Understanding the New Higher Education Opportunity Act Requirement for a Net Price Calculator for Institutional Web Sites

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The Legislation
Higher Education Opportunity Act (HEOA)

- Signed into law August 14, 2008
- Includes many new reporting requirements (e.g., consumer info being reported for College Navigator through IPEDS)
- Also includes many new disclosure requirements (e.g., employment placement rates, graduation rates by federal aid categories, net price calculator)

HEOA Net Price Calculator: Requirement

- By August 2011, every institution must have a net price calculator on its website
- By August 2009, U.S. Dept of Education is required to provide a template for this calculator that institutions may use
- An institution may use either the net price calculator developed by Department or it may develop its own
  - Institutionally developed calculators must include “at a minimum the same data elements” found in the Department template
**HEOA Net Price Calculator: Purpose**

“to help current and prospective students, families, and other consumers estimate the individual net price of an institution of higher education for a student. The calculator shall be developed in a manner that enables current and prospective students, families, and consumers to determine an estimate of a current or prospective student’s individual net price at a particular institution.”

P.L. 110-315, sec. 132 (h) (1).

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**HEOA Net Price Calculator: Definition of Net Price**

- Institution’s cost of attendance for FTFT students
- Total need- and merit-based federal, state, and institutional grant aid awarded to FTFT students
- Number of FTFT students receiving such aid

Cost of attendance = average annual cost of tuition and fees, room and board, books, supplies, and transportation
Implementation:
Developing the Department Template and Identifying Minimum Data Elements

The Process
- On January 27-28, 2009, RTI International (NCES contractor) held a Technical Review Panel meeting
- The panel members included 58 individuals representing the federal government, state governments, institutions (financial aid and IR), data users, association representatives, and others
- Summary of TRP suggestions was posted for 30-day comment period which ended May 31, 2009
- NCES is developing the template, which will be made available in August 2009 along with the final requirements
TRP Goal and Discussion Points

The goal was to keep Department template simple and usable for all Title IV institutions (from smallest cosmetology college to largest research university), while also recognizing that institutions have an interest in customizing their calculators and making them more precise, as much as they are able. This led to a discussion around:

– HEOA requirements and definitions
– Minimum data elements
– Data behind the calculator
– How Department template would function

TRP Suggestions
Minimum Data Elements: User Inputs

User Inputs for Department Template
[Minimum Input Data Elements for Institutionally Developed Calculators]

<table>
<thead>
<tr>
<th>User Inputs</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Age (those 24 and older considered Independent and do not receive questions 2 and 3)</td>
<td>Used to estimate dependency status for use in EFC approximation*</td>
</tr>
<tr>
<td>2. Marital status (those married considered Independent and do not receive question 3)</td>
<td></td>
</tr>
<tr>
<td>3. Children? (those with children considered Independent; else Dependent)</td>
<td></td>
</tr>
<tr>
<td>4. # in family</td>
<td>Used for EFC approximation*</td>
</tr>
<tr>
<td>5. # in college</td>
<td></td>
</tr>
<tr>
<td>6. Parent’s income/Household income</td>
<td></td>
</tr>
<tr>
<td>7. Living status</td>
<td>Used to estimate cost of attendance</td>
</tr>
<tr>
<td>8. Residency status</td>
<td></td>
</tr>
</tbody>
</table>

* Template documentation will include the decision structure for using these questions to determine dependency status and approximated EFC. Institutions that collect only these 8 input variables should use this methodology.
Minimum Data Elements: Calculator Outputs

1. Estimated total price of attendance:
   a) Estimated tuition and fees
   b) Estimated room and board
   c) Estimated books and supplies
   d) Estimated other expenses (including personal expenses and transportation)

2. Total estimated grant aid (includes both merit and need based aid)*

3. Estimated net price (price of attendance minus grant aid)*

* TRP suggested that estimated grant aid and estimated net price be provided as a range (rounded to thousands), and that NCES provide guidance on the appropriate size of the range.
Department Template: How Will It Work?

- Institutions will enter data to populate cells in 2 “Look Up” tables
  - Look Up Table #1: Price of Attendance
  - Look Up Table #2: Total Grant Aid by EFC

- Institutions will need to use data from their own systems to calculate the numbers to be entered into these tables
  - Department will not collect these data
  - Calculator does not use IPEDS data
Department Template: How Will It Work?

