

TITLE: Investigating the Financial Tipping Point: The Effect of Unmet Financial Need and Student Retention

DESCRIPTION: The Academic and Strategic Initiatives Committee received a briefing on its latest report that investigated the relationship between affordability, unmet financial need, and retention to discern the precise values at which affordability concerns influence students' continued enrollment at Kentucky public institutions.

PRESENTER: Karyn Hoover, Chair of the ASI Committee

COMMITTEE'S REVIEW

The Academic and Strategic Initiatives Committee received this information report at their June 6, 2023, meeting. It will not be covered or presented in detail at the June 9 board meeting; however, staff will be available for questions.

SUPPORTING INFORMATION

Around the nation, the cost of college attendance has risen steadily over the past two decades, while total undergraduate enrollment has been flat. In light of these trends, Kentucky has taken aggressive measures to limit tuition increases and grow financial aid. Nevertheless, increasing college costs may be constricting Kentucky's postsecondary enrollment pipeline, with negative consequences for our state's educational attainment rates and economic well-being.

Are college affordability concerns causing Kentucky students, particularly those from vulnerable populations, to be left behind? Our research aims to answer this question by probing the relationship between unmet financial need and retention of first-time undergraduates to a second year of college. Whereas most national research has only described the cost of unmet need, our study presents an unprecedented statewide retention model that estimates the precise impact unmet need has on retention likelihood for Kentucky students across time, demographics, and sector. In order to make robust inferences, we input data into our model on over 171,000 first-time Kentucky undergraduates enrolled at public institutions over the last decade.

Our analyses suggest that unmet need is prevalent, increasing at the margins, and substantially endangers retention. Across sectors, around 70% of students have some unmet need and each \$1,000 increase tends to decrease retention likelihood by 1%. Importantly, these trends are magnified for students enrolled at regional and two-year institutions, particularly those from minoritized and low-income backgrounds. Equally important, our models estimate that when

unmet need is reduced to zero, minoritized and low-income students retain at rates equal to or higher than their peers. Cumulatively, these findings suggest how high of a barrier that affordability concerns can be.

Given the rich longitudinal data included in our analysis, we expect our conclusions are generalizable to other states and provide important perspectives to the growing national conversation around affordability. Our work is also producing meaningful applications here at home. To date, we have provided institution-specific results from our model that institutional leaders are incorporating into their strategic planning and KPI metrics. We have also developed our study into a predictive learning model that enables us to collaborate with our institutional partners to identify at-risk students and potentially intervene before they are priced out of earning a quality credential. We hope that our modeling strategy and practical applications will interest postsecondary stakeholders who are attentive to toppling affordability barriers.