REPORT OF THE

STATE COUNCIL OF HIGHER EDUCATION FOR VIRGINIA

ON

FINANCIAL AID IN VIRGINIA

TO

THE GOVERNOR

AND

THE GENERAL ASSEMBLY OF VIRGINIA

HOUSE DOCUMENT NO. 24

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INTRODUCTION

The 1980 General Assembly, in approving House Joint Resolution Number 7, requested the Council of Higher Education to conduct a comprehensive study of the financial aid available to Virginia students. It also asked the Council to determine if the financial need of the students is being met, especially in view of the increasing funds made available through the federal student aid programs, assess the effectiveness of the State financial aid programs and to recommend ways in which the various State and federal programs might be better coordinated.

The Council's study was greatly influenced by the changes made in the federal student aid programs during the re-authorization by Congress of the Higher Education Act of 1965. In the opinion of the Council, the modifications adopted during this process, which was concluded in October, 1980, seriously threaten the future of the federal effort to provide aid to students. For this reason, much of this study is devoted to a discussion of the problems at the national level and to a consideration of how the revised federal aid programs might affect the states, especially Virginia.

The study also reviews and makes a number of recommendations concerning the major State aid programs. Some of the recommendations will, if adopted, result in an additional expenditure of State funds. The estimated cost of the recommendations, if fully funded, would be approximately $17 million in the 1982-84 biennium. In order for the Commonwealth to meet the increasing financial need of its students and continue to promote diversity in its system of higher education, the Council believes that the increased costs are justified.

It should also be noted that not all of the Council's recommendations would result in the expenditure of additional State dollars. Some recommendations are simply intended to improve coordination and communication, while others would provide the institutions increased flexibility in using the funds appropriated.

During the preparation of the study, the Council received excellent cooperation from the institutions. It also received a great deal of data, as well as advice, from the institutions and from a number of persons knowledgeable about the aid programs in Virginia. Much of the data and advice were solicited through a questionnaire which was distributed during the summer to all of the institutional presidents, selected members of the General Assembly, members of the boards of the State Education Assistance Authority and the Virginia Education Loan Authority, and Council members themselves. Other advice came from the general public which had an opportunity at four regional hearings across the State to express its views about financial aid in Virginia.

This study is the most comprehensive review of student financial aid which has been undertaken in Virginia in more than ten years. The body of the report is contained in three chapters. The first, which is divided into six sections, provides important background information about the major aid programs available to Virginia students, the process of applying for and receiving need-based aid, and the magnitude of the unmet need of Virginia's students. It also summarizes the reports of consultants to the study who analyzed the impact of financial aid on financing higher education and attempted to determine the public's understanding of the various aid programs. This chapter also presents a brief analysis of the data collected in the survey mentioned above.

The second chapter discusses in detail the changes mandated in the federal aid programs by the Education Amendments Act of 1980. It focuses on the implications for the states and suggests State action to call the national crisis in student aid to the attention of the new federal Administration.

The third chapter offers fifteen major recommendations to improve the existing aid programs and their coordination. Some of the recommendations can be implemented by Council action. Others will require action by the Governor and the General Assembly.

Finally, the study contains a lengthy appendix which describes all of the aid programs in Virginia which were identified by Council staff during the course of the study. This appendix is a detailed, comprehensive catalogue of information about the numerous aid programs.

The Council presents this study with the expectation that it will generate considerable discussion over the next few months. Because of the uncertain future of the federal aid programs, the Council will revise and update its recommendations based on actions taken at the federal level.

CHAPTER I: FINANCIAL AID IN VIRGINIA

A. The Financial Aid Programs Available to Virginia Students

In the 1980-81 academic year, students enrolled in all postsecondary educational institutions (public, private, and proprietary) in Virginia are receiving more than $180 million through a diversity of student aid programs. (This total does not include other funds received as special benefits, including Social Security and assistance to veterans.) Most of the funding is provided through federal aid programs, but the State is also making available over $16 million through various programs administered by a number of agencies and institutions. All of the programs which were identified during this study are described in detail in the appendix of this study. However, as a background for the discussion of issues which follows, each of the major programs is summarized here in alphabetical order.

Basic Educational Opportunity Grant (BEOG). Authorized by the Education Amendments of 1972, the BEOG is a federal entitlement program of direct need-based grant assistance to undergraduate students. In 1980-81, students in Virginia will receive approximately $40,000,000 through the Basic Grant program. Awards range from $200 to $1,800.

Commonwealth Incentive Grant Program (CIGP). Established by the General Assembly in 1979, the CIGP is a state program intended to attract "other-race" students to Virginia's traditionally white and black institutions. In 1980-81, approximately $1,000,000 is available for merit-based grants of $1,000 each to first-time students at the 15 senior state-supported colleges and universities in the Commonwealth.

College Scholarship Assistance Program (CSAP). Established by the Virginia General Assembly in 1973, the CSAP is a state program of need-based grant assistance to undergraduate students. In 1980-81, Virginia students at in-state public and private colleges and universities will receive approximately $3,800,000 through the CSAP. (Of this amount, $1,700,000 will be federal matching funds from the State Student Incentive Grant Program.) Awards range from $200 to $600.

College Work-Study Program (CWSP). Using federal, institutional, and private funds, the CWSP encourages and extends student employment on campus and in non-profit off-campus agencies. The CWSP is one of three campus-based programs through which students in Virginia will receive over $20,000,000 in federal funds during the 1980-81 academic year.

Guaranteed Student Loan Program (GSLP). Under the federal GSLP, loans made to students by participating private lending institutions (banks, credit unions, savings and loan associations) are insured against default. In Virginia, GSL loans are also made by a direct lender, the Virginia Education Loan Authority (VELA). The loans made by all lenders in Virginia are guaranteed initially by the State Education Assistance Authority. The Middle Income Student Assistance Act of 1978 removed the income ceiling on eligibility for a GSL. During 1980-81, Virginia students will borrow approximately $100,000,000 under the GSLP. Undergraduates may borrow up to $2,500 in one year, graduate students up to $5,000. A student's total indebtedness under the program is limited to $15,000 for undergraduate independent students ($12,500 for dependent students), and $25,000 for combined undergraduate and graduate education. As of October, 1980, the loans carry an interest rate of 9 percent for new loans (7 percent for previous borrowers who received a loan at the lower rate).

National Direct Student Loan (NDSL). Originally established by the National Defense Education Act of 1958, the NDSL is a campus-based program of loans to undergraduate and graduate students with financial need. The loans carry an interest rate of 4 percent. Although there is a loan maximum per student, most student awards do not approach the limit, because the NDSL is one of the three campus-based federal aid programs whose funding depends, in part, on annual allocations to the institutions.

Supplemental Education Opportunity Grant (SEOG). The SEOG is a federal program of grant assistance for any student with "exceptional" financial need who, without the grant, would not be able to continue his or her education. The SEOG is one of the three campus-based programs.

Tuition Assistance Grant Program (TAGP). Established by the Virginia General Assembly in 1973, the TAGP is a State program of grant aid to Virginia students enrolled in Virginia's private colleges and universities. Created to lessen the difference between the tuitions at private and state-supported institutions, the TAGP is not a need-based program. In 1980-81, full funding was provided for 11,700 students to receive grants of $625 each for a total expenditure of over $7,300,000.

In addition to the State and federal programs described above, there are two other major sources of financial aid for students in Virginia. One is the State appropriation for student assistance to the 15 senior state-supported institutions and Richard Bland College. In 1980-81 approximately $3.1 million was appropriated for this purpose. This money may be used as need-based grants to undergraduates; assistantships and fellowships for graduate students; contributions to an institution's State Student Loan Fund; and matching funds for federal and private programs of student aid. Another $1,000,000 is available through several federal programs to help Virginia students prepare for particular professions (e.g., nursing, law enforcement).

B. The Process for Determining Need-Based Student Aid Awards

Financial aid awards may be need-based or non-need-based. Most programs continue to be the former. To apply for need-based financial aid, a student must complete a standard application which is used by students throughout the nation. In Virginia, the application is known as the Virginia Financial Aid Form (VFAF). It may be used to apply for a federal Basic Grant (BEOG) award, an award under the College Scholarship Assistance Program (CSAP), or for aid under most of the programs administered by the individual institutions. When completed, the application is sent to one of three federally approved agencies for processing.[1] These agencies, in turn, forward the results of their calculations to the institutions and state aid agencies which the student has listed on the application. This centralized review system ensures that the criteria and calculations used to determine a student's eligibility for assistance are consistent throughout the nation.

Using a federally approved formula known as the Uniform Methodology, the processing agency computes the amount that the student and his family can reasonably be expected to contribute to the student's cost of education for the coming year.[2] In simple form, the Uniform Methodology may be described as follows:

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[1]The agencies are the College Scholarship Service, a division of the College Board; the American College Testing Program; or the Pennsylvania Higher Education Assistance Authority. Almost all applications for aid in Virginia are currently processed by the College Scholarship Service. Recent changes in federal law may result in a modification of the procedure described.

[2]The Uniform Methodology makes slightly different assumptions about students who live with their parents and those who are self-supporting. The basic formula is the same, however, and the discussion that is presented here applies equally to both groups.

Family resources	(Income, assets)
- Standard maintenance allowance	(Food, clothing, shelter)
- Other maintenance allowances	(Taxes, medical expenses, child care)
= Available income	
x Prescribed percentage	(The percentage varies according to available income)
= Total family contribution to higher education	
÷ Number of family members in college	
= Expected family contribution per student	

As can be seen, the basis for the family's contribution to higher education is the family's resources, principally its income (including Social Security and other benefits) and assets. While income is considered "cash on hand" and treated as such, it is recognized that the family's assets are often non-liquid and may have been accumulated in anticipation of retirement or other periods of reduced income. As a matter of equity, assets are included as part of the family's resources, but a portion of their value is protected by the calculation and set aside for eventual use during retirement. The amount that is thus protected depends on the age of the older parent or of the student himself if he is self-supporting; the nearer one is to retirement, the greater one's "asset protection allowance." A second adjustment involves the use of an "asset conversion percentage" which determines how much of the remaining value of the assets will be considered a supplement to the family's income and included as part of the family's resources.

The treatment of assets, particularly such non-liquid assets as home equity,[3] in figuring the family's contribution to the cost of education has become a controversial issue. Under the present system of need analysis, the family's assets include home equity, real estate, businesses, farms and other investments, as well as such liquid assets as bank accounts. Under the Education Amendments of 1980, home equity will, beginning in the 1982-83 academic year, no longer be considered part of the family's resources for education. This exclusion is based on the premise that a family should not be expected to sell its home to pay for the student's education, and therefore the value of the home has no effect on the family's ability to contribute to the cost of education.[4]

The maintenance allowances allowed under the Uniform Methodology provide for the basic expenses of supporting the household. They are the same for all families of a given size, regardless of their income and assets. The allowance made for federal, state, and local taxes varies according to the family's income, place of residence, and property value. Additional allowances are made for exceptional uninsured medical and dental expenses and the expenses (child care, for example) incurred when both parents, or a single parent, must work.

