apart from the university budget for this scholarship?

Is there an endowed scholarship whose annual interest is funding this award?

Has a donor specifically asked to give a scholarship to a particular student, which they are willing to pay for?

OR

Are you simply discounting the amount you charge the student by these dollar amounts?
(aka: giving them a coupon)

Endowed

Long-term commitment for a special purpose

Typically make the annual earnings available for scholarships

Sometimes an administrative fee is assessed the fund each year

These are often named funds with donors who appreciate hearing the results that come from their generosity

- This creates a need for soliciting, tracking and sharing Thank You notes from recipients
- Such can give high levels of satisfaction leading to more donations

Encouraging the use of more flexible language in agreements with donors can be **EXTREMELY** helpful!

Too narrow a scope, and you can't find anyone who qualifies

Allowing donors to select recipients eliminates tax benefits from their donation

Annual or One-Time Donations

Some donors want to simply give a set amount each year

This doesn't guarantee the funds will be available each year

Yet they can make money available for special needs as they arise

Stackable

Do you allow a scholarship to be awarded in addition to other institutional awards?

If so, is that up to the cost of tuition minus institutional funds?

Tuition minus all other gift aid?

Up to full COA?



Selection process or automatic award?

How much time investment can your office give towards awarding?

- What data will be needed from other departments?
- Who outside your office should be involved in the selection process?

Do you have funds available for all who qualify or just a few selections?

Renewal Criteria

Cliff effect?

Stair steps?

Guaranteed?



Can a student improve their merit award after enrollment?

Are there methods through which a student can improve their institutional merit scholarship amount?

Example: Annual renewal of a scholarship based on:

50% per your cumulative GPA and 50% per your most recent year GPA

How do you notify students about scholarship opportunities?

What communication tools do you use when sharing scholarship options or encouraging students to apply for funds?

Do you have a searchable system for local and regional scholarships?

Sports Limitations and Allowances

Consideration has to be given for NCAA team limits on 'countable' funds

Awards with strict academic requirements might now be stackable with athletic awards

This can be a grey area open for interpretation

Net Tuition Revenue

Net Tuition Revenue = What is PAID after all discounting
= Money in the bank
= This is what pays the bills

Discount Rate

$$\frac{\text{Total institutional gift aid for freshmen}}{\text{Total gross tuition revenue for freshmen}} = \text{Freshman Discount Rate}$$

Cared about passionately by many college Presidents and CFOs

Arguably meaningless (but they don't like to hear that)

Discount Rate Example

1. Student is offered a \$20,000 academic merit scholarship

Tuition is set at \$50,000 per year

$$\frac{\$20,000 \text{ in gift aid}}{\$50,000 \text{ tuition}} = 40\% \text{ Discount Rate}$$

1b. The same student is also awarded an unfunded Music Scholarship for \$10,000

$$\frac{\$30,000 \text{ in gift aid}}{\$50,000 \text{ tuition}} = 60\% \text{ Discount Rate}$$

Discount Rate Example



What happens if you discover parents care more about the size of the academic merit scholarship offered their student than they care about the bottom dollar they have to pay?

If you raise tuition charges, while also raising the discount...

1. Student is now offered a \$25,000 academic merit scholarship

Tuition is now set at \$58,000 per year

$$\frac{\$25,000 \text{ in gift aid}}{\$58,000 \text{ tuition}} = 43\% \text{ Discount Rate}$$

Discount rate increased by 3%. Net Tuition Revenue increased by \$3,000

Is it bad that the discount rate increased?

Retention – Long Range Effects of Funds

There can be a difference between gaining current year headcount versus awarding to students with a likelihood of graduating

What are your school's immediate and long-term goals?

Consider how this plays out financially and for the school's student headcount long-term

Retention – The Money Factor

A university offers academic merit awards of \$10,000- \$20,000/yr.

Tuition is set at \$30,000/yr.

Total enrollment and revenue over time:

Tier 1 – High Aca. \$20,000/year	Retention Rate	Enrollment	Inst. Aid Investment	Net Tuition Revenue (NTR)	
100 New Students		100	\$ 2,000,000	\$ 1,000,000	
Sophomore Year	85%	85	\$ 1,700,000	\$ 850,000	
Junior Year	90%	77	\$ 1,540,000	\$ 770,000	
Senior Year	95%	73	\$ 1,460,000	\$ 730,000	
Senior 5 th Year	5%	4	\$ 80,000	\$ 40,000	
	Graduates:	73	\$ 6,780,000	\$ 3,390,000	Totals

Retention – The Money Factor

A university offers academic merit awards of \$10,000- \$20,000/yr.

Tuition is set at \$30,000/yr.

