

Minutes of the February 10, 2009 Meeting of the International Education Committee

Present: Tristan Burger, Lisa Ferrari, Diane Kelley, John Lear, Donn Marshall, Jannie Meisberger, Jan Moore, Heidi Orloff, Mei Rose, Jonathan Stockdale, Peter Wimberger

Guests: Kris Bartanen, Sue Hannaford, Maggie Mittuch

Chair Peter Wimberger convened the meeting shortly after 2:00 p.m.

Committee members offered comments on minutes from December 4, 2008 and January 27, 2009, then moved and voted to approve those minutes as amended.

Peter welcomed Kris and Maggie, who were attending to present information on and answer questions about models for financing study abroad.

Kris noted that the IEC and the President's cabinet share the goals of maintaining an academically strong and financially viable study abroad program for our students. She reported that the cabinet had decided in January to move to a single model of study abroad pricing. The cabinet has not yet selected that model. Kris clarified the definitions of the two types of programs under the university's current pricing model. "Approved" programs are those for which students pay program costs directly to the provider and do not pay any Puget Sound tuition. Students on approved programs may take all federal and state financial aid, but none of their institutional aid. "Sponsored/partner" programs are those for which students pay Puget Sound tuition and program costs are paid to the provider by the university. Students on sponsored/partner programs may apply all federal, state, and institutional financial aid to their study abroad costs.

Kris distributed a handout (appended) of a table listing the various pricing models considered by the cabinet. The current pricing model is letter B on the table. This model is the most expensive (i.e., incurs the largest net loss) of those listed. Under model B, the university pays out the maximum level of financial aid and incurs the cost of foregone revenue from the tuition that would have been paid by students who instead attend approved programs.

Kris reported that the cabinet had rejected three of the models on the table. Model C (all students on approved programs) is a poor choice for several reasons. Foremost is the fact that students are not able to utilize any institutional aid for approved study abroad because there is no tuition revenue upon which to allow a tuition discount. Peter asked whether students were unable to take institutional aid because under Model C they would not be enrolled at the university. Maggie said yes, because students not enrolled do not pay tuition, and institutional aid is funded by tuition revenue. Kris also pointed out that, under Model C, Student Financial Services would have to create a unique billing system for each student studying abroad in order to administer those students' federal or state financial aid.

Model E also met with cabinet disapproval. Under this model, all programs would be designated “sponsored/partner,” and students would be able to use only need-based institutional aid toward studying abroad. This model works poorly because of the distinction between institutional aid that is designated as ‘need based’ versus aid that is designated as ‘merit based’. Much “merit-based” aid is used to fill need, and then is supplemented by aid that is designated as “need-based.” Therefore, limiting aid to only those aid programs designated as “need-based” means that high need, high merit students whose aid packages contain both need and merit based aid would be limited to only using aid designated as “need based” towards their program costs, regardless of how much of their individual financial need these aid programs filled. This would disadvantage some of the best students who nonetheless have financial need.

Model G created similar problems, given the university’s way of assigning merit versus need based aid designations. However, Maggie’s projected data suggest that the impact of model G would be even more costly for high need students than would model E.

Kris explained that the cabinet was therefore weighing models D and F, but had yet to choose one. Model D designates all programs “sponsor/partner” and allows students to take all institutional financial aid toward study abroad. This program is extremely expensive, and would realize little savings in a budget that is already significantly in the red. Model F also designates all programs “sponsor/partner,” but permits students to take all (i.e., both merit- and need-based) financial aid, up to their level of need. If a student has a combination of merit- and need-based awards that exceeds demonstrated need as determined by FAFSA results, then the student would forego, for the duration of study abroad only, the aid dollars in excess of the need calculation.

Kris commented that she was aware of the committee’s preference for a “pass through” system, in which students pay providers the cost of the program, and the university an administrative fee. The cabinet concluded that this fee would need to be at least \$1000-\$1500, which would serve only to increase the burden on students who had low levels of need-based aid.

That concluded Kris’ opening remarks, and the remainder of the meeting was given to questions and answers.

Maggie pointed out that her models were based on real data regarding students who studied abroad 2008-2009 academic year. When the university allocated financial aid to the class of 2012, the size of individual merit-based awards was increased, and need based aid was correspondingly decreased. This restructuring of institutional aid programs will continue in 2009-10 (and likely beyond), and will create further implications for applying model F to future classes.

Diane asked how need is calculated, and specifically whether the calculation is a reasonable approximation of the actual cost of living for students. Maggie replied that need is calculated in reference to the cost of attending the university. The cost is broken

down into several categories, including tuition, housing, food, etc. For students studying abroad, these categories include airfare and cost of living abroad.