The resources that remain after the maintenance allowances have been subtracted is known as the family's "available income." The percentage of the available (or "discretionary") income that is expected to be used for education varies with the size of the available income. The

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[3] "Home equity" is used here to mean the difference between the market value of the house and the amount the family still owes on its mortgate. If the family were to sell the house, it would receive all but the outstanding balance on the mortgage.

[4] The argument for including home equity in the family's resources has been that with all else equal, a family with a house is in a stronger financial position than one without a house, even if the house is never sold.

formula that is used is weighted so that a family with a large discretionary income is expected to contribute a higher percentage of that income to the costs of the child's education than a family with a smaller discretionary income. Under the present system, a family's expected contribution will range from -$750 to 47 percent of its discretionary income. (A "negative" contribution will result when the family's resources are less than its maintenance allowances.)

After completing its calculation of the student's expected family contribution, the processing agency forwards the results of its computation and a copy of the original application to the schools and state agencies listed on the application. Using this information, the financial aid officer at each school or agency determines the student's need for assistance at that school. For this purpose, "financial need" is defined as follows:

Cost of attendance
- Expected family contribution
____
= Financial need

Under this procedure, a student's expected family contribution remains constant no matter which school is attended.[5] The cost of attendance, however, and therefore the need for assistance, may well change according to the school chosen. It is for this reason that each school which the student is considering makes a separate calculation of the need.

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[5]The financial aid officer may recalculate the expected family contribution if there has been a substantial change in the family's resources since the student completed his application. Such an adjustment, however, is most often made in the figures used in the Uniform Methodology, not in the formula itself. It is therefore likely that all schools adjusting the family's contribution will obtain similar results.

To calculate a student's need, the financial aid officer must make a reasonable estimate of the student's expenses for the year. This estimate must include not only the direct costs of tuition and books, but also the indirect costs of room and board, clothing, transportation, and the like.

After the student's cost of attendance has been determined and the need for assistance is known, the financial aid officer puts together a "package" of aid to meet the student's need. When packaging a student's aid, the aid officer attempts to include a combination of grants, work, and loans so that the need will be met but not exceeded.[6] This is generally done during the spring and summer prior to the start of classes, because the package may determine whether or not the student will enroll. The complexities of packaging vary greatly from student to student. If a student's need is large, money from six or seven sources may be included in the package.

As noted previously, there are three types of awards that comprise a student's package. Gift assistance in the form of grants and merit-based scholarships carries no obligation for repayment. Loans, however, must be repaid in money or service, as stipulated by the lender. Work-Study programs, another source of "self-help" or non-gift aid, require the student to earn the money received. How much of a student's package

[6] In accordance with federal regulations and the accepted practices of financial aid administration, the student may receive up to $200 over his calculated need. This "overaward" allowance reduces the administrative burdens of making small adjustments if the student receives additional non-institutional money after classes have begun. Major changes in the student's budget or resources must be reported, however, and the appropriate adjustments made to a student's package.

will be gift assistance and how much will be self-help depends in part on the institution's packaging philosophy and in part on the availability of funds under the various programs. Most schools expect the student to earn, either while enrolled or after the studies have been completed, a portion of the package. The Education Amendments of 1980 suggest that 25 percent of a student's total costs for a year be met through a combination of family contribution and self-help, with grants and scholarships meeting the rest of the need. Whether these percentages are realized will be left to the individual schools and will depend, in part, on the level of funding provided for the federal grant programs.

C. The Unmet Need of Virginia's Students

As a part of its study of financial aid in Virginia, the Council of Higher Education contracted with the College Scholarship Service to determine if the aid currently available to Virginia students is sufficient to meet their financial needs. By reviewing the applications of a sample of 10,000 of the approximately 106,000 students who filed 1980-81 applications for aid and who listed one or more institutions in Virginia, the CSS determined that the unmet need[7] for Virginia residents attending the Commonwealth's public and private institutions in the current year is approximately $34.3 million. The CSS analysts further concluded that, in their judgment, this figure is a "conservative estimate" of the actual need.

The estimate was made only for in-state filers of aid applications and did not include non-Virginia residents enrolled in the Commonwealth's colleges and universities. The calculation also omitted any estimate of

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[7]The unmet need is the difference between the financial aid demonstrated under the Uniform Methodology for all applicants for financial aid and the total resources available to meet that need.

the financial need of high school graduates who did not consider going to college because of inadequate financial resources. Also not covered by the estimate were students enrolled at the institutions who did not apply but would qualify for aid, under the Uniform Methodology, if they filed for it. Moreover, in arriving at its estimate, the CSS study team had to assume, for lack of a statistical method to distinguish between needy and non-needy applicants under the Guaranteed Loan Program, that all funds available under this program would go to students with demonstrated need. Because the program is actually open to all students regardless of need and is the single largest source of aid for Virginia students, the unmet need could easily be twice the amount identified by CSS.

In its report, the CSS study team noted that some persons "may conclude that there cannot be a need gap since students are enrolled in colleges and universities. For those students, the financial aid deficits are being met in some manner. However, such students are borrowing or working to excess, and some parents are contributing unreasonably high amounts to meet educational expenses. Clearly, available financial aid is insufficient."

D. The Public's Understanding of Financial Aid

As another part of its state-wide study, the Council of Higher Education asked Dr. Jay L. Chronister of the Center for the Study of Higher Education at the University of Virginia to investigate the public's understanding of current student aid programs. Dr. Chronister undertook the research by surveying adult students enrolled in evening classes at Piedmont Virginia Community College and the University of Virginia Division of Continuing Education and by a survey of parents of high school students in the Charlottesville area. There were 616 responses from residents of the City of Charlottesville and the Counties of Albemarle, Augusta, Frederick, Fluvanna, Greene, and Louisa.

The survey attempted to determine (1) public awareness of the major federal and state student aid programs, (2) public knowledge of the eligibility requirements for each program, (3) public understanding of the application process for each program, (4) public knowledge of the obligations of aid recipients, and (5) public opinion of the sources of financial aid information and the public's use of the information available to residents of Virginia.

The two most frequently cited sources of information about student aid were colleges (41.1 percent) and high schools (24.6 percent). The majority of respondents, 439 (76.7 percent), thought that college admissions or financial aid officers are the most reliable sources of information. In the report to the Council staff, the researcher noted that "numerous respondents" wrote comments on the questionnaire emphasizing the need for "better financial aid advice from the high schools."

The greatest number of respondents, 317 (51.5 percent), indicated an awareness of the College Work-Study Program. More than one-fourth of those surveyed claimed in-depth knowledge of the program: a clear understanding of its eligibility requirements (26.6 percent), knowledge of its application process (25.8 percent), and a clear understanding of the obligations of Work-Study students (25.2 percent).

College Work-Study was one of five major federal student aid programs named specifically in the questionnaire. The others were Basic Educational Opportunity Grants (BEOG), Supplemental Educational Opportunity Grants (SEOG), Guaranteed Student Loans (GSL), and National

Direct Student Loans (NDSL). Although the data clearly show that, relative to the other four programs, most of the survey participants believed that they have a greater knowledge and understanding of the College Work-Study Program than any other program, the responses also reflected a fairly high level of awareness of Guaranteed Student Loans (35.1 percent). Approximately one-fourth of the total respondents knew of the existence of Basic Grants and National Direct Student Loans, but few of them (11 percent) said that they were aware of Supplemental Grants.

Regarding the eligibility requirements for each program, the application process, and recipient obligations, a consistently large number of respondents (about 20 percent in each category) said that they have in-depth knowledge of the requirements for a Guaranteed Student Loan. About 120 (20 percent) said that they understand the application process for Basic Grants, but fewer respondents knew the program's eligibility requirements or the obligations of grant recipients. About 90 survey participants (approximately 15 percent) claimed in-depth understanding of National Direct Student Loans. Fewer than 50 respondents (less than 10 percent) clearly understood the eligibility requirements, application process, and recipient obligations for Supplemental Grants.

Most of the parents and other adults who participated in the survey maintained that they know more about the federal student aid programs than about the state programs. Only 102 respondents (16.6 percent) showed an awareness of Virginia's need-based College Scholarship Assistance Program (CSAP). Even fewer said that they knew the program's eligibility requirements (9.3 percent), application process (11 percent), or recipient obligations (9.6 percent). However, according to the survey results, CSAP is better known that the Tuition Assistance Grant Program (TAGP), which provides non-need-based awards to full-time undergraduates in Virginia's private colleges. Only 74 respondents (12 percent) indicated an awareness of TAGP. About 50 individuals (8 percent) said that they knew the eligibility criteria and application process for TAGP, and slightly fewer (7.5 percent) knew the recipient obligations.

Data on the family income level of each respondent show that many of them (45.8 percent) are in the middle-income group ($15,001 to $30,000 annually). However, in relation to the low- and high-income groups, proportionately fewer middle-income respondents claimed awareness and understanding of the major student aid programs. The researcher concluded that: "The fact that the middle income group ($15,001 - $30,000) exhibited the least knowledge of financial aid programs suggests a 'lag' between the revised governmental targeting of supplemental financial aid for middle income levels and that group's awareness of the aid available."

The data show that proportionately more of the respondents with children presently attending college or who have attended college in the past claim awareness and understanding of student aid programs. However, the study stressed the difference between a person's awareness of a program and his or her understanding of its eligibility criteria, application process, and recipient obligations. To illustrate the difference, the researcher pointed out that 52.4 percent of the parents with children planning to attend college said that they knew of the existence of the College Work-Study Program, but only 25.4 percent of them claimed to understand the application process.

The research done in this survey again emphasizes the need to educate Virginia citizens about the current sources of student aid since only one program (College Work-Study) was familiar to more than half of the survey participants. Fewer than 20 percent claimed any knowledge of either of the two major state student aid programs (CSAP and TAGP). The obvious gap between the awareness of a program's existence and an in-depth understanding of its processes suggests a fairly low level of public knowledge of student aid among Virginia residents. Particularly in the middle-income groups, awareness and understanding of student aid programs appear to be lacking in Virginia. Comments written on the questionnaires reflected a demand on the high schools to provide more information about available financial aid at Virginia's colleges and universities.

E. The Impact of Student Financial Aid Programs on the Financing of Higher Education in Virginia

The Council of Higher Education contracted with Dr. Charlotte H. Scott, University Professor of Business Administration and Commerce and a Research Associate of the Tayloe Murphy Institute, the University of Virginia, to examine the impact of student aid on the financing of higher education. Dr. Scott surveyed all 69 Virginia institutions of higher education and supplemented the information obtained with data from other sources. The principal findings, as extracted from her report, follow.

