

“Objectively Unfair”

A Report on
Financial Aid at Yale
March 2016



YALE HAS ENJOYED REMARKABLE FINANCIAL SUCCESS in the past several years. The university emerged from the 2014-2015 school year with a budget surplus of \$194 million, and its endowment earned a staggering \$2.6 billion in investment gains for the year ending June 30, 2015, finishing the year at \$25.6 billion.¹ Yet despite this success, Yale has continued to impose higher and higher financial demands on students who receive financial aid by increasing the contribution it expects these students to pay. The effect of this contribution is that 52% of the undergraduate student body faces the expectation that they must work more and pay more than their peers at greater cost to their education.

The “student contribution” is a pair of fees that only students on financial aid are expected to pay.

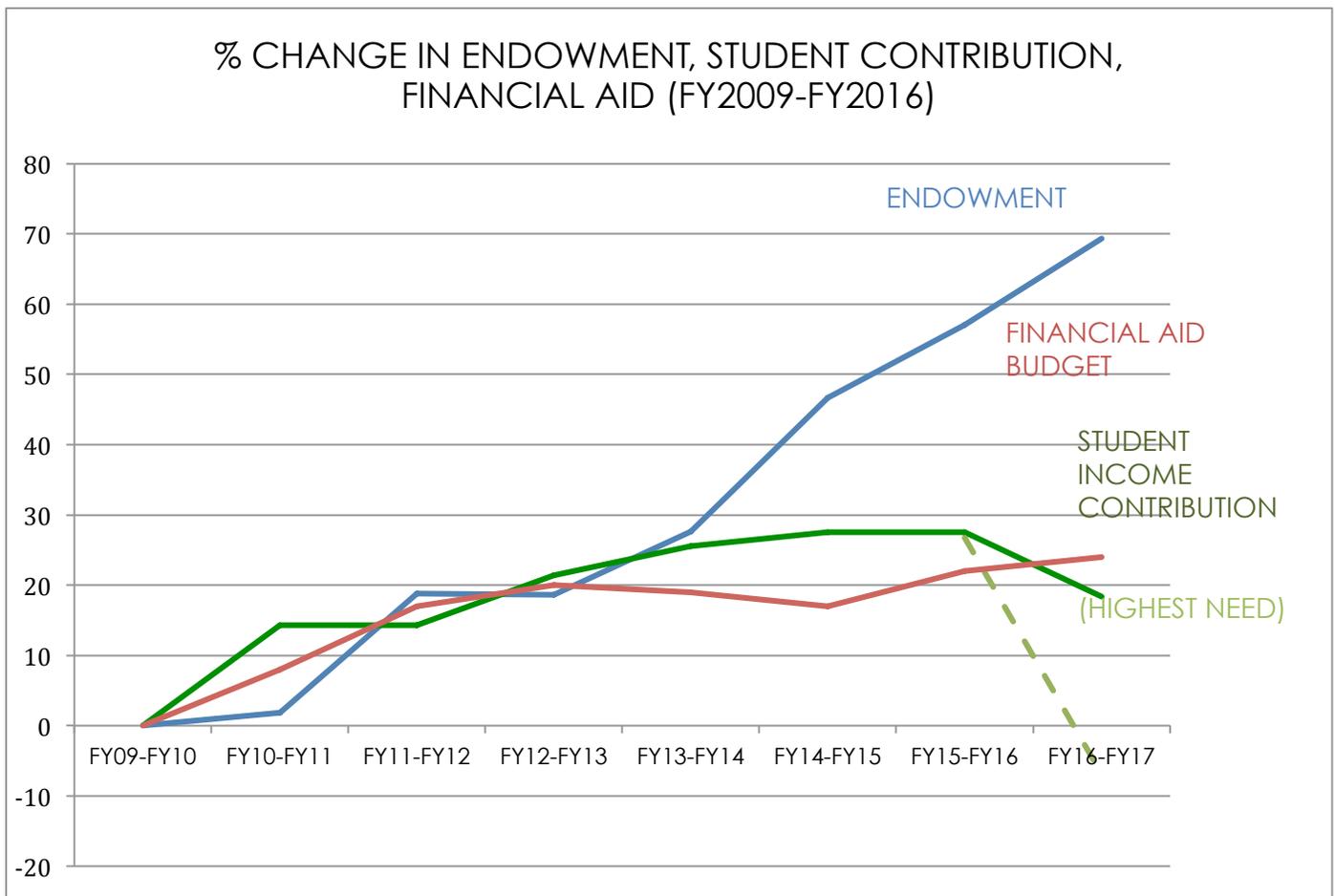


FIGURE 1: the endowment, financial aid budget, and student income contribution over time, including the promised reduction in student income contribution for 300 “highest need” students

Since its low point in 2009-10, Yale’s endowment has increased by 57%. Yet over the same period of time, our financial aid budget has grown by just 22%.¹ Meanwhile, the Student Income Contribution had risen by 27%, before the small decrease announced last December.³

**Endowment figures actual for prior year; contribution and financial aid budgeted for future year. FY 2016-2017 figures for financial aid and contribution based on announced changes; endowment size projected based on 20-year annualized net returns.*

This requirement creates a two-tiered experience of being a Yale student. One tier consists of students who don't have to pay the contribution at all, or whose families have enough resources that they can cover the student's portion. The other tier consists of students who have to compromise their career goals, their pursuit of Yale's educational opportunities, and the full exploration of their interests in order to come up with the \$5,950 per year that Yale demands of them. Last December, after years of student activism, Yale announced a preliminary set of changes to the student contribution that created a third tier of highest need students, whose contribution is slightly less. No government policy compels these fees—this disparate burden is one that Yale has chosen to impose. After the December policy revisions, however, Yale administrators reiterated several times that they are open to more changes, describing conversations about the contribution as “ongoing.”²

