

**Recommendations of the Financial Aid Working Group
May 10, 2023**

Executive Summary: The Financial Aid Working Group Recommendations

- 1. Modify Carleton's use of loans in financial aid packaging: no loans for families with incomes of less than \$100,000 (or 150% of the median US household income) and decrease loan amount to approximately \$3,000 yearly for other students on aid.**
- 2. Increase the proportion of the entering class with family incomes that would make the student Pell Eligible (or some similar standard—\$40-45,000 or 50% of median US household income) from approximately 8.7% to 10% (approximately 25 students).**
- 3. Decrease the work requirement in student aid packages by 1-2 hours a week and increase compensation (by \$1-3 an hour) for a select group of jobs that are deemed hard to fill (e.g. dining).**

Details and cutoffs for each recommendation should be subject to sensitivity analysis so there is a full understanding of the impact of each policy on yield, enrollment, and student choices, both in the short run and in the long run, as these policies impact the make-up of Carleton's student body.

I. Introduction

Like most institutions of higher learning, Carleton College devotes significant resources to the financial needs of our students and families, with the specific goal of making a Carleton education accessible and affordable, and by shaping an economically diverse entering class that is also diverse in other ways that we value.

In 2022-23 the college devoted \$57.5 million dollars to student financial aid which represents 36.1% of the college's budget. Applicants for financial aid are required to complete the FAFSA (Free Application for Federal Student Aid) and CSS Profile to determine the student's financial need. Carleton is in the rare and fortunate situation of being able to meet the full financial aid of every admitted student.

Meeting a student's full financial need is a longstanding commitment that Carleton takes very seriously and makes every attempt to address in a clear and forthright fashion with families and students. The college creates a budget for each student, the majority of which consists of Carleton's comprehensive fee (tuition, housing and food, and student fees), but also includes some additional resources for travel, educational expenses like books and supplies, and other personal expenses. This budget is compared to each family's income, assets, and other resources as determined by the FAFSA and CSS Profile to calculate the estimated family contribution (EFC). If there is a gap, as there is for over 50% of Carleton families, the college provides financial aid to fully meet that need.

The typical financial aid package has four components: a summer earnings contribution, student on campus employment, a loan, and Carleton scholarship. In the event that a student brings outside scholarships to the college, these are also factored into the financial aid package, typically by decreasing the summer work contribution, on campus employment, and/or the loan amount.

Packages are renewable for four years by completing the financial aid application annually, with minor adjustments made depending on family circumstances, such as a significant change in income or a change to the family's household size, so families can calculate the full four year cost of earning a Carleton degree at the time of enrollment.

Financial aid resources and the individual packaging of aid for students significantly shapes the Carleton student body. The Board of Trustees, during the last strategic planning process in 2012, in consultation with the on-campus community, established a number of guidelines that Admissions and Financial Aid staff apply in shaping each class at this time. The Board has specified that:

- a. At least 50% of the student body should receive some financial aid.
- b. The average aid package will meet 45% or more of Carleton's cost of attendance.
- c. At least 30% of the entering class should be middle-income, as currently defined by family income between \$42,000 and \$170,000.

II. Charge

The Financial Working Group, including current and past trustees, staff, faculty and students, was created by President Byerly with both external and internal considerations in mind.

The Group's charge is as follows:

To look at our current financial aid policies and approach in light of our current priorities and external challenges. To help us to understand how our financial aid program can remain competitive in bringing us the best students; how our IDE goals can best be supported by our financial aid program; and what resources might be necessary for continued strengthening of our financial aid program in the future.

This consideration will likely include discussion of the ideal distribution of aid across different socioeconomic bands; how best to position ourselves in the competitive landscape among our peer institutions; what aspects of student support may need enhancing within our current packaging; what the appropriate student and family financial expectation is for covering the cost of a Carleton education.

"Remain Competitive." The external charge is to study the financial aid policies across higher education, with a particular emphasis on our peer and overlap institutions. In recent years, some of the most well-resourced and selective institutions have made significant changes to their financial aid packaging. The elimination of loans for all or a select group of students has received the most attention. (56 'No Loan Colleges' to Help You Avoid Student Debt, <https://www.lendingtree.com/student/colleges-no-student-loans-policy/>).

Other changes being considered or implemented at some institutions include the elimination of student employment from financial aid packages. (See Williams College drops loans, work-study requirements from financial aid packages, <https://feed.georgetown.edu/access-affordability/williams-college-drops-loans-work-study-requirements-from-financial-aid-packages/>. See also Appendix E for comparative data on financial aid packaging from peer institutions and Appendix F for data on current no-loan schools.)

The Working Group is to consider these external changes and consider their impact on Carleton's competitive position and financial model as we strive to attract the best students for the College in the years ahead.

