

## Earlham's Commitment to Financial Aid

By Doug Bennett

Something that sets Earlham apart as an exemplary college is our commitment to enrolling and graduating a significant number of students from low- and moderate-income families. Nothing we do makes me prouder than this.

We are a college that seeks to provide the best possible education to those who will use that education for the best possible purposes in service to others. We want to make our education genuinely accessible, not just to those from wealthy or privileged backgrounds, but to anyone who shows promise of taking advantage of an Earlham education for a life of value and service.

The best possible education cannot be provided cheaply. It requires close, sustained attention from talented faculty who come to know each student well, and who challenge and support their students.

Consequently, an Earlham education is expensive. In 2007-08, tuition and fees totaled \$31,514. When you add in room and board, the price of a year at Earlham was over \$38,000 last year. Such an education can be accessible to less-affluent families only by providing financial aid — a great deal of it.

Last year, \$38,018 was the “sticker price” of an Earlham education. But only about 15% of our students and their families (the most affluent) paid that full price. All the rest had financial aid. And the vast majority of Earlham's financial aid is need-based, designed to make an Earlham education accessible and affordable to low- and moderate-income students. How much an Earlham education costs a student (or her family) depends very much on that student's ability to pay. The “expected family contribution” for a student from a family at the poverty level is zero. A student from an affluent family (one at the very top of the income distribution in the U.S.) will be expected to pay the full price.

We are able to sustain what we do in financial aid in large part because of the generosity of donors. Many, many alumni were able to attend Earlham only because they received financial aid. And now they contribute to Earlham to make an Earlham education possible for current students. I want to thank our donors for making it possible for Earlham to be such a place of genuine access.

My means of thanking our donors may seem a little curious. I want to pull back the curtain and provide a glimpse of the inner workings of financial aid at Earlham and elsewhere. Let us focus on these three questions:

- (1) Why does college cost so much?
- (2) How do colleges provide financial aid? Where does the money come from?
- (3) How is Earlham's approach to providing financial aid different?

From the  
President

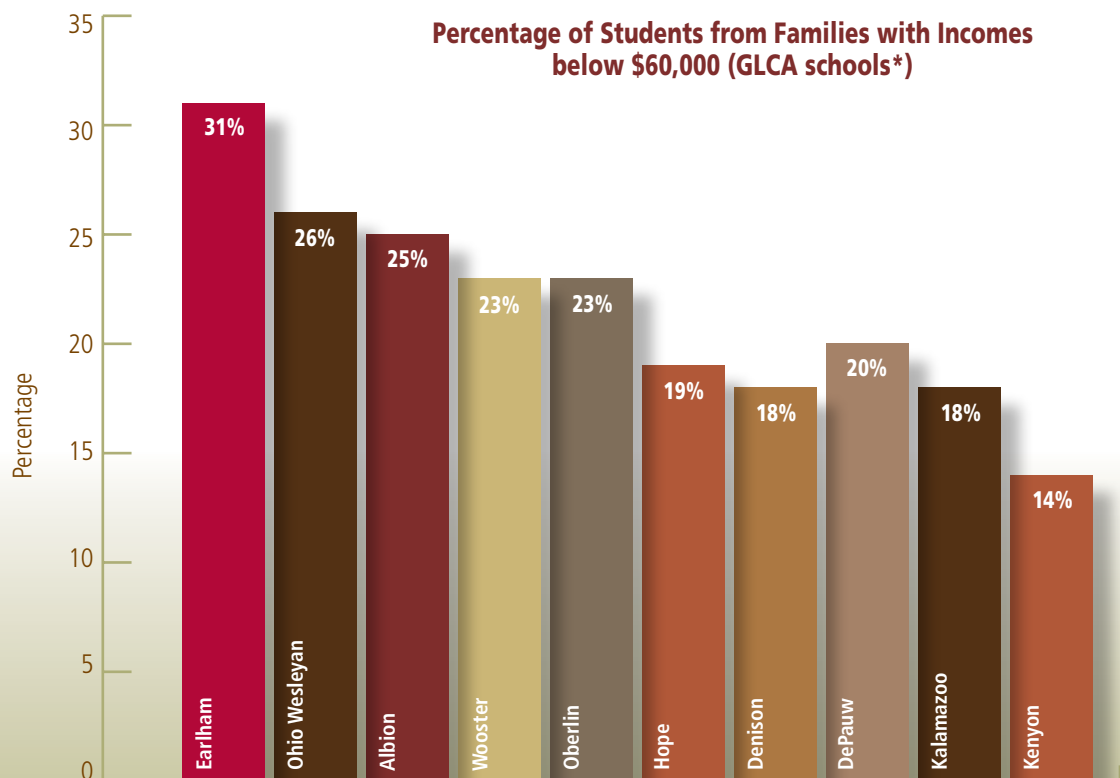


*“The best possible education cannot be provided cheaply. It requires close, sustained attention from faculty...”*