HOW THE STUDENT CONTRIBUTION WORKS

If you don't receive financial aid, your parents receive a bill from Yale for the full cost of tuition, room, and board, which they are responsible for. If you're one of the 52% of the student body that does receive financial aid,³ however, Yale requires an additional cost beyond what it expects your parents to be able to pay: \$3,050 in work during the school year through student jobs and \$3,350 in summer employment for recent school years, for a total of \$6,400 a year in 2015-16. For freshmen, the school year requirement was \$2,850 and the summer contribution \$1,625.⁴

In December of 2015, after two years of student activism calling for the elimination of the contribution—including a petition with 1,100 student signatures and a hundred-strong delegation delivering it, reported in national outlets including the *New York Times*⁵—the financial aid office announced these changes for next school year:

- Yale has reduced the summer contribution for all students on financial aid by \$450.
- For three hundred “highest need” students, or 10% of students on

financial aid, whose expected family contribution is \$0, Yale will reduce the summer contribution from \$3050 to \$1350.

- These students will also receive an increase in start up funds meant for extra expenses, from \$800 to \$2000 for domestic students. International students will also receive \$1,000 to \$2,000 in start-up funds.
- The term-time contribution will remain the same for all students regardless of need, at \$2,850 for freshmen and \$3,350 for upperclassmen.⁶

These student contributions amount to an extra fee each year that Yale expects exclusively from students on financial aid. This extra \$5,950 functions like a flat tax on a little under half the student body, which means it has a disparate impact on members of our community based on their families' financial resources. The Yale administration knows that this disparate impact exists: Yale's Director of Student Financial Services Caesar Storlazzi recently told students that requiring financial aid recipients to earn money year-round is “objectively unfair.”⁷