Jan asked whether Stafford loan information for students abroad was kept in the university financial aid system. Maggie explained that it was. Student Financial Services tracks students studying abroad, even those on “approved” programs, who therefore are technically not enrolled in the university. This tracking is one of the many burdens that would arise were the university to switch to an all-“approved” plan.

Peter asked whether the process of tracking students could be automated. Maggie said that parts of it could. However, each student has a unique financial aid package, for example in the calculation of new need. Therefore, complete automation is not feasible. This also has implications that make model C undesirable.

John asked whether many students currently take merit aid beyond their need-based aid. Maggie said yes. John expressed concern over the implications of cutting this merit-based aid for study abroad. Very bright students of limited financial means might not be able to afford study abroad without their merit-based aid. Maggie agreed that this was possible, though undesirable. However, other models would have even more of a negative impact in this way. Kris pointed out that the figures on the table suggest an average of \$1300 in merit-based aid that would be foregone under model F, though that average does not necessarily describe the financial situation of any given student. John reiterated his concern that model F would preclude certain bright students’ studying abroad.

Maggie noted that the university will need to be forward-looking and reconsider the way in which particular, prestigious merit awards are described and the conditions under which they apply.

Heidi commented that study abroad is an extremely valuable experience, and one that could warrant students’ going into debt. Loans may be available to help the students John is concerned about. Jannie noted that many providers offer merit scholarships. Kris pointed out that Student Financial Services would work with individual students to help them identify possible additional sources of aid if necessary.

Heidi asked whether changes in pricing models would have an impact on faculty children and others taking advantage of the tuition remission benefit. Maggie replied that tuition remission comes from the benefits budget rather than the financial aid budget, so that tuition remission was beyond the scope of her models. Faculty children are currently allowed to apply tuition remission toward studying abroad. Students currently attending Puget Sound on tuition exchange likewise may apply that benefit to study abroad, though this is not necessarily the case at other institutions.

John asked whether the university could set aside a pool of funds to help the best students afford to study abroad. Kris replied that this was possible, but then funds would have to be cut from somewhere else. The study abroad budget is already significantly in the red.

Twenty years ago 6-7 percent of Puget Sound students studied abroad. Today that figure is above 40 percent and likely to keep growing. Managing the study abroad budget needs to be a priority.

Peter raised the question of whether foregone tuition revenue can legitimately be considered a cost in the study abroad budget. The university should expect to forego a certain amount of tuition revenue from students studying abroad and plan accordingly.

Kris pointed out that the timing of decisions about study abroad financing is critical. Financial aid award letters go out in mid-March. If those letters cannot reflect any new restrictions on the use of aid for study abroad, the university will have to wait a full year to implement any changes. Given the current financial situation, this is a highly undesirable outcome. The cabinet must move quickly, but desires faculty input.

Diane asked what, besides brainstorming, Kris saw as the committee's next step regarding study abroad pricing. Kris said that she would appreciate feedback, and also recommendations on means of managing the study abroad budget in the future. While financial policy is the work of the cabinet, the faculty can have a strong voice in decisions about academic criteria for study abroad (e.g., minimum GPA requirements, limits on the number of terms an individual student may study abroad, etc.)

Jonathan pointed out that, since financial policy is made by the cabinet rather than the faculty, and in the absence of a mandate to implement cost-saving devices, the faculty have little incentive to advocate such measures. He inquired whether Kris was providing such a mandate.

Kris pointed out that the current financial situation had created its own mandate. There were not funds to increase the study abroad budget, and therefore some devices for management will likely be necessary.

The meeting adjourned at 3:06 p.m.

Respectfully submitted,
Lisa Ferrari

Study Abroad Net Revenues Analysis

Example year: 2008-09

294 students on study abroad include 32 on full-year programs (largely Pac Rim) and 42 on approved programs

- A. Net revenues if 0 of the 294 students studied abroad \$ _____
 - B. Net revenues based on 42 of the 294 students on approved programs and 252 of the 294 students on sponsored/partnered programs \$ _____
 - C. Net revenues if all 294 students went on approved programs \$ _____
 - D. Net revenues if all 294 students went on sponsored/partnered programs and took all institutional aid \$ _____
 - E. Net revenues if all 294 students went on sponsored/partnered programs and took only need-based institutional aid \$ _____
 - F. Net revenues if all 294 students went on sponsored/partnered programs and took all institutional aid up to their level of financial need \$ _____
 - G. Net revenues if all 294 students went on sponsored/partnered programs and took all institutional aid up to 25% of tuition \$ _____
 - H. Net revenues in current 2008-09 budget \$ _____
 - I. Net revenues in 2009-10 budget \$ _____
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Assumptions:

Net revenues = tuition - institutional financial aid - instructional expense

25% of tuition = \$8,445 annual / \$4,222 per semester