- Each cell will contain the average price of attendance or grant aid for current students in the given row and column

- Institutions may only have EFC information on current students who filed FAFSA

- Other students for which EFC data are missing can be omitted or averaged in with the top EFC group (>20,000)

### Price of Attendance “Look Up” Table

<table>
<thead>
<tr>
<th>Price of attendance</th>
<th>In-district</th>
<th>In-state</th>
<th>Out-of-state</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Off with parents</td>
<td>Off own</td>
<td>Off with parents</td>
</tr>
<tr>
<td>Other (transportation, personal)</td>
<td>?</td>
<td>?</td>
<td>?</td>
</tr>
</tbody>
</table>
## Total Grant Aid “Look Up” Table

<table>
<thead>
<tr>
<th>EFC</th>
<th>In-district</th>
<th></th>
<th>In-state</th>
<th></th>
<th>Out-of-state</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>On</td>
<td>Off with</td>
<td>On</td>
<td>Off with</td>
<td>On</td>
<td>Off with</td>
</tr>
</tbody>
</table>

### An Illustration

[Image of U.S. Department of Education logo]

**An Illustration**
How Will It Work?

Example: Student Using the Department Calculator Template on a Public 4-year Institution’s Website

Based on the student user’s inputs:

– Questions 1-3 show the student is dependent.
– Questions 4-6 approximate his family’s EFC to be $16,300.
– Questions 7-8 show the student is eligible for in-state tuition and plans to live at home with parents and commute to the institution.

### Price of Attendance “Look Up” Table

<table>
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</tr>
</thead>
</table>

X = X₁ + X₂ + X₃ + X₄
### Total Grant Aid “Look Up” Table

<table>
<thead>
<tr>
<th>EFC</th>
<th>In-district</th>
<th></th>
<th>In-state</th>
<th></th>
<th>Out-of-state</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>On</td>
<td>Off with parents</td>
<td>Off on own</td>
<td>On</td>
<td>Off with parents</td>
<td>Off on own</td>
</tr>
</tbody>
</table>

### Calculator Output

**Estimated Total Price of Attendance:**

\[ X \]

- Estimated Tuition and fees: \[ X_1 \]
- Estimated Room and Board: \[ X_2 \]
- Estimated Books and Supplies: \[ X_3 \]
- Estimated Other Expenses: \[ X_4 \]

**Estimated Total Grant Aid:**

\[ Y \]

**Estimated Net Price:**

\[ X - Y \]

This estimate does not represent a final determination, or actual award, of financial assistance or a final net price; it is an estimate based on price of attendance and financial aid provided to students in [year]. Price of attendance and financial aid availability changes year to year. The estimates shall not be binding on the Secretary of Education, the institution of higher education, or the State. Student must complete the Free Application for Federal Student Aid (FAFSA) in order to be eligible for, and receive, an actual financial aid award that includes Federal grant, loan, or work-study assistance. For more information on applying for Federal student aid, go to [http://www.fafsa.ed.gov/](http://www.fafsa.ed.gov/)

[Additional notes added by institution]
Challenges Ahead:
Department (NCES)

Challenges Ahead for Department in Developing the Template

• The net price calculator must run on the website of the institution, or that of their agent. The platform and the capabilities available are unknown and vary from one institution to another. This means that the format we use must be universally compatible.

• The application that the institutions use to enter averages for “Look Up” tables must be either web-based or an installable desktop application. Either way, the application must be able to collect the information from the provider and make it available to the public application in a searchable format.

• Still need to determine how to handle small $n$ and empty cells in Look Up tables

• All this needs to be completed by August 2009 to meet HEOA deadline – stay tuned
  – If we miss deadline, institutions still have full 2 years
Implications for your institution and deciding whether to use NCES Template or Design Your Own

Mary Sapp  
Assistant VP, Planning & IR  
University of Miami

What to Do Now

• Make sure relevant offices know about this requirement — share AIR FYI ([http://www.airweb.org/?page=1900](http://www.airweb.org/?page=1900))
• Start discussions now about whether to use NCES template or develop your own calculator
• Find out what peers will be doing
• Do preliminary analysis of data for NCES template:
  – Identify cells with most variation
  – Identify factors that most affect net price for your students
  – Identify cells with small N’s
  – Identify students with missing EFC & reasons why
• Assign responsibility (& resources/$) for implementation
Preliminary Decisions

- Use NCES template or develop own calculator?
- If developing own calculator
  - use prior-year data or project net price for a future year?
  - use a single set of look-up tables (like NCES’s but more detailed) or multiple sets of look-up tables (with branching based on extra input variables), or try to model financial aid awarding algorithm, using future year’s award parameters?
  - What factors should be included in net price calculation?
- If using NCES template, will you host & maintain internally or contract with an outside service to host your calculator on their site (and just link to that site)?
- Where will grant data for students without EFC (i.e., no FAFSA) but with aid (e.g., scholarship, tuition remission) be included?
- Who will develop calculator? provide data? handle testing?

