



HANDOUT 3

Memorandum

TO : Representative Greg Leding

FROM: Bureau of Legislative Research

DATE :

SUBJECT : Comparison of Financial Aid for University of Arkansas to Harvard

PROJECT #: 16-063

Introduction

Nell Smith asked me to address your question about whether it is cheaper for lower-income undergraduate students to attend Harvard University than the University of Arkansas at Fayetteville (UAF). According to their website, Harvard's Financial Aid Program provides aid to 70% of their students. Sixty percent of their students receive need-based scholarships and pay an average of \$12,000 per year, while 20% of the parents pay nothing. The website states that Harvard follows two key principles: 1) admission to Harvard is need-blind, which means that financial need is not considered in admission, 2) aid is based solely on need, and not on merit (<https://college.harvard.edu/financial-aid/how-aid-works>).

The website also states that 20% of their parents have incomes less than \$65,000 and are not expected to contribute to their child's education at Harvard. Harvard is a unique university, even among Ivy League schools, with the largest endowment and an admission rate of 5.2% (an admission rate second only to Stanford University's rate of 4.7%). It seems counterintuitive that a state-funded, public university would cost more than a private school. (<http://www.usnews.com/education/best-colleges/the-short-list-college/articles/2015/10/06/10-universities-with-the-largest-endowments>)

Comparison of Costs of Attendance at Harvard and University of Arkansas at Fayetteville

To compare the cost of attendance at Harvard University to same cost at the University of Arkansas at Fayetteville, we used the financial aid calculators at both schools to derive estimated costs using the student information shown in the table below.

| Student Information | |
|---------------------------|----------|
| Residence | Arkansas |
| # of children in college | 2 |
| # of people in the family | 4 |
| Total household income | \$60,000 |
| Student assets | \$2,500 |

| | |
|---------------------------------|----------|
| Parent assets (not home equity) | \$12,000 |
|---------------------------------|----------|

Since Harvard's financial aid is guaranteed to students from families that have less than \$65,000 household annual incomes, we created a scenario with a total annual household income of \$60,000. The scenario used for comparison of costs of attendance also involved a first-year undergraduate student taking 60 hours over the course of one year. Harvard's financial calculator is found at: <https://college.harvard.edu/financial-aid/how-aid-works>, while UAF's calculator is located at: <https://universityofarkansas.studentaidcalculator.com/welcome.aspx>.

The table below shows the costs of attendance at both universities for students who are paying the full price (i.e., no scholarship, loan, or financial aid). It indicates that attendance at Harvard is 2.8 times higher than UAF.

| Cost of Attendance | | |
|-----------------------------|--------------------|--|
| | Harvard University | University of Arkansas at Fayetteville |
| Tuition and Fees | \$47,074 | \$8,820 |
| Room and Board | \$15,951 | \$10,332 |
| Estimated Personal Expenses | \$3,875 | \$2,032 |
| Estimated Travel | \$900 | \$2,072 |
| Books | Not given | \$1,046 |
| Total | \$67,800 | \$24,302 |

Estimated Costs of Attendance According to Financial Aid Calculators

Using the respective schools' financial aid calculators, the student information shown in the first table was entered to derive the estimated costs of attendance at each school with aid.

| Estimated Costs of Attendance with Financial Aid | |
|--|-----------------|
| Harvard University | \$4,725 |
| University of Arkansas at Fayetteville | \$13,081 |

Clearly, the cost of attendance is considerably higher for the student considered at UAF than at Harvard. One prominent factor that contributes to the disparity in costs of attendance is Harvard's enormous endowment (\$36,429,256,000 at the end of the 2014 endowment year). Its nearest rival is Yale University at \$23,858,651,000. Also, Harvard's mission is to educate the intellectually elite, regardless of family income.

Appendix -- Output Tables from Financial Aid Calculators

This appendix is added purely as a point of interest in the event it is useful for some purpose. The output tables derived from the respective universities are very different in information provided. Harvard's only output table is totally devoted to costs of attendance billed to the student.

| Harvard's Estimated Costs of Attendance Billed to Student | |
|---|----------------|
| Cost to Parents | \$0 |
| Student Summer Work | \$1,600 |
| Student Asset Contribution | \$125 |
| Student Term-time Work | \$3,000 |
| Total Cost to Student | \$4,725 |

Note: These costs are estimates derived from the university financial aid calculator.

In contrast, the University of Arkansas at Fayetteville's financial aid calculator output table is more elaborate with costs and aid estimates.

| University of Arkansas at Fayetteville's Estimated Costs and Aid | |
|--|-----------------|
| Student's Estimated Total Cost | \$23,506 |
| Expected Family Contribution | \$3,815 |
| Estimated Total Need | \$19,691 |
| Federal Pell Grant | \$1,925 |
| State Academic Challenge Scholarship | \$2,000 |
| UAF Merit Scholarship | \$1,000 |
| Estimated Net Price | \$18,581 |
| Federal Direct Subsidized Loan | \$3,500 |
| Federal Direct Unsubsidized Loan | \$2,000 |
| Estimated Costs after Financial Aid | \$13,081 |

Note: The costs and aid estimates were derived from the university's financial aid calculator.