Student aid accounts for only a small fraction of the total operating expenditures at most public schools. The proportion is less than two percent at almost one-half of the institutions, and under five percent at all but seven of the 39 public institutions. At private schools, student aid's share of total expenditures is much higher, commonly ranging from 8 to 15 percent.

The relative shares that student aid and other expenditures comprise of the total are shown in Table 1. For most institutions, expenditures for instruction (primarily faculty salaries) make up more than a third

Table 1

Revenue and Expenditure Allocations, Virginia Institutions

	Public - 4-year enrollment			Public, 2-year	Private
	Over 8,000	4,000-8,000	Under 4,000		
	percent				
Revenues					
Tuition	16	24	28	18	54
State government	61	58	63	71	4
Federal government	14	6	3	12	8
Private gifts	4	11	3	0	18
Endowment income	1	*	2	0	12
Other sources	3	2	1	*	4
Total	100	100	100	100	100
Expenditures - educational and general					
Instruction	44	47	47	53	38
Research	14	10	1	0	2
Public service	7	1	1	1	2
Academic support	12	9	11	12	8
Student services	3	6	7	9	8
Institutional support	8	12	15	14	18
Plant operations and maintenance	8	11	12	9	14
Student Aid	3	3	7	2	10
Total	100	100	100	100	100

* less than 0.5 percent

Data as of 1978-1979 for public schools; 1977-1978 for private schools. Year-to-year changes in the percentages are small.

of total expenditures. Another large segment is support services, including administration, libraries, and student counseling.

Adjusting for enrollment increases, educational expenditures per student at public institutions increased by 32 percent from 1976-79. The increase was probably about the same at private schools. But after adjustment for general price increases in goods and services, the expenditure increase is but 7 percent (Table 2).

Thus, inflation accounts for a major portion of the average increase in costs per student. Student aid expenditures apparently are a minor factor, certainly at public schools and at some private ones, too. More important reasons for the rising costs per student are the expenses incurred by colleges and universities from activities they have undertaken to improve both their educational effectiveness and operational efficiency.

The average cost per student influences tuition charges in two distinct ways. First, any increase in educational and general expenditures per student is likely to produce an increase in tuition rates and fees. Virginia has stipulated that tuition in its public senior colleges should cover 30 percent of the total cost of that education. Tuition at community colleges is expected to cover 20 percent of the cost. Private school students in Virginia pay, on the average, about 56 percent of the costs of their education.

Secondly, tuition revenues may be used to fund financial aid when monies from federal and state governments and private sources are insufficient. Virginia's public institutions are permitted to award "unfunded" scholarships up to a specified limit.[8] Few schools do so, however,

[8]State law limits the number of unfunded scholarships up to 20 percent of the previous year's enrollment. The amount of each unfunded scholarship is limited to the difference between in-state and out-of-state charges.

Table 2

Average Educational Cost per Student

	Fiscal year ended June 30				Increase,
	1976	1977	1978	1979	1976-79
	current dollars				percent
All Virginia institutions	$3,225	$3,411	$3,658	na	--
Public	3,077	3,242	3,489	4,062	32
4-year, enrollment	3,657	3,808	4,080	4,733	29
Over 8,000	4,442	4,594	4,945	5,691	28
4,000 - 8,000	2,051	2,207	2,346	2,757	34
Under 4,000	2,438	2,476	2,535	3,002	23
2-year	1,828	1,950	2,158	2,520	38
Private	4,047	4,355	4,574	na	--
	deflated 1976 dollars				
Public	3,077	3,064	3,090	3,289	7
Private	4,047	4,116	4,051	na	--

na: not available

Derived by dividing educational and general expenditures by full-time equivalent enrollment.

because of the many demands on their income. By contrast, many private institutions, whose tuition charges average more than three times those of public institutions, must use tuition revenues for student financial assistance. Tuition rates are often higher than they otherwise would be, because of unfunded student aid. Students who can afford to pay the higher charges are, in effect, subsidizing those who cannot.

Informal reports from private college administrators suggest that their unfunded aid expenditures have been rising and may account for more than 10 percent of each tuition dollar collected. Table 3 indicates that at private schools total student aid expenditures as a portion of tuition revenue had reached 17 percent by 1977-78, having risen from 16 percent two years earlier.

The relationship between the rise in average educational cost per student and tuition revenues is suggested by Table 4. The rate of increase in average cost was higher than the rate of increase in average tuition revenues per student. As a result, the ratios of tuition revenues to educational costs, while remaining reasonably stable between 1975 and 1977, dropped in the 1978-79 fiscal year. In that year, educational and general costs rose sharply. Inflation had accelerated, with especially large jumps in utility prices. And since a new biennium for State appropriations had started, many public institutions increased their spending. Faculty hiring plans were implemented and faculty and staff salaries adjusted for cost-of-living increases.

The drop in the ratio of tuition revenues to educational costs in 1978-79 provoked larger-than-usual increases in student charges in 1979-80 at the state's senior, public institutions and at many private institutions. Average tuition at the 15 senior, public institutions jumped 32 percent for in-state undergraduates, and 17 percent for out-

Table 3

Student Aid Expenditures as Percent of Tuition Revenues

	Fiscal year ended June 30			
	1976	1977	1978	1979
	percent			
All Virginia institutions	18	13	14	na
Public	20	11	13	15
4-year, enrollment	16	14	14	16
Over 8,000	19	14	13	15
4,000 - 8,000	9	12	14	14
Under 4,000	14	20	17	23
2-year	35	*	7	11
Private	16	17	17	na

na: not available

* less than .50 percent

Table 4

Tuition Revenues as a Percent of Educational and General Expenditures

	Fiscal year ended June 30			
	1976	1977	1978	1979
	percent			
All Virginia institutions	28	29	28	na
Public	22	23	23	19
4-year, enrollment	22	23	23	20
Over 8,000	21	21	21	19
4,000 - 8,000	28	29	27	23
Under 4,000	32	34	35	29
2-year	19	23	21	18
Private	56	56	56	na

na: not available.

of-state students. These double-digit increases were in sharp contrast to average increases in student charges of around 6 percent in 1977-78 and 4 percent in 1978-79. The increases were necessary, in part, to help institutions bring the proportions of educational costs supported from student tuition revenues closer to mandated objectives.

The rise in tuition rates, even at private colleges, has been less rapid than the increase in average family incomes. As Table 5 shows, the percentage of family income required for tuition, room, and board has declined slightly. Nevertheless, both undergraduate and graduate public education in Virginia are significantly more costly than in other Southern states. In-state undergraduate students in some other states pay almost $500 less per year than Virginia students.[9]

Financial aid disbursed to students in Virginia institutions of higher education more than doubled over the five-year period from 1975-76 to 1979-80. Tuition charged students also rose. However, no relationship is evident in the data for the 69 institutions between the percent increase in aid disbursements and the percent increase in average annual tuition and required fees.[10]

It appears that the increased availability of student grants and loans has had differing effects on institutions' finances. The relatively low tuitions of the four-year public institutions have enabled them, in effect, to subsidize all undergraduate and graduate students. The amount these institutions have spent on student aid has increased, but the

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[9] Chronicle of Higher Education, Vol. XX, Number 21, July 21, 1980, p. 1 ff.

[10] A correlation of the percent change in total student aid and the percent change in tuition revenues per FTE student produces a negative coefficient. This is partly because declines in student aid at two-year colleges contrast with virtually no change in tuition revenues per FTE student.

Table 5

Tuition, Room and Board for Undergraduates Related to Family Income

Fiscal year ended June 30	Tuition, Room and Board: Public 4-year a/	Public 2-year b/	Private c/	Family incomes d/	Tuition, Room and Board as Percent of Family Income: Public 4-year	Public 2-year	Private
In-state							
1976	na	$ 300	$4,072	$14,219	—	2.1	28.6
1977	2,022	300	4,351	15,720	12.9	1.9	27.7
1978	2,138	300	4,662	16,989	12.6	1.8	27.4
1979	2,424	300	5,013	18,500	13.1	1.6	27.1
Out-of-state							
1976	na	1,005	4,072	14,958	na	6.7	27.2
1977	2,726	1,005	4,351	16,009	17.0	6.3	27.2
1978	2,882	1,005	4,662	17,640	16.3	5.7	26.4
1979	3,060	1,005	5,013	19,684	15.6	5.1	25.5

na: not available

a/ Mean rate for the 15 institutions.
b/ Rates at all community colleges are the same.
c/ Mean rate for 5 institutions representative of the 30.
d/ Family income data for in-state students is median adjusted gross income on married returns, State of Virginia, from John L. Knapp, Distribution of Virginia Adjusted Gross Income by Income Class, 1978. Tayloe Murphy Institute. Income data are for the preceding calendar year. For out-of-state students median family incomes in the United States were used. Data are from the U.S. Bureau of Census, Money Income and Poverty Status of Families and Persons in the United States: 1979. Current Population Reports, Series P-60, No. 125.

average increase of 18 percent from 1975-76 to 1978-79 is not much more than the 14 percent increase in average tuition rates. Enrollments at most of these institutions have risen modestly, no doubt in part because of the availability of loan funds under federal and state programs.

Tuition fees for both in-state and out-of-state students at two-year public colleges have increased only slightly in recent years. Student aid expenditures, however, have declined at a time when the costs of attending college have gone up, as commuting expenses have risen with the escalation in fuel costs.

Tuition at private institutions averages more than three times that at public schools, reflecting partly the higher average educational costs per student at private colleges. Inflation and concern for academic quality have prompted tuition increases, which have, in light of the institutions' financial aid objectives, necessitated that larger amounts be made available for scholarship aid. As a result, the amounts of aid have grown at private schools and have taken larger portions of the tuition dollars collected. The availability of student aid funds is contributing importantly to the survival and strength of Virginia's private instituitons of higher education.

F. An Analysis of a Council of Higher Education Survey to Determine Support for Modifying Present Aid Programs and Practices

With the assistance of a task force of financial aid officers from public and private institutions of higher education in Virginia, the Council of Higher Education staff prepared a survey instrument to gather information about a number of research questions related to financial aid in Virginia. Some of the questions required the submission of data from professional staff at the institutions; others attempted to secure the opinions of a cross-section of respondents whose views on financial aid policy were important to the results of the study. Included in the former group were the presidents of the institutions. The latter group included members of the Council of Higher Education and its Postsecondary Education Advisory Committee; members of the Education Committee of the House of Delegates and its Higher Education Subcommittee; members of the Education and Health Committee of the State Senate; and members of the boards of directors of the State Education Assistance Authority and the Virginia Education Loan Authority.

Of the 71 questionnaires that were mailed to the institutions in August, 1980, 61 were returned, a response rate of 86 percent.

The significant findings of the survey are presented below in sections addressing the principal programs of student financial aid that are currently supported with Virginia tax dollars. The last section presents views on the overall coordination and administration of the aid programs at the campus and State levels.

