

**REPORT OF THE SECRETARY OF EDUCATION
ON HOUSE JOINT RESOLUTION 201**

**To
THE GENERAL ASSEMBLY OF VIRGINIA**



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**COMMONWEALTH OF VIRGINIA
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COMMONWEALTH of VIRGINIA

Office of the Governor

Richmond 23219

J. Wade Gilley
Secretary of Education

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TO: THE GENERAL ASSEMBLY OF VIRGINIA

Pursuant to House Joint Resolution Number 201, I am pleased to submit this request concerning the cooperation and coordination that exists between the State Education Assistance Authority, the Virginia Education Loan Authority, and the State Council of Higher Education. Additionally, the report reviews the projected impact of combining the administrative functions of some or all of these agencies and programs as they relate to financial assistance for college students.

Respectfully submitted,

J. Wade Gilley
Secretary of Education

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Attachment

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INTRODUCTION

Questions relative to the extent of coordination, cooperation and possible merger of four State authorities as well as the student financial aid programs of the State Council of Higher Education for Virginia were identified as early as 1977 (a Report of the Commission on State Governmental Management December 1977).

In August 1978 the Department of Management Analysis and Systems Development provided the Secretary of Administration and Finance with a report titled, Report on Proposed Consolidation of Educational Aid Authorities. This report focused on the ". . . advantages and disadvantages of the proposed consolidation and to estimate the associated costs " for the consolidation of administrative functions.

Following a review of the stated mission of each of the four authorities and their functions, it was felt that any possible merger and the focus on cooperation and coordination should involve primarily the State Education Assistance Authority, the Virginia Education Loan Authority and the financial aid programs administered by the State Council of Higher Education for Virginia. Strong considerations when reviewing the possible merger of the administrative functions of these entities were the goals of the administration that growth in State government would be controlled and that efficient utilization of limited State resources would be maximized.

IMPACT OF COMBINING ADMINISTRATIVE FUNCTIONS

The State Education Assistance Authority, the Virginia Education Loan Authority, and the State Council of Higher Education for Virginia each have a responsibility in the area of student financial assistance. While related, each of these responsibilities is unique and non-duplicative with the possible exception of the loan functions of the Virginia Education Loan Authority and the State Council of Higher Education for Virginia (the State Council of Higher Education loan function to be phased out by 1980-81).

State Education Assistance Authority

This authority, as a State agency, is a loan guarantee agency and guarantees loans made under the federal guarantee program by private lenders as well as those made by the Virginia Education Loan Authority. The authority has contracts with approximately two hundred lenders, including the Virginia Education Loan Authority.

Virginia Education Loan Authority

This authority is a direct lender and serves a function similar to that of a bank. It is a non-State agency and is not utilizing State personnel, budget, purchasing or disbursing systems. The authority provides loan assistance to Virginia residents who attend institutions of their own choosing.

State Council of Higher Education for Virginia

As a part of its Statewide coordinating responsibility for higher education, the State Council of Higher Education for Virginia has specific responsibilities for student financial assistance programs. These responsibilities include a budgetary function, administrative function and accountability function. While several programs of student financial assistance are included, the two major programs from a fiscal standpoint are the Tuition Assistance Grant and Loan Program and the College Scholarship Assistance Program. These two programs, effective 1980-81, are grant programs as opposed to loan programs.

Impact

Given the unique responsibility of each of the three entities, there do not appear to be significant gains available through the consolidation of administrative functions. Specifically, as noted in part in the Management Analysis and Systems Development study of August 1978:

- a. Loan collection activities are so dissimilar that they could not be combined in a cost-effective fashion.
- b. Currently the best single source of aid information is the institutional financial aid office. It is doubtful that a single State agency based in a single location could significantly improve the dissemination of aid information for potential students.

- c. The support functions required by the three are dissimilar and compounded by the commercial nature of the accounting, budgeting and data processing systems utilized by the Virginia Education Loan Authority.
- d. Consolidation could require as many as four new State positions at a cost in excess of \$100,000 per year. These positions would result from the loss of the current ability to utilize a fractional approach for administrative support functions in the respective units.
- e. The United States Office of Education has specified that guarantee agencies (State Education Assistance Authority) and direct lenders (Virginia Education Loan Authority) should function separately and autonomously.
- f. The United States Congress is in the process of reauthorizing the Higher Education Act of 1965. This action could make reauthorization result in significant changes in the configuration of student financial assistance programs.
- g. The current organizational pattern for student financial assistance programs appears to be cost-effective and efficient. For example, the cumulative default rate for the State Education Assistance Authority is less than two percent, one of the best rates in the nation. Additionally, for the 1980-82

biennium, no significant increases in State general fund support are projected for the administrative support functions of these units and yet each has projected improved services to its respective client group.

COOPERATION AND COORDINATION

The Secretary of Education has the responsibility to ensure that the State Education Assistance Authority, the Virginia Education Loan Authority and the State Council of Higher Education for Virginia cooperate fully and coordinate their efforts relative to student financial assistance programs.

These units have, since their inception, enjoyed a cooperative arrangement of function and responsibility. They have, through several activities and mechanisms, coordinated their efforts. Examples of this cooperation and coordination include, but are not limited to the following:

- a. The three (State Education Assistance Authority, Virginia Education Loan Authority, State Council of Higher Education) have cooperatively developed a financial aid brochure for the State of Virginia.
- b. The directors of the two authorities are members of the State Council of Higher Education's Financial Aid Advisory Committee. This committee is composed of the financial aid directors of all the senior State-supported institutions and representatives of the community colleges, private and proprietary institutions. Meetings are held quarterly and focus on information exchange, programmatic improvements, etc.
- c. The directors of the State Education Assistance Authority and the Virginia Education Loan Authority have been active participants in numerous training

programs for institutional financial aid directors independently and in cooperation with the State Council of Higher Education.

- d. The State Education Assistance Authority and the State Council of Higher Education for Virginia cooperate in the referral of students to the appropriate aid program.
- e. The State Education Assistance Authority maintains and distributes brochures concerning the State Council of Higher Education and programs to students seeking assistance.
- f. The State Education Assistance Authority and the Virginia Education Loan Authority have cooperatively developed a checklist for the use of Virginia financial aid officers in administering guaranteed loans and other types of aid.

SUMMARY

The Secretary of Education will continue to monitor the cooperation and coordination that currently exists between and among the agencies and institutions that constitute his Secretariat. This cooperation and coordination is extremely positive at present, and there is no reason to believe the future will reflect a decline in the present level of activity.

A review of the possible consolidation of some or all of the administrative functions of the State Education Assistance Authority, the Virginia Education Loan Authority, and the State Council of Higher Education for Virginia suggests that no specific cost savings or efficiency of operation could be achieved through such consolidation. Rather, with the current level of activity and functioning, additional cost to the Commonwealth's general fund might result.