“How our IDE goals can best be supported.” The internal charge is to consider generally how the college's financial aid program affects the yield and the shaping of each entering class. Specifically, we consider how the college's financial aid program can support Carleton's IDE goals, particularly those outlined in A Community Plan for Inclusion, Diversity & Equity (<https://www.carleton.edu/inclusion/>). In this context, our financial aid program also potentially impacts the student experience while at Carleton. Thus, we have considered how best to invest resources with the goal of providing inclusive and equitable student experience, while recognizing that the financial aid program will have a significant impact on the resources available for all college programs.

“What resources might be necessary.” The third explicit charge is to address the long term financial implications of Carleton's financial aid policies. While others, including the administration and trustees, will play a significant role in these matters, the Working Group is asked to be aware of the costs of recommendations and consider how these costs might be met.

While the charge is broad and far reaching, it does not address one important and obvious consideration as Carleton admits the best possible students each year: class size. The Working Group certainly notes that class size is a variable that significantly affects the financial aid budget as well as tuition revenue. But the size of the college also has implications far beyond the purview of this group: faculty and staff size, residential life considerations, and need for academic spaces. As such, the discussion and recommendations of the Working Group are based on the assumption that the student body at Carleton will remain stable at approximately 2,000. (See note in Appendix H.)

III. Recommendations

The Working Group's recommendations maintain Carleton's ongoing efforts at remaining affordable and accessible, particularly for students and families with the highest financial need. We also emphasize the philosophy that financing a Carleton education is a shared responsibility between the College, families and students.

Based on data presented to the Working Group, indebtedness for graduates remains significantly lower than national averages and is financially manageable for the vast majority of alumni given the professional opportunities available to them post-graduation. Yet at the same time, students with lower family incomes accept loans at higher rates as part of their financial aid package and work more of their allotted student employment hours during the term to cover the costs of paying for their Carleton education. Therefore, in addition to reducing the financial burden for all students receiving financial aid at Carleton, the working group places an emphasis on supporting students with the highest financial need.

Overall, the recommendations seek to support policies that benefit students and families in packaging financial aid while modifying other practices that encumber families in considering Carleton as an affordable and viable college option.

A. Continuity

The Working Group conducts a holistic review of financial aid at Carleton and, not surprisingly, finds that the College and its Admissions and Financial Aid team have done an exceptional job over many years. Most of the policies in place are best practices and have served our students and families well, both in admissions and retention. Without going into great detail, we think it is worth noting the practices we believe should remain in place.

Family Contribution

1. Continue to meet the full demonstrated financial need of all admitted students and maintain at least 50% of the student body receiving some financial aid.
2. Maintain (current or modified) middle-income family goals but change definitions to quintile measures of household income, or some other criteria, that will automatically adjust over time to factor in changing incomes due to current economic realities. (For example, using Census data: 2021 Second quintile = \$28,000-55,000, Middle quintile = \$55,000-89,000, Fourth quintile = \$89,000-149,000, etc.)
3. Continue to use the current model for calculating family contribution and using current policies regarding home equity and other assets.

Student Employment

4. Continue to include on campus employment in financial aid packages to support the Carleton experience and maintain student workers as part of Carleton's economic model. Maintain a sizable percentage of students in the student employment program (around 80%, the current percentage of students employed), including a significant number of non-financial aid students. This recommendation is consistent with a long-standing philosophy of financial aid that views education funding to be a shared effort between families, students, and Carleton.

Summer Work Contribution

5. No changes in current minimum summer contribution policies. (\$2,000 for first year students and \$2,100 for returning students.)

B. Monitoring: Financial Aid Policies and Procedures

We also want to draw attention to policies that Admissions and Financial Aid monitors and reviews that are required, often legally, but which could be modified in ways to help students and families as they navigate the financial aid process.

1. Commit to provide ease and clarity throughout the financial aid process for families and students as indicated by the market research study. Specifically:
 - a. Strive for ease in applying for aid (CSS and FAFSA, the latter is currently being modified by the Department of Education Federal Student Aid Office.)
 - b. Provide and monitor clarity in packaging, especially about expected student and family contribution.

- c. Ensure families and students have a clear understanding of the four year cost of a Carleton education.
- d. Provide education and clarity about loan packages, cumulative four year debt, and post-Carleton payment expectations.
- e. Provide information on how outside scholarships affect Carleton's award package.
- f. Regularly review the student cost of attendance to ensure all necessary costs are being accurately measured and included in the budget upon which aid packages are based.

C. Substantive policy changes (as highlighted in Executive Summary)

Loans and Competitive Position

1. A1. Eliminate loans for students from family incomes \leq \$100,000. This would eliminate loans for approximately 24% of Carleton students. (Cost = \$1.8M based on current loan packaging.)