## Why does college cost so much?

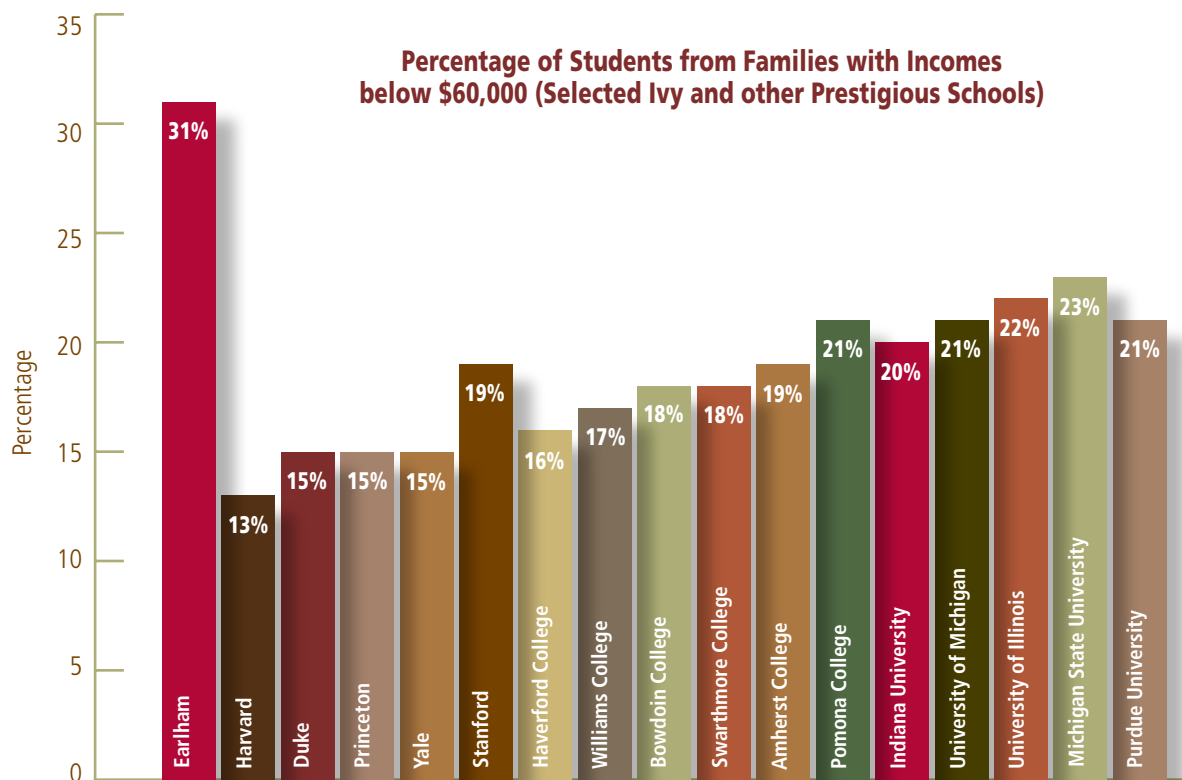
A simple set of calculations should lead you to see that a high-quality college education can hardly be provided for less than what Earlham charges.

- Take what you expect to be the salary of an Earlham Professor (the average salary last year was \$66,000, and it should be much higher for the best and brightest we draw here).
- Add 34% to that salary to provide for health care, pension and other benefits for this faculty member (last year, that brought the overall average compensation package to \$89,000).
- Divide this total compensation by 12 because we want to sustain a 12:1 student/faculty ratio. (With students taking four or five courses a semester, and faculty teaching three a semester, this leads to an average class size of about 18.) With a 12:1 student-to-faculty ratio, the resources provided by each student must sustain 1/12 of a faculty member (this comes to about \$7,500 at what Earlham pays its faculty).
- Now multiply by two because no more than half of a college's personnel costs are for teaching faculty. There are also faculty and staff in admissions, religious life, the business office, health and counseling, athletics, academic support, the library, off-campus study, financial aid, etc. Even a President.
- And finally, multiply by at least two once more because only about half of a college's education-related expenses are for personnel (think maintenance, equipment, utilities, insurance, library and information resources, computing resources, etc.).



Source: Economicdiversity.org, from data reported to the U.S. Dept. of Education

\*No data reported by Wabash or Antioch



Source: Economicdiversity.org, from data reported to the U.S. Dept. of Education

By these calculations, that is more than \$30,000 of tuition expense per student. Now add about \$4,000 each semester for room and board and you've come to Earlham's \$38,000.