1. The College Scholarship Assistance Program (CSAP). As indicated earlier in this chapter, the CSAP is a need-based program partially financed with federal funds received under the State Student Incentive Grant Program (SSIG). In the past three years, the number of applications has spiraled upward while the combined federal and state support for the program has remained essentially the same.

When asked whether the CSAP was an effective program given its present level of funding and distribution of awards, the respondents indicated that the program is only marginally effective. The responses across the populations surveyed ranged from an affirmative vote of 50 percent at the state-supported senior institutions to a 63 percent affirmative vote at the community colleges.

Asked to assume that the level of funding for the program will not increase, the respondents were then invited to express their views regarding the current policies for distributing CSAP funds. In 1980-81, the policy was to grant $200 to $600 to eligible applicants with a net financial need of at least $1,500. Approximately 50 percent of the total applicant pool qualified for awards under this policy.

By a margin of 23 to 13, the presidents of the state-supported institutions favored a continuation of the existing rationing policy. The presidents of the private institutions, on the other hand, favored by a margin of 12 to 9 a change in policy that would result in larger awards to fewer students.

Further, the private colleges favored increasing the minimum level of financial need to qualify for a grant (13 to 0), making larger awards to fewer students (12 to 1), and targeting State need-based aid to middle-income students (16 to 6). Conversely, the state-supported institutions favored reducing the minimum level of financial need to qualify for a grant (13 to 8), making smaller awards to a larger number of students (11 to 7), and targeting state need-based aid to lower income students (28 to 8).

An area of agreement between the public and private institutions concerned the possibility of incorporating minimum standards of merit into the CSAP. By a margin of 23 to 13, the state-supported institutions supported the use of merit-based aid. Among the private institutions the margin was even higher (16 to 6). There was also considerable support for merit-based aid among the General Assembly respondents, Council members, and other groups. Many respondents expressed concern that limitations on the total state aid dollars available for student aid mitigated against the creation of a separate merit-based program, but that the CSAP, as a need-based program, might be improved through the addition of merit criteria.

In reviewing the responses toward the College Scholarship Assistance Program, it is possible to obtain a perspective on the overall adequacy of need-based aid in Virginia. Responses from the institutions suggest that, on the average, about 80 percent of each student's demonstrated financial need is currently being met. The average percentage of need met is highest for aid recipients at the public senior and the private colleges (83 and 84 percent, respectively) and lowest among the community college students (74 percent). From institution to institution, however, the percentage of need met varies greatly. An average of only 51 percent of need is met through scholarships and grants, the survey revealed.

Fifty-nine percent of the institutions indicated that the percentage of need met through available aid programs has remained constant over the last several years. This response must be viewed in light of the increased funds available under the federal need-based aid programs, as well as the federally insured loan programs. Of 29 institutions reporting a change in the percentage of financial need they were able to meet with available aid, 66 percent indicated a downward trend.

The number of students who are currently receiving financial aid from federal, State, or other sources reflects an increased need for student aid. Altogether, responding institutions reported a total of over 80,000 students receiving some form of financial aid. This number includes 68 percent of the students at the higher cost private institutions, 46 percent at the public senior institutions and Richard Bland College, and 22 percent at the lower cost community colleges.

<u>2. The Tuition Assistance Grant Program (TAGP).</u> The survey questionnaire reviewed the history of the TAGP noting that when it was first established in 1973, TAGP grants eliminated about 33 percent of the tuition gap between public and private colleges. It then pointed out that, despite substantial increases in State appropriations for the

program since that time, the percentage of the tuition gap eliminated by TAGP grants has fallen to about 25 percent.

Based on this trend, respondents were asked whether the TAGP appropriation should be indexed to the operating (E&G) appropriations provided the state-supported institutions. In this way, the size of the awards would automatically increase each year in order to eliminate a specified percentage of the tuition gap. The private college presidents overwhelmingly favored such an approach; the public college presidents who responded opposed it. A number of presidents, however, elected to express no opinion on this question. The indexing of the TAGP was favored, albeit by a small margin (5 to 4), by the members of the General Assembly who responded to the question.

Regarding the minimum percentage of the tuition gap which should be met under an indexing formula, the response from 18 private college presidents yielded an average of 43 percent. Individual responses, however, ranged from 18 to 66 percent. Taken together, the members of the General Assembly who answered this question proposed an even higher average percentage (53 percent average; a range of 33 percent to 99 percent).

3. The Guaranteed Student Loan Program (GSLP). The GSLP involves Virginia's state guarantee agency, the State Education Assistance Authority (SEAA), and a variety of lending institutions. In Virginia, the principal lending institutions are banks and the recently established and rapidly expanding Virginia Education Loan Authority (VELA).

On the questionnaire, respondents were asked for their views regarding the growth in the GSLP loans made by the VELA. Forty-six institutions reported that more students are taking GSLP loans, because of the increased access to loan funds provided by the VELA. A total of 18 institutions perceived that the establishment of the VELA has had no effect. Moreover, by a margin of 27 to 1, the institutions indicated that the individual loans have grown larger.

One respondent indicated a growing concern about the large loan amounts being taken by first and second year students. Several cautions were given, the most significant being that many students are exhausting their loan eligibility in the first two years, leaving them with a shortage of financial aid in the junior and senior years. A second caution was related to the fact that loans to first and second-year students (versus third and fourth-year students) constitute a greater risk to the guaranteeing state agency, as they are the loans most likely to go into default.

4. Commonwealth Incentive Grant Program. The Commonwealth Incentive Grant Program was first established in 1979 to help state-supported senior institutions to attract larger numbers of other-race, first-time enrollments. Asked whether the program was effective in meeting its objective, the institutions responded in the negative by a margin of 21 to 7. Moreover, among the state-supported senior institutions, all but two of 14 presidents responding to the question believed the program was ineffective.

When the presidents of these 12 senior institutions were asked how the program could be modified to make it more effective, nine recommended that the grants be extended to second, third, and fourth year students on the grounds that many institutions lack sufficient funds to continue to support these students after their first year, thereby increasing the risk of attrition. Three presidents expressed the belief that the grants made little difference in the number of first-time, other-race students, because students receiving the incentive grants would have enrolled anyway and would have been assisted using other aid programs.

5. Institutional Appropriations for Student Aid. Each state-supported institution and Richard Bland College receives biennial appropriations specifically for student financial assistance. Institutional presidents were asked to comment on the present statutory restrictions on the use of these funds and to recommend any changes deemed appropriate. Seven of the community college presidents indicated that their institutions ought to receive institutional appropriations in the future. Among the senior institutions, four presidents called for greater flexibility in allowing the institutions to decide how the funds are to be expended, and two presidents cited the need to increase the level of funds appropriated.

6. Portability and Reciprocity of Student Grants. Currently, Virginia's state student grants are not portable; that is, they may not be applied to offset the costs of a student attending an institution outside Virginia. Neither does Virginia have any reciprocity agreements with other states whereby students can transfer their grant awards between the states.

By a margin of 41 to 17, the institutions were opposed to making Virginia's state grants portable. The presidents, while also opposed to reciprocity agreements, evidenced some strong support for entering into agreements in the future.

Among the institutions favoring reciprocity agreements, most favored them with such states as Pennsylvania and New Jersey, both of which have portable grants and send comparatively large numbers of students to Virginia institutions. Pennsylvania plans to discontinue portability to states with which it has no reciprocity agreement, a trend that may increase support in Virginia for developing reciprocity agreements. According to the institutions responding to the

survey, a total of 2,084 out-of-state students with portable grants were enrolled in

Private colleges reported 1,656 enrollments, state-supported senior institutions 419, and community colleges only nine. The number of enrollments from Pennsylvania and New Jersey was larger than the number from other states.

7. State Aid to Part-Time Students. State-supported senior institutions opposed the extension of state grants to part-time students by a margin of 11 to 5. Members of the General Assembly agreed by a 7 to 4 margin. The community colleges, on the other hand, favored grants to part-time students by a margin of 16 to 4. Private colleges also favored such a move but by a narrower 13 to 10 vote. Support for extending grants to less than half-time students was negligible.

Generally, the survey revealed widespread support for providing loans as a source of aid to part-time students. For less than part-time students, though, the number of respondents advocating loans was small.

8. Financial Aid Packaging. A total of 73 percent of the institutions reported that Basic Educational Opportunity Grants (BEOG's) constituted the foundation of their student aid packages. Thirty-seven institutions reported CSAP grants as the second or third program used in building a student's total aid package.

Several private institutions reported that loans are now the foundation of their student aid packages. In fact, the survey revealed a growing trend to rely on Guaranteed Student Loans for this purpose. The community colleges are also turning increasingly toward the GSLP rather than the NDSL, which has a lower interest charge (9 percent versus 4 percent, respectively). The survey showed that sixteen community colleges were packaging GSLP loans compared to only four using the NDSL. Undoubtedly, the reason for this is the recent withdrawal of several community colleges from the NDSL program.

9. Coordination and Administration of Virginia's Aid Programs. Virginia's aid programs, like those in many other states, are administered by numerous separate agencies. Asked to comment on the present administrative organization of state financial aid programs, most respondents favored retaining the present administrative structure. Among the institutions, 30 presidents opted for the status quo; seven called for a single state agency to oversee all state aid programs.

CHAPTER II. RECENT MODIFICATIONS IN THE FEDERAL FINANCIAL AID PROGRAMS AND THE IMPLICATIONS FOR THE STATES

On October 3, 1980, the Education Amendments of 1980 became Public Law 96-374. The new law, which modifies and extends the Higher Education Act of 1965, leaves the Guaranteed Student Loan Program largely unchanged, raising the interest rate by 2 percentage points (from 7 to 9 percent for new borrowers only) and authorizing for the first time a parental loan program. The law also permits the restructuring and expansion of the National Direct Student Loan (NDSL) program. Among the modifications to the NDSL is one to allow the Secretary of Education to borrow funds through the federal treasury; when this occurs, however, institutions may no longer retain their NDSL collections, if the amount borrowed is as much as $1 billion.

The law also increases, in stages, the maximum student grant available under the Basic Educational Opportunity Grant program (BEOG). In addition, it mandates a federal need-analysis system and reauthorizes, with only minor modifications, the remainder of the campus-based programs (Supplemental Educational Opportunity Grants and College Work-Study).

The Escalating Costs of the Guaranteed Student Loan Program

The revised Higher Education Act of 1965 authorizes the expenditure of approximately $49 billion for higher education purposes during the next five years. Of this amount, at least $10.5 billion is in uncontrollable costs associated with the Guaranteed Student Loan program. Depending on prime interest rates, it has been estimated that the costs to the federal government of this one program might approach $12 or $13 million during the five-year period.