Advantages of Using NCES Template

- Meets federal requirements
- Easier to develop than a customized calculator
- Can be done faster
- Don’t have to be responsible for how to do calculations (e.g., for EFC or for output) or updates (e.g., to calculation of EFC) —they’ve figured that out for you
- Doesn’t need as much testing as an institutionally developed calculator will require
- If peers will be using NCES template, your net price based on NCES template may be more comparable
Disadvantages of Using NCES Template

- Because it’s a “one-size-fits-all” template, estimated net price probably not as accurate for you as a customized template, especially if you award a lot of scholarships
- Data will be 1-2 years old and therefore calculator will really be an estimator of tuition for a prior year rather than for a future year
- Does not take into account future policy/funding/market changes

Situations Where Developing Own Calculator May Make Sense

- If net price for prior years is not a good indicator of net price for future years
- If there is large variation within the cells in the NCES template (e.g., merit aid or state aid has a large impact on average grants and therefore net price)
- If it’s very important for marketing/admissions and financial aid offices to make your estimates of net price more accurate than the NCES template would provide
- If have differential tuition (e.g., by program), you might want to customize your calculator for each level of tuition—or could use multiple NCES templates instead
Questions to Consider in Developing Own Calculator

• Use past data (similar to NCES template) or try to project future years based on policies for awarding aid?
• What factors can be added to improve estimates (reduce variations in each cell for cost of attendance and/or grants)?
• How much detail?
  – Trade off between accuracy and complexity
  – Can’t make input too complex or students won’t use
  – Can’t make calculations too complex or too hard to maintain
• What time of year will calculator be updated? Consider updating at the beginning of an admissions cycle.
• Will needed data/policies be available in time?

Examples of Possible Factors to Add

• Factors affecting price of attendance (e.g., differential tuition)—or use caveats instead
• Student/family financial information used in institutional methodology for computation of need (if not using federal methodology to compute need)
• Award parameters used in packaging aid
• Institutional merit aid (decide how to determine the amount—if no easy algorithm, consider asking student to select anticipated scholarship themselves so they can’t claim they were promised scholarship they didn’t get)
• Other scholarships/grants (e.g., state, ROTC, private scholarships, athletic scholarships, etc.)—or use caveats instead

Each added factor can be used as dimension in lookup table or as parameter in estimated award algorithm
Issues to Consider (for both NCES Template and Customized Calculator)
• Make sure all relevant parties have signed off on the plan (from Admissions to Financial Aid to IT)
• Make sure process is in place to update annually
• Consider posting two calculators if you have students applying at the same time for two different academic years
• Decide where on institutional web site the link will be located and how it will be advertised
• Decide what caveats/notes to add on the output screen(s) and where to display—before, after, or next to each output variable (and if next to each output variable, consider displaying the output over several screens to avoid needing to scroll down)

Possible Caveats/Explanatory Notes
• If using NCES template, be sure to indicate school year for which net price is calculated (financial aid year used to generate tables)
• Assumptions for the estimated price of attendance (e.g., range of credits, room and meal-plan type if on-campus, what is included in personal expenses)
• Academic programs for which calculator’s net price estimates are not relevant (e.g., special pricing)
• Groups of students for which net price estimate is not relevant (e.g., graduate students, part-time students, transfer students)
• Note that private scholarships are not included
• Link to institutional financial aid form and web site
• Suggestions on how to compare results from your calculator with results from calculators created by other institutions (e.g., pay attention to year for which net price is estimated, what is included in price of attendance, comparison of caveats/notes)
**Warnings**

- Can’t mix prior-year grant data with future-year price data (or inflate prior-year grants to correspond to future-year prices)

- Calculators will not be comparable across institutions, especially if some use the NCES template, which calculates prior-year cost of attendance and aid, and others develop customized calculator to estimate future-year price of attendance and aid

- Make sure admissions and financial aid staff know when calculator is posted and how to answer questions from students

- Students won’t receive exactly what the calculator estimates (though apparently complaints have not been an issue for those who already have calculators)

- This is will not be a simple project!