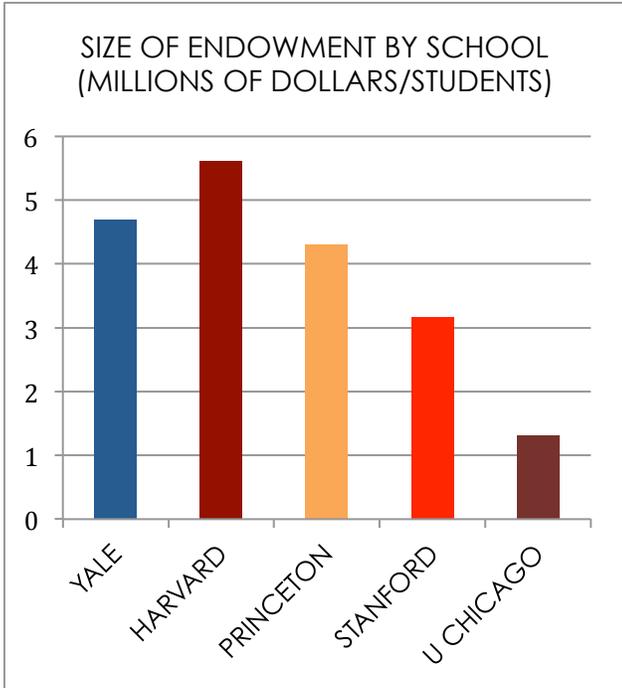


FIGURE 2: Yale's endowment compared to other schools (Yale University Financial Report, Harvard Management Company, "Princeton endowment earns 12.7 percent return", facts.stanford.edu/administration/finances, annualreport.uchicago.edu/page/endowment)

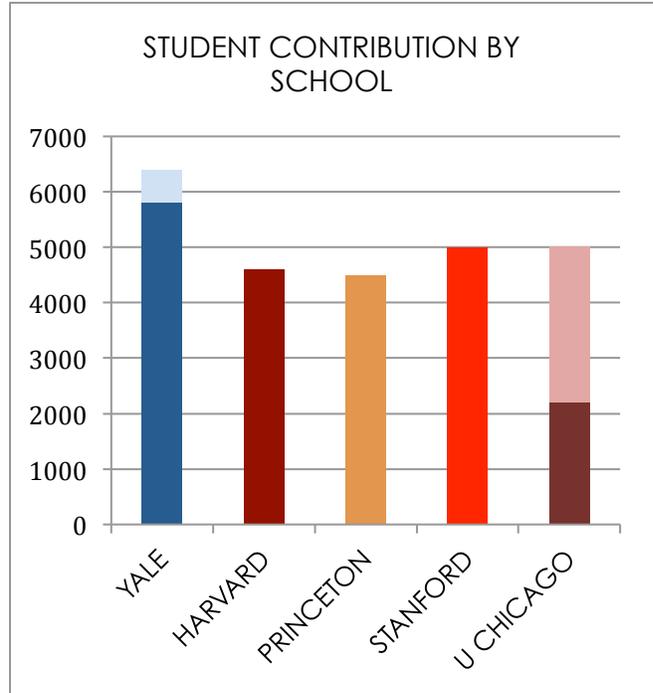


FIGURE 3: Yale's student contribution compared to peers

Of these five peer schools, Yale has the highest student contribution.

The lighter bars represent recent changes to the student contribution at Yale and the University of Chicago. The University of Chicago has just acted to eliminate the term-time work requirement for low- and middle-income students—despite having an endowment less than a quarter the size of Yale's. The higher bar shows the size of their student contribution before implementing the policy.

WHAT DOES THAT IMPACT LOOK LIKE?

Students on financial aid have to face choices and trade-offs that compromise their experience of Yale and that their peers do not face. They must find about twelve hours of work a week during the school year to meet their tuition requirements and seek well-paying employment during their summers. The flat tax leads to missed growth opportunities throughout students' time at Yale.

- During the term, a student meeting their financial aid requirements with a

minimum-wage Yale job must work twelve hours a week—more time than most students spend in classes.⁸ A twelve-hour-a-week commitment often has to replace other activities, or makes holding leadership positions more difficult.

