

College Affordability Rating in the State of Tennessee: Impacts on Federal Financial Aids

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Tax payers, students and their family react positively to the new College Affordability Rating (CAR) proposed recently by the regulator. This regulation ties the college affordability with the distributions of the federal financial. The proposed regulation is a direct response from the government to curb the college education cost increases that shows no sign of stabilizing. According to the new rule, a higher rating will be rewarded with higher federal grant money. Otherwise is true for those institutions which have a lower rating. The US public expects that colleges will reduce their tuition to secure more federal aid money as favorable responses to the CAR. This expectation may not be true for all colleges. Our analyses show that the CAR proposed regulation may not be effective to schools such as top-tier private schools where most higher-income students are attending. But, it could create negative impacts to smaller size school as measured by their enrolled students and the schools where lower income students are. To test the maintained hypotheses, AAEA has just recently completed an intensive study and will use one example of such studies in Tennessee to show the case as claimed above.

Table 1- CAR Distribution in Tennessee (2000-2010)

Estimated_ CAR	Frequency	Percent	Cumulative Frequency	Cumulative Percent
AAA	7	11.86	7	11.86
AAB	1	1.69	8	13.56
ABA	17	28.81	25	42.37
ABB	4	6.78	29	49.15
BAA	6	10.17	35	59.32
BAB	17	28.81	52	88.14
BBA	2	3.39	54	91.53
BBB	5	8.47	59	100.00

There are total 59 institutions that made up the population which are much less after the data got cleaned. In order to minimize any potential error due to incomplete, typos and others we have decided to exclude those colleges with incomplete information. Table 1 showed that only seven institutions have a perfect score while five with BBB scores. Most community college will have ABA rating.

Financial Consequences of CAR

¹ Respectfully, are founder and cofounder of AAEA (<http://www.aaea.us/>). On-going research project, please have written consent and permission from the Association before making any quote.

ETSU will be chosen in this example with no particular reasons. With its CAR equals to ABB, this institution may lose about 16.67 percent of its current federal funding. Table 2 below was taken directly from College Navigator Website for ETSU. Depending on what the regulator’s final definition on federal funding is, with this estimated CAR information the institution may easily estimate how much money it will lose from the implementation of CAR rating. The potential reductions are \$ \$3,823,743.26 (Pell grants) and \$ \$7,624,003.33 (Fed student loans), respectively. The rest of the ratings are presented in Table 3 below.

Table 2 – East Tennessee State University Revenue from Federal Program

All Undergraduate Students

TYPE OF AID	NUMBER RECEIVING AID	PERCENT RECEIVING AID	TOTAL AMOUNT OF AID RECEIVED	AVERAGE AMOUNT OF AID RECEIVED
Grant or scholarship aid ¹	9,750	78%	\$66,363,732	\$6,807
Pell grants	5,634	45%	\$22,937,872	\$4,071
Federal student loans	6,484	52%	\$45,734,873	\$7,053

- ¹ Grant or scholarship aid includes aid received, from the federal government, state or local government, the institution, and other sources known by the institution.

The Association has encouraged schools to change the way they manage their institutions and introduce new paradigms and mindset. We know that this situation will come sooner or later. That is the reason why the Institutional Research Intelligence new paradigms and mindset are introduced about a year ago and the Association of American Education Analytics was established. In addition to that, the Association also offers many workshops, training and certification to help colleges to have such a person with the IRI skills to help them to navigate the new sea of competition. Our recent offer has something to do with estimating an early alerts system which will help the higher education institutions to increase their student retention rate for FREE. Grasp it before it is too late.