A2. Reduce the loan burden for income thresholds above \$100,000 to a maximum of \$3,000 per year. This will decrease the average loan burden for the remaining 31% of financial aid recipients by approximately \$2,875 annually and \$11,500 over the student's four years. (Cost = \$2.1M, 687 total students with over \$100K AGI * \$3000 reduction in loans.)

A3. Total additional financial resources needed to cover the loan proposal above would be just under \$4M.

This recommendation explicitly acknowledges the changing competitive landscape among Carleton's peers as more schools are decreasing or eliminating loans. It also increases Carleton's competitiveness among the 15 top-ranked Liberal Arts Colleges by U.S. News, as 60% of them currently do not package any loans (often referred to as no loan schools, see Appendix E) and an additional 20% phase out loans for their highest need students. Carleton is currently one of three schools, which include Claremont McKenna College and Washington & Lee University, that at present continue to package loans for all students.

The focus of this recommendation is to maintain a modest loan expectation consistent with the College's historic philosophy of self-help in financing a Carleton education, while at the same time providing additional assistance for the Carleton families with highest need and some additional support for all aid recipients.

Socioeconomic Diversity and IDE Goals

2. Explicitly increase the percentage of the lowest family incomes in the student body, using the lower/middle income cutoff as established by the Trustees (currently \$42,000) from the current 8.7% to 10% over 4 years. (The low income group could be an additional explicit constraint for each class, to be added to the three goals noted at the end of Section I: Introduction. Income bands for typical entering class: Family income of 0-\$42,000: 10%, \$42,000-\$170,000: 30%, and \$170,000+: 55-60%. (Cost = \$1.3-1.5M, depending on specific assumptions.)

Focus of this goal is to increase socioeconomic diversity in the student body by increasing the number of students in the lower tail of the income distribution while maintaining at 30% the middle income target to avoid a barbell (bi-modal) income distribution often seen at highly

selective institutions. This will result in an increase in the number of students below the lower/middle income cutoff (currently \$42,000) by approximately 25 students in a typical first-year class of 525, and increasing the percentage of students on financial aid to just over 60%.

This change will also increase the number of students who qualify as Pell-eligible by approximately 20 per year, increasing the overall proportion of Pell-eligible students in a typical class to 19%. In supporting this recommendation, the college would also meet or exceed our aspirational goals as described in the Schuler Access Initiative (SAI) and American Talent Initiative (ATI) framework, of increasing the percent of Pell-eligible students to 18% and above 15%, respectively. The committee recognizes that this balancing is not easy given a fixed student population and the need for a significant number of no-need students in each class.

Student Employment/Work Awards and the Student Experience

3. Modestly decrease the expected work hours' for specific groups of aid recipients. Current student employment awards are calculated at 8 hrs/week for first years & 10 hrs/week for continuing students. Aid recipients could choose, but not be required, to work Carleton's maximum allowable hours. This model would allow the possibility for student earnings to cover non-budgeted costs (OCS travel, computers, music lessons, etc.) and ideally limit the number of students who leave campus to work in Northfield. The goal is to make the Carleton student experience as independent of family resources as possible. (Cost = \$750K to replace work income with a Carleton grant, assuming 1000 students with work study jobs and decreasing the work expectation by 2 hours a week. Additional costs that would need to be included but are harder to calculate will be the number of additional Carleton employees needed to replace the decrease in total student work hours.)
4. Change the work study model to include a differential or tiered wage scale. (As recommended by the Student Employment Subcommittee, see report in Appendix G). The goal is to make each campus job's combination of compensation and working conditions attractive to students. (Cost: current average work award is 8 hours/week for first year students and 10 hours/ week for other students. Total annual student work hours on aid approximately 250,000. Cost depends on differentials in wage scale.)
5. Consider giving priority in hiring to students whose financial aid award includes a work allowance. (Allow for a hiring period of x days for work study students before opening jobs up to all students, for example.)

Focus of these student employment recommendations is to maintain work study as an important part of student experience and Carleton culture, while also making work hours, working conditions, and job choices more equitable across all student workers. Also, the recommendation is consistent with the financial aid self-help philosophy and the recommendations of the Student Employment Working Group.

D. Funding

1. Total estimated cost of all three proposals = \$6.4M (\$4M Loan goals + \$1.4M Socioeconomic diversity goals + \$1M Work Study goals). This annual cost is approximately equivalent to

\$125-140M in endowment, depending on exact assumptions about the draw rate. This figure is obviously relevant to the funding recommendation below.