- During the summer, students on financial aid may not be able to take advantage of the opportunities for intellectual or professional growth that their peers have. They may have to live at home instead of travelling to somewhere with better or different opportunities. They may have to work for a wage instead of taking an

unpaid internship, or even an internship with a limited stipend. These restrictions

- **Racialized class disparities mean that the student contribution contributes to racial divisions within the Yale student body. High-intensity student activities become not just economically homogeneous, but also racially homogeneous, while low-skill student jobs that offer more work hours concentrate students of color in service to their peers.**

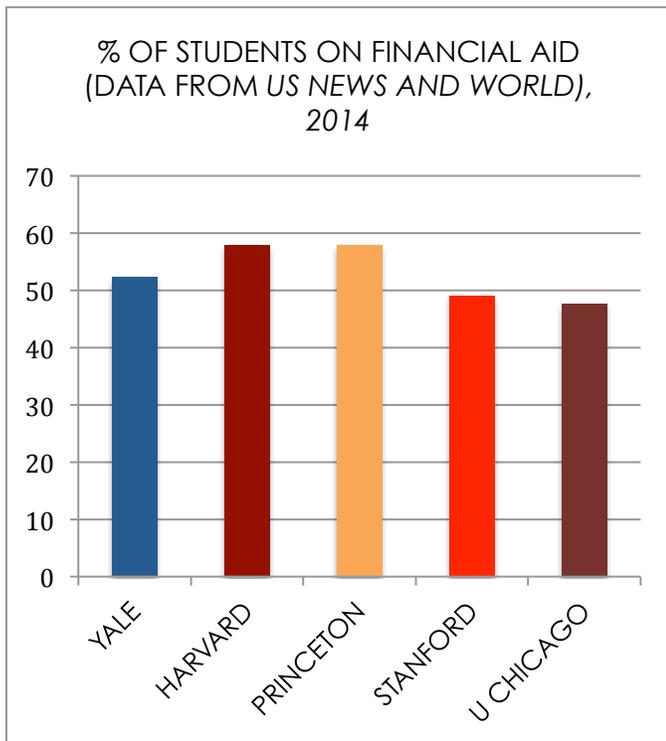


FIGURE 4: Percent of student body on financial aid at other schools

Despite Yale's reputation for generosity, the proportion of the student body that receives financial aid lags Harvard and Princeton. This statistic reflects troublingly on the economic diversity that Yale sustains: the approximate income cutoff for families who don't receive financial aid is \$235,000 annually (though this varies based on a family's savings and assets), which indicates that roughly 48% of the student body is drawn from the top 4% by income of the US (US News and World Report, Dec 2014).

curtail students' intellectual exploration and pursuit of career opportunities.

- Low-income students may face disproportionate economic pressure to take high-paying jobs in the finance and consulting industries rather than the careers they would be interested in independent of financial strain.
- Yale heavily advertises its loan-free financial aid. For many students, however, the student contribution constitutes a burden they must borrow money to cover. One in six members of the class of 2014 graduated with student loans, with an average loan amount of \$14,800.⁹
- Some students work in order to send money home to support their families; many students do not have the cash flow to make necessary purchases for classes at the beginning of the year because they won't begin receiving pay checks until well into the term, especially if they struggle to find enough hours to work. Other students have families that can loan or give them the funding to cover their student contributions. A student's family economic situation thus creates a huge class disparity in what the experience of studying at Yale involves.

YALE CAN AFFORD TO FIX IT

Yale can easily afford to eliminate the student contribution:

- Yale has the second largest endowment in the country, which grew to a record \$25.6 billion for the year ending June 2015. For the same year,

Yale reported an operating surplus of \$194 million.