Table 3 – List of Colleges in Tennessee with their Estimated CAR

Institution Names	Estimated_CAR	D_TUITION	D_GRAD	D_LOAN
Aquinas College	BBA	1193.50	-0.01443	-230.33
Austin Peay State University	ABA	-5524.53	-0.11096	-609.55
Baptist Memorial College of Health Sciences	ABA	-3517.19	-0.03334	-331.00
Belmont University	BAB	7644.36	0.20892	3541.45
Bethel University	BBA	393.47	-0.13827	-1299.66
Bryan College	BAA	4810.58	0.15278	-228.33
Carson-Newman College	BAA	5270.81	0.14471	-199.55
Chattanooga State Community College	ABA	-7729.75	-0.33513	-1588.33

Institution Names	Estimated_CAR	D_TUITION	D_GRAD	D_LOAN
Christian Brothers University	BAB	9247.25	0.16177	446.67
Cleveland State Community College	ABA	-7762.42	-0.27514	-2232.11
Columbia State Community College	ABA	-7767.75	-0.25637	-1662.22
Cumberland University	BBB	3857.69	-0.05363	214.00
Lipscomb University	BAB	5346.75	0.14162	2362.30
Dyersburg State Community College	ABA	-7756.08	-0.32579	-2159.44
East Tennessee State University	ABB	-5731.31	-0.02731	350.67
Fisk University	BAB	3321.14	0.18093	2456.34
Free Will Baptist Bible College	BAB	486.50	0.05847	149.17
Freed-Hardeman University	BAB	2196.81	0.12369	1257.00
Hiwassee College	ABA	-1239.89	-0.16789	-1104.47
Jackson State Community College	ABA	-7754.97	-0.31499	-1380.89
John A Gupton College	AAA	-3193.42	0.09438	-671.33
Johnson Bible College	AAA	-3398.31	0.08958	-472.22
King College	BAA	7727.47	0.12552	-216.66
Lambuth University	BBB	4297.03	-0.01922	108.56
Lane College	ABA	-2837.86	-0.11786	-166.44
Le Moyne-Owen College	ABB	-414.00	-0.24456	71.05
Lee University	AAB	-171.50	0.05593	373.55
Lincoln Memorial University	BAA	3084.58	0.01145	-68.66
Martin Methodist College	BAA	4939.00	0.12472	-1760.58
Maryville College	BAB	12541.92	0.13887	683.56
Memphis College of Art	BBB	7666.14	-0.06902	1281.89
University of Memphis	ABA	-5115.42	-0.06959	-657.44
Methodist Hospital School of Nursing	AAA	-8036.08	0.10839	-1810.66
Crichton College	BBB	962.63	-0.25157	269.67
Middle Tennessee State University	AAA	-5505.19	0.00503	-848.89
Milligan College	BAB	7332.81	0.15177	877.34
Motlow State Community College	ABA	-7758.19	-0.23900	-2051.66
Nashville State Community College	ABA	-7784.42	-0.32915	-546.44
O'More College of Design	BAA	3169.14	0.39523	-512.77
Rhodes College	BAB	16638.03	0.35352	531.45
Roane State Community College	ABA	-7632.25	-0.27102	-1553.58
Sewanee: The University of the South	BAB	16538.50	0.37361	530.17
Pellissippi State Community College	ABA	-7730.86	-0.27724	-1780.55

Institution Names	Estimated_CAR	D_TUITION	D_GRAD	D_LOAN
Southern Adventist University	BAB	4161.92	0.18949	1574.67
Tennessee Wesleyan College	BAB	3478.36	0.01403	501.56
The University of Tennessee	AAA	-4852.53	0.10626	-238.11
Tennessee State University	ABB	-5734.19	-0.00503	350.34
Tennessee Technological University	AAA	-5775.42	0.04757	-994.89
Tennessee Temple University	ABB	-1455.00	-0.06858	1040.92
Trevecca Nazarene University	BAB	3701.92	0.01037	202.11
Northeast State Community College	ABA	-7741.19	-0.26938	-1903.89
Tusculum College	BBB	5865.03	-0.00928	1007.23
Union University	BAB	6549.47	0.17567	104.78
Vanderbilt University	BAB	21856.69	0.46152	398.89
Volunteer State Community College	ABA	-7761.31	-0.31016	-1961.66
Walters State Community College	ABA	-7741.08	-0.26015	-2246.00
Watkins College of Art and Design	BAB	1931.00	0.17020	550.42
Williamson Christian College	AAA	-2910.25	0.20581	-1161.08
Visible School-Music and Worships Arts College	BAB	6314.75	0.35859	5419.67