The cost of student aid, particularly the federal outlay for the Guaranteed Student Loan program, has become a major concern of the congressional budget and appropriations committees over the last two years. Expenditures under the GSL program are not curtailed by the new Higher Education Act. In fact, because all students are now eligible for fully subsidized loans, a result of the passage in 1978 of the Middle Income Student Assistance Act,

GSL costs have increased rapidly from less than $500 million in fiscal year 1978 to a projected $2 billion in 1981. At the same time, the number of borrowers has risen from about one million to more than 2.5 million, and the total volume of loans has increased from less than $2 billion to over $5 billion and is still growing. As the College Board recently wrote:

> As long as market interest rates remain high, government-guaranteed student loans (whether at 9% or 7%) will remain highly attractive to students and parents, and cost to the federal government will continue to increase. Alone among programs authorized by the Higher Education Act, appropriations for GSL are non-discretionary. The government is obligated to finance the cost (in-school interest subsidies, default claims, special allowances to banks) associated with GSL. In effect, the program functions as an entitlement for student borrowers, regardless of income or need, who can find a willing lender.[1]

The Guaranteed Student Loan program has not always been popular with potential lenders. In fact, the Virginia Education Loan Authority was established three years ago to make loans to Virginia students who were having difficulty securing them from private lenders. But the passage of the Middle Income Student Assistance Act, by removing the restrictions on who could get the loans, eliminated much of the paperwork associated with the program and paved the way for private lenders to move back into the program.

In the same Act, Congress also provided additional federal incentives for lenders to remain in the program. As Lawrence E. Gladieux explained in a recent issue of Change Magazine:

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[1] "Report from Washington on the 1980 Reauthorization of the Higher Education Act," a review and analysis by the Washington office of the College Board and the College Scholarship Service Assembly, October, 1980, p. ii.

> ... participating banks are now getting a "special allowance" from the federal government that makes student loans a risk-free investment for the lender at a favorable rate of return. Until 1979 the added payment to the banks could not exceed 5 percent over and above the 7 percent charged on the loan. However, when commerical interest rates began climbing in the spring and summer of 1979 Congress removed the limit and let the special allowance float in relation to the rate paid on U.S. Treasury bills. (The special allowance reached a peak of 10 7/8 percent in March of 1980.) In earlier years the commitment of private lenders to the student loan program was often shaky; some viewed participation as a public service obligation, others could not be bothered. The recent changes have made the program much more attractive to the lending community.[2]

The Potential Shift of Federal Aid Dollars from Grants to Loans

Although the Education Amendments of 1980 increased authorization levels for virtually all of the student aid programs (the BEOG maximum, for example, is authorized to increase, in steps, to $2,600 by fiscal year 1985), the actual funding of the programs will depend on annual decisions made by the budget and appropriations committees. Given the unlikely prospect of Congress appropriating "sum sufficient" dollars for the aid programs and in view of the runaway cost of the Guaranteed Student Loan program at the present time and the prospect of little change in this trend in the near future, Congress may well find it impossible fully to fund the BEOG program and the maximums authorized under each of the campus-based programs, even if it continues to increase the total dollars made available for financial aid.[3] Should this scenario develop, the result would be a rapid shift of federal dollars toward loans and a consequent movement away from funding the grant programs even at their present levels. As the College Board has written:

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[2]Change: The Magazine of Higher Learning, October, 1980, p. 27.

[3]Congress is already finding it difficult to meet the BEOG funding commitments. As the AASCU "Actiongram" of November 7, 1980, noted: "Estimates are that there will not be enough BEOG funding even for the current year, fiscal year 1980, for students in college this year (1980-81). This 'shortfall' will have to be made up from fiscal year 1981 funds. This in turn means a very serious shortfall in fiscal year 1981 funds unless there is a substantially larger appropriation."

> A major issue of federal higher education policy in the early 1980's will be the extent to which the costs of student loans will restrain the growth of other higher education programs, particularly need-based student grants designed to equalize educational opportunity. Such a budgetary "trade-off" was already in evidence last summer when the Appropriations Committees cut 1980 funds for Basic Educational Opportunities Grants (BEOG) while adding $650 million for unanticipated, mandatory expenses of Guaranteed Student Loans.[4]

The alternative to these events is for Congress to make, even before the revised Higher Education Act expires in 1985, significant changes in the Guaranteed Student Loan program in order to control its cost. This could be done by reducing the maximum loan amount allowed per student, by reinstituting an income cap (one was in effect pre-MISAA) beyond which students would not be eligible for interest subsidies, by making the loans available only to students with financial need (as determined by a standardized needs test), or by a combination of these approaches.

Congress is reluctant to make major adjustments in the Guaranteed Loan program because of congressional policy which was set with the passage of the Middle Income Student Assistance Act. The Act represents a compromise between legislators who favored expanding federal student aid programs and those who sought the enactment of a tuition tax credit to be taken at the time of the annual filing of an individual's federal income tax form. If the Guaranteed Student Loan program were significantly altered so as to restrict interest subsidies, the argument goes, students from middle and upper-income families would again demand the passage of the tuition tax credit concept. While this idea is superficially attractive, in that it would provide "instant relief" for all college families without the paperwork and hassle required in obtaining aid through more bureaucratic means, the individual

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[4] "Report from Washington..."

amount involved would likely be so small (the per student amount previously discussed in Congress was $250) that it would have little effect on the price of education to the student, while the total cost to the federal treasury (at least $2 billion at the $250 per student level) would be significant. Moreover, the loss in tax revenues would almost certainly be subtracted from the funds which otherwise would be appropriated for financial aid.

If efforts are not made to adjust the Guaranteed Student Loan program, and the sums provided for the grant programs plateau or decline in order to accommodate the GSL costs, students will have no alternative but to seek additional loans. Parents, too, might find it necessary to take advantage of the new parental loan program. If an increased reliance on loans occurs, needy students and their parents will find themselves increasingly saddled with long-term debts, a situation which could actually discourage college attendance and lead to an acceleration in the decline in institutional enrollments which is already projected nationally.

The shift toward loans will occur even more rapidly if Congress, in order to achieve a balanced budget, either decreases its total funding for financial aid programs or sustains the overall funding at basically the present level. Although such action seems inconsistent with the increased authorizations only recently included in the Education Amendments of 1980, the possibility could become a real one depending on the political pressure exerted on Congress to achieve a balanced budget while simultaneously increasing defense spending and providing tax relief, all of which seem to have a mandate from the people, judging by the outcome of the recent national elections.

The Concern Over the Federally-Mandated Need-Analysis System

Among the provisions enacted by the Higher Education Amendments of 1980 is a single schedule of family contributions to govern both Basic Grants and the campus-based federal programs. This new need analysis system prescribes the rate of assessment against discretionary income (a flat 14 percent up to income levels of $25,000 adjusted gross), asset protection (total exclusion of home equity), and liberalized treatment of independent students. Although the full impact of the need-analysis provisions has not been established, a preliminary analysis indicates that while the system will probably expand the pool of eligible students and the volume of computed need for the campus-based programs, the system will be relatively stringent at lower and middle-income levels. The result will be that the federally mandated need-analysis system will expect substantially more in parental contributions from low and moderate income families than does the present Uniform Methodology, a method of calculating need which is used by most institutions and the private corporations (for example, the College Scholarship Service) which process aid applications. If this system is implemented in its present form, student access to higher education may be threatened. At a minimum, the distribution pattern for financial aid would shift significantly toward providing more assistance to students from upper-income levels.

A Summary of the Issues at the Federal Level

The passage of the Education Amendments of 1980 could have several unintended consequences for student financial assistance and far-reaching implications for the states. Even if the congressional appropriation for student aid continues to increase, the uncontrollable cost of the Guaranteed Loan program might mean that a larger amount of the total funds appropriated must be diverted to meet the rising costs of this program. If this happens, the grant programs will likely not receive proportionate increases unless all restrictions on funding are removed, an unlikely occurrence given national efforts to control federal spending. Moreover, because of the pressure to achieve a balanced federal budget, there is at least a possibility that total federal student aid dollars will stabilize or even decline.[5] The result would be an acceleration of the shift away from grants and toward the GSL program. The only remedy for this situation is a restructuring of the GSL program with an imposition of restrictions that more narrowly qualify students for loans, or at a minimum, for interest subsidies. However, if an attempt is made to limit access to GSL loans, the prospect of tuition tax credits will again emerge, a proposal opposed by most financial aid apecialists during the consideration of the Middle Income Student Assistance Act in 1978.

Further complicating the financial aid picture is the possibility that the new federal need-analysis system might impede student access by requiring higher parental contributions from lower and middle-income students, while reducing the contributions required from families with incomes above approximately $30,000. This system would also force more students toward the GSL program, if their parents are unable to provide the additional parental contributions.

The Implications of the Issues for the States

There is increasing consensus among the higher education community that the federal financial aid programs, as re-authorized, are seriously flawed and that the entire process of providing aid to students is threatened. If true, the resulting situation will have far-reaching implications for the states, which ultimately bear the principal responsibility for providing education to the citizens.

[5]As Lawrence Gladieux noted, "Guaranteed student loans are the only item under the Higher Education Act for which appropriations are mandatory. The other programs may have sky-high authorization levels, but yearly appropriations determine how much they actually get and they are not immune to spending cuts." (*Change*, p. 29.)

The combination of changes in the law and the new political realities might lead to the following:

A rapid escalation in the cost of the Guaranteed Loan Program and a decline in federal grant funds. Assuming a finite pool of total dollars for student aid and the uncontrollable costs of the GSL, the number of grant dollars will likely decrease. This will force all students, even those with significant financial need, to turn increasingly toward loans.[6] The result would be a "vicious circle" in which GSL costs continue to rise forcing a reduction in grants; the reduction leads more students to turn to loans, which again increases the cost of the loan program.

A threat to access. Most financial aid officers attempt to achieve a balance between grants and loans in building a student's aid package. Experience has shown that needy students with large loan commitments are more likely to withdraw from institutions. Moreover, studies have indicated that some groups of students, particularly minorities, are reluctant to commit themselves at all to loans.

As loan obligations increase and needy students conclude that they cannot afford the long-term financial commitments, access to higher education by low and middle-income students may be threatened. If access is restricted, institutions will have lost important clientele and could actually experience a decline in student enrollment.

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[6]As Lawrence Gladieux summarized it, "Budget trade-offs could seriously diminish federal aid for needy students. The costs of highly subsidized loans for middle and upper-middle income students - essentially loans of convenience rather than loans of need - are swallowing a bigger and bigger piece of the federal pie for higher education. The pie may get larger, but if budget constraints persist and if loan costs are not brought under control, grant and other programs designed to equalize educational opportunity will likely suffer." (Change, pp. 30-31).

Rising student expectations for state and institutional action to replace lost federal grants. If students who have previously received aid suddenly find that their federal funds (from BEOG and the campus-based programs) have stabilized or perhaps declined, many of them will likely look to the states and the institutions for additional assistance or refuse to enroll. States will accept large enrollment declines or make available additional aid funds in order for their institutions to continue to attract and retain students. Should this occur, the principal responsibility for providing access to higher education, and of maintaining college enrollments at a level necessary to the continued viability of institutions, will have dramatically shifted to the states.