Of course there are colleges that charge less than Earlham. But largely they do this by having a larger student-to-faculty ratio and by paying their faculty and staff less.

And on the other hand, note that many of the colleges with which we compete for students charge significantly more than Earlham. In 2008-09, Kenyon charged more than \$6,400 more, and Oberlin more than \$7,500 more. Hampshire and Haverford charged even more than those! And I am just confining my attention to colleges that are among Earlham's top 10 "admissions overlap" colleges — the ones with whom we compete most head-to-head for students.

### **Since many students need financial aid, where does the money come from?**

Last year, we awarded students about \$17 million in financial aid grants (in addition to providing loans and work-study jobs). Overall, that is more than 40% of the total charges to our students. These grants came from three sources:

- Money provided by the federal government (for U.S. citizens and legal residents) and from the state of Indiana (for residents of Indiana) constitutes one important source, but in total these grants provide only about 17% of the financial aid available to our students, and that percentage is declining year by year.

- Gifts from alumni, parents and friends are a second and critical source. Some of these are annual gifts made to the College; some are endowments that donors have built up over a number of years. We need many more of these gift funds for financial aid.
- The remaining source is the College's operating budget. Unlike the first two sources, these grants are not like a check someone writes to Earlham to provide for a student's education; they are really discounts we provide to students based on their ability to pay. Any money we spend on financial aid out of the operating budget, however, is money we can't spend on faculty compensation — or on any of the other important things for which we need money to provide the best education we can.

I believe it is imperative we continue to be generous with financial aid. But it is also imperative that we increase the gift sources of financial aid so that we do not further weigh down the operating budget with financial aid discounts.

### **How is Earlham's approach to providing financial aid different?**

I have already noted that the full price Earlham charges is less than many of our admissions peers. That is one important difference in considering financial aid, but there are several others.

Proportionally, we also give a great deal more financial aid. Why? Because we have a stronger commitment to enrolling and educating students from low- and moderate-income families. You can see our stronger commitment in the percentage of the students we enroll that receive federal Pell Grants (one aspect of the government-provided aid I mentioned previously).

Because Pell Grants are available only to students from families with incomes below about \$40,000, you can see whether a college is genuinely committed to educating low-income students by looking at the percentage of its students receiving these grants. In 2005-06 (the last year for which comparable data are available), 18% of Earlham students had Pell Grants. Most of the colleges with whom we compete for students had Pell-eligible rates in the neighborhood of 10 to 12%. Moreover, 31% of our students came from families with incomes below \$60,000 that year; for most of our admissions peers, a comparable figure was about 20%.

A second difference: we educate many more international students than our admissions competitors, and most of our international students come from low- and moderate-income families. (About 15% of our students are international now; most colleges would be thrilled to have 5%.) Of the 50 most highly-aided students at Earlham last year, 47 were international students. And here is a crucial difference: international students are not eligible for any federal or state aid. We are especially grateful to the Davis United World College Scholars Program for its extraordinary support of international students being educated at Earlham.

A third difference shows directly in the quality and character of the education we offer: we allow our students to use their financial aid when they go on off-campus study programs. Very few other colleges and universities follow this practice. As a result, the majority of Earlham students take advantage of study abroad. At most other colleges, students from low- and moderate-income families have difficulty going on study abroad because they would lose their financial aid.

A last difference may be the most important of all. Unlike many of the colleges with whom we compete for students, we rigorously follow a set of ethical principles in the awarding of financial aid. Our first financial aid offer to a student is our last and best offer. We do not “low ball” students and then bargain with those who seek additional aid. We offer the same financial aid package to students with similar financial aid situations. Many of our competitors use financial aid as a tactic in an all-out effort to enroll students with the most ability to pay. We use financial aid straightforwardly and simply as a way to help students attend Earlham.

Our current strategic plan makes two simple and powerful statements about the resources we need to follow through on these commitments. First, that we should give first priority in our operating budget to compensation. Why? Because we know that excellence in the quality of Earlham’s faculty and staff is the key to the quality of an Earlham education. And second, that we should give priority in fundraising to financial aid. Why? Because we know that making an Earlham education genuinely accessible to all is a deeply rooted value. We aim to be a college that opens the door to possibilities, not one that regenerates privilege.

Earlham is committed to providing the very best education we can. And Earlham is committed to enrolling students without the wherewithal to pay all that it costs to provide that education.

Because our approach to financial aid is so unusual and so vital to our mission, on behalf of all of us at Earlham, I want to extend my deepest thanks to all of our donors for making it possible for us to pursue these twin commitments, to quality and to access.