2. Make financial aid fund a significant part of the next capital campaign, with targets determined by the campaign committee. Primary objectives: Maintaining Carleton's Competitive Position, Shaping the Carleton Student Body to Achieve Strategic Plan IDE or Economic Goals, and Making the Student Experience Consistent Across Socioeconomic Groups.
3. As an alternative or supplement to fund-raising, the College could consider making modest shifts in middle income targets to free up more current financial aid dollars to meet policy recommendations but these dollars would obviously come at the expense of previously adopted demographic/family income objectives.

Appendix A: Summary of financial aid overview for current year

[September 2022 Meeting Presentation.pdf from Dropbox 10/7/2022](#)

[Financial Aid Metrics 2022-2023.pdf from Dropbox 12/13/2022](#)

Appendix B: Summary of demographics of financial aid applicants

[2021 Apps by Race & Income.pdf from Dropbox 12/14/2022](#)

Appendix C: Example financial aid letter

[2023-24 Financial Aid Example.pdf from Dropbox 12/14/2022](#)

Appendix D: Need Calculation—what is included and what is not? FAFSA changes in the works that will simplify the aid application process and may even allow for a negative Expected Family Contribution (EFC).

[October 2022 cost of attendance.pdf from Dropbox 10/7/2022](#)

[November 2022 Student Contribution.pdf from Dropbox 11/17/2022](#)

Appendix E: Financial aid calculators: Aid Packaging at Peer Institutions

[SLAC Net Price Calculator Comparisons.pdf from Dropbox 2/10/2023](#)

Appendix F: No-Loan Schools Data

[Financial Aid University Data.xlsx from Dropbox 11/18/2022](#)

Appendix G: Student Employment Subcommittee Report

[January 2023 Recommendations of the Student Work Experience Subcommittee.pdf from Dropbox 1/23/2023](#)

Appendix H: Future Issues

The Working Group discussed many issues that were beyond the scope of the charge but are likely to be important in the future. Including but not limited to:

1. Size of the college and enrollment. With our current pool of applicants we could potentially increase our enrollment without a significant decrease in selectivity?
2. Student work.
 - a. A topic that has been discussed in the past is allowing students to be paid for doing non-traditional jobs, especially research in the sciences or for civic engagement jobs. Would this policy be at odds with the philosophy that says students are not paid for academic work or for political/social jobs?
 - b. How will a tiered wage scale and other potential real world considerations like experience, recruiting etc. affect administrative needs in managing the student workforce? Will such changes improve or weaken the treatment and respect for student (and staff) employees?
 - c. Should supervisors be provided with more training in mentoring and managing the student workforce?
 - d. Should student work during breaks (winter and summer) be reviewed, particularly with regards to housing and board options and costs?
 - e. Should the college consider decoupling student employment from aid?
 - f. The working group also touched briefly on the topic of a service-work model where all students have a work expectation. See Berea College in Kentucky.
 - g. Where is the appropriate location for student employment? What is the necessary number of staff? (Currently resides in Student Financial Aid with two staff members; one who spends 80% of job responsibilities on student work and the other spends 10-15%)
3. Student budget (also referred to as the cost of attendance). How is the student budget created? What are the legal constraints on what can be included in this budget? Are there special needs that should be considered for high need students?
4. Financial aid and the humanities. Do improvements in financial aid policies for students result in students focusing on price ("Carleton gave me the best financial aid package.") to the detriment of the liberal arts mission (frustration with language requirement or general education requirements, for example)?
5. Outside scholarships. Review and clarify how the college handles outside scholarships. Current policies decrease loan amount, work study and student contribution (often summer work) when the student receives an outside scholarship. See examples below.

Student 1 Example				Student 2 Example				Student 3 Example			
Cost of Attendance		\$	80,500	Cost of Attendance		\$	80,500	Cost of Attendance		\$	80,500
Parent Contribution		\$	18,000	Parent Contribution		\$	8,000	Parent Contribution		\$	-
Student Contribution		\$	2,000	Student Contribution		\$	2,000	Student Contribution		\$	2,000
Financial Need		\$	60,500	Financial Need		\$	70,500	Financial Need		\$	78,500
		Original Aid	Revision			Original Aid	Revision			Original Aid	Revision
Carleton Grant		\$	53,300	Carleton Grant		\$	63,300	Carleton Grant		\$	71,300
Federal Loan		\$	4,500	Federal Loan		\$	4,500	Federal Loan		\$	4,500
Student Employment		\$	2,700	Student Employment		\$	2,700	Student Employment		\$	2,700
Outside Scholarship		\$	-	Outside Scholarship		\$	-	Outside Scholarship		\$	-
			\$ 5,000				\$ 8,000				\$ 10,000

Members of the Financial Aid Working Group

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