Another alternative, of course, would be for institutions to stabilize or reduce their tuition rates to maintain the present price/aid levels. This notion, however, would receive little support among the institutions and would be almost impossible to effect, given long-term institutional commitments to faculty and physical resources, and the enervating effects of inflation.

Regardless of whether or not tuition rates are controlled, it is increasingly apparent that there is an important relationship, however poorly defined, between the pricing of higher education and the amount of financial assistance made available. What is significant about this relationship is that institutions cannot suddenly afford to have the balance between price to the students and the aid available upset without pricing themselves out of the market. If Congress provides the funding necessary to continue grants, thereby maintaining the balance which is presently in place, then the institutions need not be concerned. If, as seems possible, the balance is significantly altered, then the institutions will, out of necessity, be forced to find a quick adjustment. In that eventuality, it is likely that they will be compelled to request large sums of additional aid dollars from the states.

Conclusion

The federal financial aid programs, as revised and extended by the Education Amendments of 1980, reflect the growing inability of the federal legislative process to resolve differences among competing interests. The present situation with the programs should prompt the states and the institutions collectively to urge Congress to move rapidly to resolve the crisis.

Although the federal government has set the direction of financial aid in this country for a number of years, the states and the institutions have always made available some funds to assist students. In fact, the movement toward providing financial aid nationally did not occur until the passage, toward the end of the Second World War, of the Servicemen's Readjustment Act (the "GI Bill"). Following the GI Bill benefits, Congress and the states began providing financial assistance for specific objectives (for example, the National Defense Student Loan Program was established in 1958 to assist the nation in overtaking and surpassing the Russian technology which brought about the success of Sputnik). Federal financial aid, at least since the establishment of the Basic Grant program in 1972, has been intended to provide access to higher education. This access has been provided nationally through students rather than by having federal dollars flow directly to the institutions. Obviously, however, institutions are aided, even if indirectly, whenever additional federal or state dollars are made available to students.

Prior to 1979, the federal government, although finding it difficult to meet the burgeoning need-based financial entitlements promised under the BEOG program, was nevertheless able to do so by devising an index that annually rationed the available dollars according to the projected student need. Even then, adjustments generally had to be made in the form of supplementary appropriations, because the projections never quite squared with the initial dollars awarded. Beginning in 1979, following the passage of MISAA, Congress suddenly discovered that it had created another entitlement program, the GSL, which could not be controlled through the rationing process. Now Congress finds itself unable to cope with two entitlement programs competing for the same pool of dollars. The result is a federal financial aid system which could break down at any time.

CHAPTER III. FINANCIAL AID IN VIRGINIA: CONCLUSIONS AND RECOMMENDATIONS

Financial aid in Virginia is big business. With the dramatic growth in the Guaranteed Student Loan program, the total financial assistance annually provided to Virginia students totals almost $200 million. Yet, because of the increasing costs of college attendance and the sustained economic conditions which seem simultaneously to produce both recession and inflation, there is no surplus of aid dollars. In fact, as indicated earlier, the College Scholarship Service identified, in an analysis completed in September of aid applicants who filed for assistance at Virginia institutions for the 1980-81 academic year, a financial need (as measured by the national Uniform Methodology) of at least $34 million which could not be met by the aid available to those applicants.

One of the problems is the relatively high tuition rates charged by the state-supported institutions. A June, 1980, report of the Southern Regional Education Board[1] reveals that Virginia's tuition and required fees for resident undergraduates enrolled at senior (four-year and above) public institutions are the highest among all the SREB states. Moreover, these tuitions will continue to increase under the 70/30 tuition policy, which automatically raises tuition costs to the students as the state increases its institutional funding per student. The tuition charges at the private institutions in Virginia are also relatively high and constantly escalating, thereby driving up the demonstrated student need.

Although most of the financial assistance available in Virginia is associated with the federal student aid programs, the state also has an important role to play in the process. First, the Commonwealth annually

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[1] "Tuition Increases in Several States," an article in Regional Action, a quarterly newsletter published by the Southern Regional Education Board, Volume 29, No. 4, page 3, June, 1980.

provides almost $16 million in grants to students attending public and private institutions. Second, although the federal government is the final guarantor, the Commonwealth has the initial responsibility to guarantee from default the large number of Guaranteed Loans made by private lenders and the Virginia Education Loan Authority.

Some of the issues related to financial aid in Virginia have been discussed in preceding chapters. Of special concern are the rising, uncontrollable costs associated with the Guaranteed Student Loan program at the national level. If these costs are not checked, the funding for the various federal grant programs, especially the Basic Grant (BEOG) awards (now called Pell Grants), will be threatened. This problem and others were detailed in the last chapter. Many of them arise from decisions made - or not made - during the reauthorization of the Higher Education Act in October, 1980. Congress and the executive branch have only recently begun to realize the seriousness of the situation. Perhaps Congress will act early in the next session to ameliorate many of the problems identified. If not, the financial aid picture for 1981-82 will be confused at best, and many students who will need assurance of receiving aid before they finally commit to enroll next year will find their situations unresolved at the beginning of the academic year.

In view of the problems identified nationally and outlined in the previous chapter, the Council recommends that the Virginia General Assembly express its concern about the national financial aid situation and that the leadership of the Assembly urge the Governor to call the attention of the new administration to the student aid crisis. In doing so, the Governor may again wish to suggest, as he has in the past on other issues, that more latitude should be given to the states in order that a genuine partnership for student financial assistance can be developed between the federal government and the state governments.

Because of the uncertainty surrounding the federal aid programs and the acknowledgement by a number of legislators that action must be taken to correct some of the unintended consequences of the passage of the Education Amendments of 1980, particularly those pertaining to the federal student assistance programs, the conclusions and recommendations contained in this chapter must necessarily be subject to change if Congress makes significant modifications in the federal aid programs. The Council of Higher Education will, after assessing any program modifications at the federal level, revise and update the recommendations contained in this chapter.

College Scholarship Assistance Program

Over the last seven years, the applications to this program have increased from approximately 250 to 37,000 each year. The funding, meanwhile, has grown from approximately $500,000 to $2.1 million, with an additional $1.7 million in federal matching funds annually made available through the State Student Incentive Grant program. For the last three years, the state funding has not increased. In order to provide awards averaging $250 to the eligible applicants who applied for 1980-81, the Council had to decrease the percentage of student need met by the program (it declined from 15 to 9 percent), while increasing the minimum need necessary for a student to qualify for aid (this figure increased from $1,000 in 1979-80 to $1,500 in 1980-81).

With stable funding and the increasing number of applications, the future viability of the College Scholarship Assistance Program is in doubt. The Council believes that further decreasing the average size of individual student awards under the program would result in the program no longer being effective. At the same time, further limiting the participation of students in the program would seem to defeat its role as a statewide need-based program intended to assist a large number of Virginia students who have financial need.

Ideally, the College Scholarship Assistance Program should be Virginia's foundation program of student assistance. Following the model of the federal Basic Grant program, a financial aid officer should be able to estimate the amount a student will receive under CSAP and use both the Basic Grant and CSAP estimates as the basis for a student's total package of aid. If funding were available to accomplish this goal, the average per student award under CSAP should be at least $400. Assuming that the number of eligible students would remain at approximately the number who qualified for assistance in 1980-81, the total annual cost of the CSAP program would be $7.4 million. This would require an additional $3.5 million per year, after taking into account the present appropriation and the matching funds currently received from the federal State Student Incentive Grant program.

The Council recommends that the funding for CSAP be significantly increased. However, if sufficient State funding is not available to accomplish this goal, the Council recommends that the General Assembly consider alternative proposals for using the program to assist a limited group of students rather than continue the present effort to aid all students with financial need. One alternative is to target the awards towards students with a particular need, for example, those from middle income families. It would seem especially appropriate to adopt this approach if the method for calculating financial need which is specified in the new amendments to the Higher Education Act is not modified in the next Congress. Under the procedure contained in the federal Act, which must be used for all campus-based federal programs and the Basic Grant program, middle income families would be required to increase their contributions to their sons' or daughters' educational costs over the amounts currently expected. Although it would be difficult to develop an equitable distribution system solely for students from middle income families (one of the problems would be obtaining consensus about the income range for "middle income" families), the approach would provide some relief for families who are too often squeezed out of the financial aid picture.

A second alternative is to develop a program which uses both academic merit and financial need as criteria for receiving an award. Under all of the major federal aid programs, financial aid is awarded based solely on the financial need of the applicant. Nevertheless, there is a trend in the nation for more institutions, as well as states, to institute programs containing a merit component in order to attract and provide assistance to outstanding students. Under this proposal, it might be possible to base freshman awards on high school rank in class, scores on the Scholastic Aptitude Test (SAT), or a combination of the two criteria. Awards, once made, might automatically continue beyond the freshman year as long as a student had sufficient need, or might be based on the maintenance of a minimum Grade Point Average (GPA). However, in all instances, in order to receive an award a student would have to demonstrate sufficient financial need, as determined by either the new federal need analysis system or by a system developed by the Council. If the program is modified along the lines proposed here, it is recommended that the name of the program be changed to Commonwealth Scholarship Assistance Program and that the recipients be known as Commonwealth Scholars.

Regardless of the procedure, the program must continue to be need-based in order to receive the federal matching funds through the State Student Incentive Grant program (SSIG). In this regard, it may be necessary in the future, no matter what modifications are made in the program, for it to receive at least a small annual increase in funds in order to satisfy maintenance of effort requirements imposed by the Education Amendments of

1980. The U. S. Department of Education is still analyzing the amendments to determine the exact requirements of the maintenance of effort provision.

Tuition Assistance Grant Program

This program has two distinct purposes: to provide assistance to Virginia's private institutions in order to encourage the diversity in higher education in Virginia, and to provide students a "freedom of choice" in deciding to select a private institution over a public one. With regard to the latter, the specific purpose of the program is to help narrow the tuition gap between the tuition charged by public institutions and the higher tuition costs of the private institutions. When the program began in 1973, the $400 per student award reduced the tuition gap by approximately 33 percent. The present award of $625 per student reduces the gap by about 24 percent. Therefore, despite the fact that the level of funding for the program has significantly increased over the years, as has the per-student award, the relative significance of an award under the program has declined.

The increases in funding for the Tuition Assistance Grant program have been less than those recommended by the Council of Higher Education and the Council of Independent Colleges in Virginia (the private college association). For the 1980-82 biennium, the Council of Higher Education endorsed a Council of Independent Colleges in Virginia (CICV) request to the Governor and the General Assembly to appropriate sufficient funds to increase the award to $900 per student. To implement the request, approximately $21 million would have been required. The General Assembly provided about $14.7 million. The CICV will once again seek, at the 1981 session of the Assembly, funding to enable the per-student award to move to $900. The Council, therefore, re-affirms its support of a per-student TAG grant of $900 and recommends that the award increase to this level for the 1981-82 academic year. To implement this recommendation, an additional $3,542,500 over the amount already appropriated for 1981-82 ($7,437,500) would be necessary.