- While insisting on the need for austerity measures and increasing the student contribution in 2014, the University had actually paid off \$1.15 billion in debt over the previous two years.¹⁰
- The University recently completed a half-billion dollar fundraising campaign for the construction of two new residential colleges¹¹ And the University just received a \$150 million gift to renovate Commons as the Schwarzman Center.¹²

Yale has repeatedly demonstrated the ability to find money for the things it makes a priority. It would take \$15 million – just a day and a half of returns on the endowment—to eliminate the student contribution entirely. A capital campaign for financial aid on the scale of that for residential college construction would generate enough returns to eliminate it in perpetuity. Under the current endowment spending rule, \$360 million in assets would yield \$15 million at the minimum annual spending target of 4.5%.¹⁶

In President Salovey’s 2014 message to Yale donors, he said:

Because of you, I was so pleased to announce in June that we had completed fundraising for the two new residential colleges. Equally important, your gifts have allowed us to build our financial aid endowment, allowing even more students to take advantage of the opportunities in Yale College, the Graduate School and in the professional schools.

In defending the need for ongoing budget cuts amidst an operating surplus, University Vice President Shauna King wrote “In the coming months and years, Yale will need to make many choices — both exhilarating and difficult — about how to invest its resources. That is the work ahead of us.”

One of the choices Yale has made despite President Salovey’s celebration of the growing financial aid endowment is to continue to increase the burden it places on its lowest-income students. The student contribution increased 28% from 2008 to 2015, and only dipped slightly after concerted student activism.

The University of Chicago, which has an endowment a quarter the size of Yale’s, decided in 2014 to eliminate the term-time work requirement for its students to “create a common and equal platform for all students to be successful.” Yale can make the same choice, yet in response to student advocates, it continues to insist that “[f]inancial aid is a priority, but not the only priority,” as Storlazzi told a gathering in the fall.

RECOMMENDATIONS

Yale has the resources to remove the burden it places on half the student body. It is clear that the student contribution creates an undue and discriminatory economic strain on students who receive financial aid, homogenizing activities on campus and limiting some students’ ability to benefit from the full wealth of experiences that Yale promises. This constraint is incompatible with Yale’s professed dedication to economic diversity.

We call on Yale to eliminate the student contribution, including both the term and summer work requirements. This is a

moment in which Yale can step forward as a leader among its peers, following the precedent set by the University of Chicago and drawing on its remarkable fundraising and endowment capacities to remove the burden it places on its students. A Yale without the

student contribution is a more economically just Yale. It is a Yale in which undergraduate education, experience, and achievement are more accessible, communally shared, and equal.

¹ "Budget Surplus Grows," Yale Daily News, Oct. 29 2015. Yale University *Financial Report 2014-2015*, 1. "Endowment besting peers, hits new high," Yale Daily News, Sept. 9 2015.

² "Student income contribution to drop," Yale Daily News, Dec. 8 2015. "Admins to consider sliding scale for SSIC," Yale Daily News, Feb. 3 2016.

³ US News and World Report, "Yale University." Dec. 2014.

⁴ "Cost of attending Yale to increase 4 percent," Yale Daily News, March 13 2014.

⁵ "AP: Yale students protest financial aid," New York Times, March 5, 2015. "In protest, SUN decries student contribution," Yale Daily News, March 2, 2015.

⁶ "Student income contribution to drop."

⁷ "Cost of attending Yale to increase 4 percent."

⁸ "Financial Aid for Prospective Students In-Depth," Yale University Admissions. Online Dec. 2014.

⁹ "FAQs about financial aid and student borrowing in Yale College," Yale News, Feb. 27 2015.

¹⁰ Yale University *Financial Report 2011-12 and 2012-13*.

¹¹ "Construction of new residential colleges moving forward, thanks to fundraising efforts," YaleNews, June 3 2014.

¹² "\$150 Million Gift by Stephen A. Schwarzman to Establish One-of-its-Kind Campus Center at Yale University," YaleNews, May 11 2015.

¹⁶ Yale University *Financial Report 2013-2014*, 1.