Total enrollment and revenue over time:

Tier 5 – Low Aca. \$10,000/year	Retention Rate	Enrollment	Inst. Aid Investment	Net Tuition Revenue (NTR)	
100 New Students		100	\$ 1,000,000	\$ 2,000,000	
Sophomore Year	45%	45	\$ 450,000	\$ 900,000	
Junior Year	55%	25	\$ 250,000	\$ 500,000	
Senior Year	65%	16	\$ 160,000	\$ 320,000	
Senior 5 th Year	10%	2	\$ 20,000	\$ 40,000	
	Graduates:	16	\$ 1,860,000	\$ 3,760,000	Totals

Retention – Comparison

Total enrollment and revenue over time:

	Discount Rate	Graduates	Inst. Aid Investment	Net Tuition Revenue (NTR)
Tier 1 – High Aca. \$20,000/year	67%	73	\$ 6,780,000	\$ 3,390,000
Tier 5 – Low Aca. \$10,000/year	33%	16	\$ 1,860,000	\$ 3,760,000

The university “invested” \$4,920,000 more in institutional aid over 5 years for Tier 1 students. Yet they earned \$370,000 less in Net Tuition Revenue.

Was it worth it for 57 more graduates?

Support Systems

If you give scholarships to your lowest level academic students...

What additional support systems are you giving them to ensure their success?

You need to fully envision all the costs associated with helping them through to graduation.

5th Year

Do you structure your scholarships expecting on-time graduation?

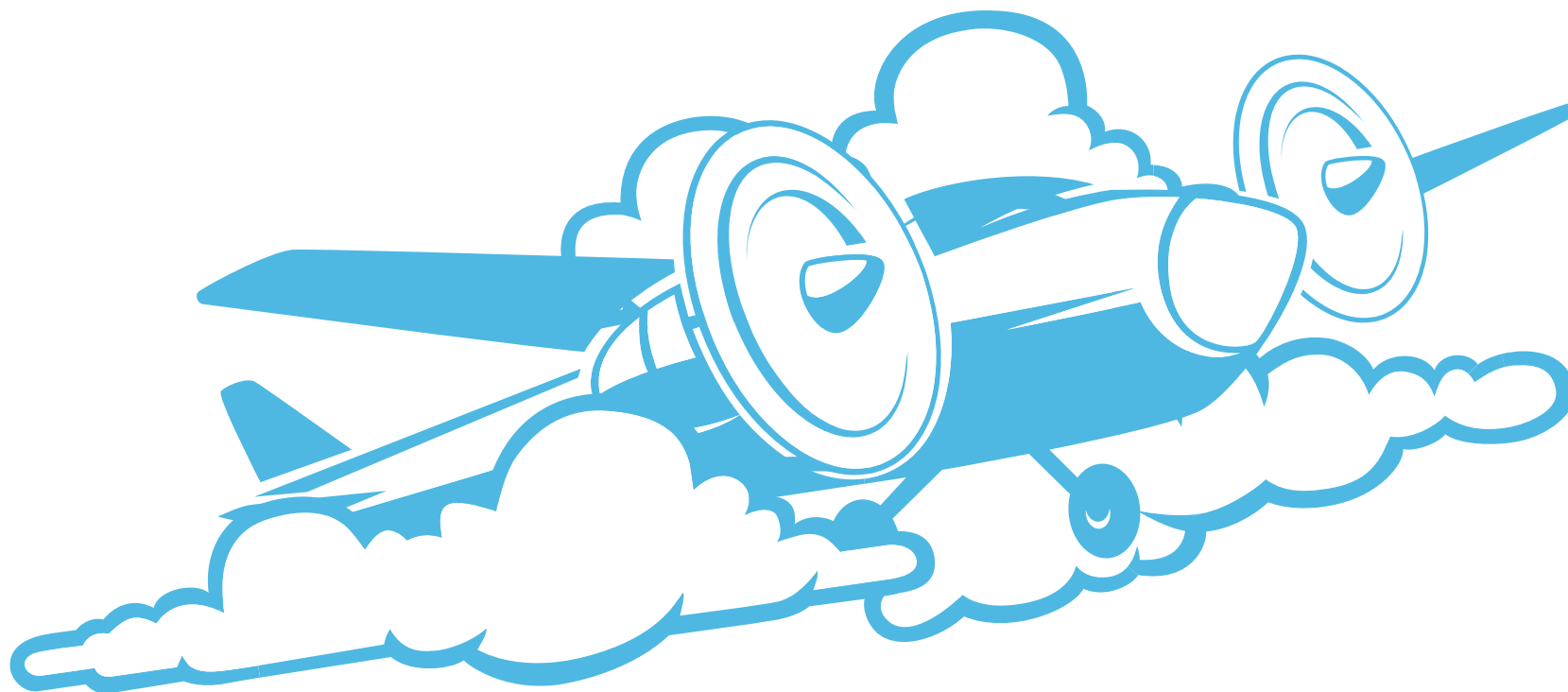
Can your institution accommodate giving for a 5th year?

Does your Finance Department budget for some failures?

Opportunity Costs

How would you impact enrollment likelihood if you used the money *here* rather than *there*?

Are we using our funds in the best way?



Questions?



Thanks for coming!

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