The estimate of additional funds assumes that the total number of recipients in 1981-82 will be 12,200, an increase of 300 over the number for whom funds have been appropriated at the $625 level. The new estimate seems valid based on the number of actual recipients in 1980-81. However, it is possible that the number of eligible applicants might be higher if the increase in the size of the award makes the program more attractive to present students not now participating in the program or to potential students.

The Commonwealth has for several years demonstrated its interest in preserving diversity in higher education in Virginia. Virginia's private institutions annually enroll approximately 13,000 full-time undergraduate Virginia students. While this number might increase slightly if there is a sudden significant increase in the size of the TAG award, the overall enrollment of Virginia students at the private institutions is not expected to increase dramatically in the next few years. For this reason, it is projected that in the next biennium the number of students receiving awards should become stable.

Finally, there has been discussion over the last two months about extending the TAG program to graduate and first professional (principally law) students enrolled at Virginia's private institutions. A bill was pre-filed to this effect prior to the 1981 session of the General Assembly, and the Council of Independent Colleges in Virginia (CICV) announced its support of the move in December. However, the CICV recommended that funding for the extension not be made available until the 1982-84 biennium, in order for the association to focus on its principal objective: increasing significantly at the 1981 session, the size of the TAG award for undergraduates.

The extension obviously would benefit only certain students at a small number of institutions. Further, there is a concern among some private college presidents that an extension would divert funds from undergraduates to graduates, thus retarding the growth in the size of the grants for the former group of students. The Council shares those concerns and recommends that the bill to extend TAG awards to graduate students should not be enacted.

Institutional Appropriations for Student Aid

Each state-supported senior institution and Richard Bland College has in its operating budget a line-item appropriation for student assistance. An institution, after submitting a plan for the use of the funds and receiving approval from the Council of Higher Education, may use its annual appropriation for student assistance for one or more of the following purposes: (1) to make undergraduate grants based on financial need; (2) to make awards, which may or may not be based on need at the discretion of the institution, to graduate students; (3) to make contributions to the institution's State Student Loan Fund; and (4) to provide the institutional match for any federal or private financial assistance programs which require matching funds. In the 1978-80 biennium, the institutions collectively received $7,370,550 in institutional student aid funds. In 1980-82, the institutions received only $6,313,290. The decrease in discretionary funding resulted because of the establishment of the Commonwealth Incentive Grant program, an "other-race" scholarship program established by the General Assembly, on the recommendation of the Governor, to attract additional black students to the senior traditionally white institutions and additional white students to the traditionally black institutions. The funding for this program duirng the 1980-82 biennium totals approximately $2.5 million, a portion of which came from funds which otherwise would have gone into the institutions' student aid appropriations.

The line-item appropriation for student assistance is important to the institutions for two reasons: (1) it provides funds for financial aid officers to use in rounding out a student's financial aid package, and (2) it is a principal source of financial aid funds for graduate students attending Virginia's institutions. Except for the National Direct Student Loan and Guaranteed Student Loan programs, graduate students are virtually excluded from receiving federal financial assistance.[2] The state appropriation allows an institution to provide fellowship funds for graduate students, as well as funding for assistantships which provide both aid to students and service to the institution. It is important for institutions to continue to have this source of funds available in order to attract academically superior graduate students. In fact, because of the limited funding and the restrictions placed on the use of this appropriation, the state's largest graduate institutions are now heavily relying on the Unfunded Scholarship program (under which an institution takes funds from its Educational and General budget and uses them for student financial assistance) to provide tuition support for high quality graduate students.

The line-item appropriation for student assistance will continue to be an important source of financial aid funding for the institution because of the flexibility it provides. <u>The Council recommends</u>, therefore, <u>that the institutional appropriations for student assistance not continue to decline. Instead, it is recommended that the institutional appropriations increase to a level of $3.75 million annually and then be stabilized at that</u>

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[2]The Education Amendments of 1980 established three new programs to provide aid to graduate and professional students (see the appendix of this study), but no funding has been provided for their implementation.

level, except for periodic adjustments for inflation, on the premise that the federal programs and the Commonwealth's statewide need-based program (CSAP) should be principally relied upon to meet the financial need of undergraduate students. This action would increase the funding once again to approximately the same level as in the 1978-80 biennium. It is further recommended that Section 4.10.01(a) of the Appropriations Act be changed to allow an institution to use more than 50 percent of its institutional appropriation to provide grants to graduate students. Again, there is ample undergraduate financial assistance available, relatively speaking, for state and federal programs. Graduate students, however, need more help than is now available.

Commonwealth Incentive Grant Program

The Commonwealth Incentive Grant program was established in 1979 to assist the institutions in attracting "other-race" students. Approximately $500,000 was made available in 1979-80 and $1 million was appropriated for this purpose in 1980-81. The appropriation for the biennium totals $2.5 million. A student receiving the Commonwealth Incentive Grant award receives $1,000 in his or her freshman year. The award, which is merit-based, as determined by each institution, is not renewable after the freshman year.

In an evaluation solicited by the Council staff in the Spring of 1980, institutional officials stated that the program had been only minimally effective in attracting "other-race" students. Many officials predicted that the attrition rate for students receiving grants under the program would be high because of the funding limitation. However, in a follow-up study conducted by the Council staff in Fall, 1980, 82 percent of the students who received awards in their freshman year returned for their sophomore year at the same institution.

The future of this program is tied to the outcome of The Virginia Plan for Equal Opportunity in State-Supported Institutions of Higher Education (1978). The current plan expires in the 1982-83 academic year. If Virginia has met its numerical objectives at that time, presumably no further plan will be required. Regardless of the status of the plan, it is assumed that the Commonwealth will want to maintain a program to provide special assistance in the recruitment of "other-race" students. By 1982-83, the Council and the institutions will have completed a review of the Commonwealth Incentive Grant Program in order to determine if it has met its objectives or if the funds could be used more beneficially in providing other forms of student assistance.

The Guaranteed Student Loan Program in Virginia

Only three years ago, Virginia students were having great difficulty in securing Guaranteed Student Loans. At that time, banks and other lending institutions, in Virginia and elsewhere across the nation, were not finding it economically advantageous to make new loans under the program. Only students who had received previous loans were generally able to obtain additional loans. Because of this problem, the 1977 General Assembly created a new state agency called the Virginia Education Loan Authority. The Authority was given the power to sell bonds and to use the proceeds from the bonds to make loans to students under the Guaranteed Loan program. The loans made are guaranteed by a trust fund administered by the State Education Assistance Authority and reinsured by the federal government.

Since making its initial loans in 1978, the Virginia Education Loan Authority has become the largest direct lender in the United States. The Authority now has over $150 million in loans outstanding. The demand for the loans is so great that the Authority found it necessary to arrange a line of credit, through a consortium of banks, in order to have sufficient funds available to make loans to students in 1980-81. The line of credit must eventually be repaid through the sale of a large bond issue totaling perhaps as much as $100 million.

The Virginia Education Loan Authority has become an inportant source of student aid funds for Virginia students. Because the federal program has no restrictions on who may obtain loans, however, it is possible that students nationally are taking loans when they, in fact, do not have a need for them. Although there are no data to indicate that this practice is occurring in Virginia, it is important for the Council to emphasize that only students who need the loans should take them and then only as a last resort when the student, or his or her parents, finds it impossible to meet educational costs in any other manner.

The VELA, just as its counterparts throughout the nation, has responded to student demand. Yet, as pointed out in the previous chapter, taxpayers cannot continue to afford the cost to the federal government of the loan program as it now exists. <u>The General Assembly and the Governor should use every opportunity to urge Congress to modify the GSL program in order to subsidize loans only if they are of last resort and are really needed by a student or family, as determined by a standardized needs test. At a minimum, the federal government should establish an income ceiling beyond which a student would not qualify for the federal interest subsidy which is now paid while the student remains in school.</u>

Although the VELA has greatly benefited students, there is a tendency for the availability of money to create its own demand. To some extent, this has no doubt happened with the VELA and other agencies like it around the nation. Now, if economic conditions continue to be unsettled, the Authority might find it difficult to sell sufficient bonds to sustain its present level of effort. Should this happen, needy students who have come to rely on the loans to finance their educational costs could find themselves in serious financial trouble unless Congress establishes a national rationing device for the award of the loans.

Coordination of Virginia's Aid Programs

As with many states, Virginia's efforts to provide student financial assistance are diverse. There is little or no coordination among the programs, and most of them are designed to meet the needs of special student groups or interests. The various programs are identified in detail in the appendix of this study. They range from providing aid to students to become soil scientists to those training as doctors and dentists. They make funds available to students who elect to enroll at certain institutions (for example, in-state private colleges) and those who serve the certain capacities (for example, as members of the National Guard). The awards under some programs are based solely on a student's financial need (for example, the College Scholarship Assistance Program), while those in other programs are determined by a student's parental circumstances (for example, as a war orphan). Finally, most programs are sustained through specific appropriations, but others, such as the Unfunded Scholarship program, depend on an institution's ability to decrease its operating budget in order to use some of its funds to give additional aid to its students.

The administration of the program is equally diffused. The Council of Higher Education administers the CSAP and TAG programs. It also develops the guidelines and makes funding recommendations on each program administered by the state-supported institutions. It approves each institution's plan for the use of its aid funds.

The Guaranteed Loan program is administered through the State Education Assistance Authority, but the Virginia Education Loan Authority is separately established to serve as a direct lender under the program. The State Department of Health administers the Nursing Scholarship program, while the Division of War Veterans Claims certifies the eligibility of students to receive free college tuition under the War Orphans Act. The Department of Military Affairs administers the tuition program for members of the National Guard, and the list goes on. Moreover, most of the federal funds for student assistance go directly to the colleges and universities without statewide coordination.

To describe the programs and their administration as disparate and uncoordinated is not an indictment of them or of the individuals they serve. In fact, Virginia has always prided itself on the diversity of its higher education system, and its array of student aid programs reflects this diversity. However, because of the number of programs available, and especially with the growth over the last eight years of the federal student aid programs, the Commonwealth should continuously review the need for each special purpose program in order to ensure that the program fulfills a purpose not satisfied through other methods of funding. The Council will continue to review the purpose and administration of each small program of aid and make further recommendations for changes to the General Assembly in 1982. In conducting its review, the Council will consult with its Financial Aid Advisory Committee, as well as the appropriate institutional and agency officials.

In requesting the Council to conduct a study of student aid in Virginia, the General Assembly indicated that the coordination of the federal and state programs should be reviewed in order "to determine whether the Commonwealth's programs are complementary to and are being coordinated with federal programs and how all available aid can be best utilized and coordinated to serve the needs of students and the Commonwealth" (HJR 7). After re-examining the administrative structure of the numerous programs, the Council concludes that until the federal government eliminates or combines some of its major programs - or shifts their administration to the state level - there is little opportunity for Virginia or any other state to establish better coordination over the whole of the financial aid effort. The problem arises from the fact that the major federal program (BEOG) is essentially an entitlement program for which the student applies directly to the federal government. Three other programs (SEOG, Work-Study, and National Direct Student Loan), however, are campus-based programs with the funds flowing directly from the federal government to the individual institutions; the institutions, in turn, make the awards to students. The Guaranteed Student Loan program, on the other hand, is a cooperative effort between the federal government and a guarantor agency or organization which may be public or private. So, too, may the lenders under the Guaranteed Student Loan program be public or private entities.

This study has discussed at length the current crisis involving the Guaranteed Loan Program. The situation would be no different if the administrative structure surrounding the State Education Assistance Authority and the Virginia Education Assistance Authority were somehow altered. The problems with the program are national in scope and result from congressional actions rather than state administrative structure. Nevertheless, increased cooperation among the various state agencies responsible for major aid programs should be encouraged. This cooperation already occurs informally among the Council and the two Guaranteed Loan program agencies, with both of the agency heads actively serving as members of the Council's Financial Aid Advisory Committee. To promote even closer coordination among the three agencies, <u>it is recommended that the Directors of the Council, the State Education Assistance Authority, and the Virginia Education Loan Authority agree to meet every six months to review the status of financial aid in the state and to seek ways to improve the coordination of the Guaranteed Loan program with the other federal and state programs. In addition, the Director of</u>

the Council will invite all agency heads who administer one or more financial aid programs to convene annually in order to discuss the status of financial aid in Virginia and to seek ways to improve coordination among all aid programs.

Providing Aid to Part-Time Students

In recent years, the federal government and a few states have taken steps to open student aid programs to part-time students. Congress, in the 1980 Education Amendments, further extended the privilege by authorizing less than half-time students to participate in some federal programs. Virginia does not allow part-time students to receive funds under the major state aid programs (CSAP or TAG), even though the percentage of part-time students enrolled in the institutions has grown steadily over the last ten years.

As the number of 18 to 21-year old students declines in the 1980's, Virginia's institutions will enroll larger numbers of part-time students who are older than the traditional student. Therefore, the Council recommends that the General Assembly modify the student aid language in the Appropriations Act to permit an institution, at its discretion, to use a portion of its institutional student aid appropriation to assist part-time students. Further, the Council recommends that the CSAP program be opened to part-time students if the funding for the program reaches a level which permits the Council to make larger awards to recipients or if the program is modified to assist a targeted group of students.

Portability and Reciprocity of Student Grants

The term "portability" refers to grants which are made to residents of a state to enable those residents to enroll in and meet the educational costs of institutions located in other states. "Reciprocity" indicates that two or more states have a mutual agreement permitting students to transfer their awards between the states.

For a number of years, states which were unable to accommodate large numbers of their college-age students at in-state institutions have provided grants to those students to enroll in institutions outside the state. A number of students from the large states with portable grants (for example, Pennsylvania, New Jersey, and Illinois) have enrolled in Virginia institutions. Now, some of those states have acted to restrict grant portability unless reciprocal arrangements are agreed to.

Virginia has thus far declined to enter into reciprocity arrangements with other states. Moreover, if portable awards were permitted, the resources of the CSAP program, given its current level of funding, would quickly be diminished by students attending out-of-state institutions and paying the higher tuition charges. For this reason, the Council recommends that no action be taken to convert CSAP into a portable program in the near future. However, because the Council's statewide survey for this study did reveal considerable support for reciprocity arrangements with selected states, the Council will explore further the feasibility of entering into agreements with a limited number of states, contingent upon a restructuring of the CSAP program or a significant increase in appropriations to it.

Financial Aid Packaging

In attempting to meet each student's need, an institutional financial aid officer will put together a "package" of aid for the student. Traditionally, depending on the amount of the student's need, a package includes both grants and loans. A principle of packaging is that an individual student should not receive all grants or be overly burdened with loans which must be repaid at a later time.

The statewide survey conducted by Council staff indicated that almost all institutions use the Basic Grant as the foundation program in each student's aid package. Institutions also attempt to use, in so far as possible given the limited funding and the uncertainty of the size of individual awards from year to year, the awards made available through the CSAP program. They survey also revealed that a few institutions are beginning to rely on the Guaranteed Loan program as the foundation program for a student's package. This is a disturbing trend, because it moves the Guaranteed Loan from its traditional role as an aid program of "last resort" to a position in which it is an expected component of the aid package. Such action not only accelerates the costs of the Guanteed Loan program, but may also lead to a forced reliance on loans by students who have significant financial need. These borrowers, unlike those who obtain a Guaranteed Student Loan out of recognition that it is an attractive method of financing college costs, more often become anxious over incurring long-term debt obligations and more frequently decide to leave an institution rather than add to their debt. The Council, therefore, again emphasizes that the Guaranteed Loan should be pursued by a student only when absolutely necessary in order to meet total educational costs. Furthermore, it urges financial aid officers and institutions to forego using the program as the foundation of a student's aid package.

The Public's Understanding of Financial Aid Programs

One of the premises of this study was that the general public is often confused about financial aid programs and does not understand the variations, not to mention the eligibility requirements, of the various programs. In a survey conducted as a part of this study, this premise proved correct. The only financial aid program which the public believed it understood was the Work-Study program. All others, including the important federal Basic Grant program, were often not even recognized by the general public.

The lack of knowledge about financial aid programs emphasizes a need to reduce the number of programs, whenever possible, as well as a need to provide more information about the availability of existing programs. The problem is particularly acute for the Commonwealth as it attempts to attract additional minority students to higher education institutions. Therefore, the Council will organize a statewide workshop, or a number of regional workshops, as appropriate, for high school guidance counselors in order to provide more information about financial aid programs. The Council will also use a portion of the funds provided to it through the federal Educational Information Services program to prepare informational materials which can be distributed in the high schools in order to provide additional information about the aid programs. Finally, the Council will prepare and disseminate public service announcements which can be used on both radio and television in an effort to provide more information to prospective students.

APPENDIX A

MAJOR PROGRAMS OF FINANCIAL ASSISTANCE AVAILABLE TO VIRGINIA STUDENTS

Appendix A:

Major Programs of Financial Assistance Available to Virginia Students

A History of the Federal Student Aid Programs

The major federally funded student assistance programs date from the passage of the National Defense Education Act of 1958 and the Higher Education Act of 1965. Initially proposed as a temporary measure to educate more scientists to help the United States compete with the Soviet Union in the space race, the National Defense Education Act created the National Defense Student Loan Program, which made low-interest, long-term loans available to needy students. Amendments to the National Defense Education Act were passed in 1961, 1962, 1963, and 1964. In 1965 the National Defense Student Loan Program was incorporated under Title IV of the Higher Education Act, an important piece of legislation which grew out of a new social commitment to equal educational opportunity through increased federal support for higher education. The language of the Higher Education Act established a relationship between the goal of equal educational opportunity and federal student aid, since the "benefits of postsecondary education" were to be made available to all qualified students who, "for lack of financial means, would be unable to obtain such benefits."<1>

There were five major components of the 1965 Higher Education Act:

<1> Higher Education Act of 1965, Part A, Subpart 2, Sec.413A(a).

(1) Establishment of the Educational Opportunity Grants, the first program of federal scholarships for undergraduates of "exceptional financial need."

(2) Transfer of the College-Work Study Program, created by the Economic Opportunity Act of 1964, to the U.S. Office of Education. Under the College Work-Study Program, students from low-income families could get part-time jobs on campus, and their salaries would be paid from a fund of 80 percent federal money, 20 percent institutional matching funds.

(3) Renewal of the National Defense Student Loan Program.

(4) Creation of the Guaranteed Student Loan Program to make more private capital available for student loans and authorize the Federal Goverment to pay interest subsidies on loans to students from families with adjusted gross incomes of less than $15,000.

(5) Establishment of institutional aid programs, for example, assistance to college libraries under Title II and to"developing institutions" under Title III.

College Work-Study, Educational Opportunity Grants, and the National Defense Student Loan Program were all need-based. Since their establishment, it has become a widely accepted principle that need-based student assistance programs are essential to give students from all socioeconomic strata access to higher education.<2> The Guaranteed Student Loan Program was created primarily to help students from middle-income families and "as a means to diffuse the growing support [in Congress] for the use of income tax credits to aid postsecondary students.<3> In the next decade, the concept of federal aid to middle-income students reached fruition with the passage of the Middle Income Student Assistance Act of 1978, which made Basic Grants available to students from middle-income families and expanded the Guaranteed Student Loan Program by removing completely the income ceiling for eligibility.

The Higher Education Act of 1965 expressed a "national commitment to higher education as an important and continuing dimension of federal policy."<4> In 1972 Congress reauthorized the major programs created by the 1965 legislation, changed the name of the National Defense Student Loan Program to the National Direct Student Loan Program, and established what has since become the foundation of direct federal aid to students, the Basic Educational Opportunity Grants Program (BEOG). Through this new program, a grant of up to one-half of the cost of attending college became available to any student with exceptional financial need who "for lack of such a grant, would be unable to obtain the benefits of a postsecondary education."<5> The maximum Basic Grant depended on the total funds appropriated annually by Congress for the program. In 1973-74, the first academic year in which the program was implemented, the

<2>This generally accepted tenet has been elaborated in a Statement of Principles adopted by the College Scholarship Service of the College Entrance Examination Board and in the Statement of Good Practices of the National Association of Student Financial Aid Administrators.
<3> Robert Deane, et al., Study of Program Management Procedures in the Basic Grant and Campus-Based Programs, Final Report, Vol. I: The Institutional Administration of Student Financial Aid Programs (U.S. Department of Education, 1980), p.2.10.
<4> Lawrence E. Gladieux and Thomas R. Wolanin, Congress and the Colleges (Lexington, Mass.: D.C. Heath, 1976), p. 12.
<5> Education Amendments of 1972, P.L. 92-318, Sec. 131(B)(1).86 Stat.251,252.

maximum Basic Grant was $452, but by 1978-79, it had risen to $1,600. In 1979-80, the first year of implementation of the Middle Income Student Assistance Act, the maximum Basic Grant was $1,750, and students from families with incomes up to $25,000 annually as well as independent students with incomes over $6,000 became eligible to receive these awards. The actual amount of any award, however, continued to depend upon the total funds available, the projected number of eligible applicants, and the financial need of each individual applicant.

The 1972 reauthorization of the Higher Education Act substantially changed the nature of federal aid to higher education by making student assistance the dominant focus of federal policy, thereby giving priority to appropriations for student aid programs over institutional aid initiatives. The change clearly articulated the primary purpose of federal aid to postsecondary education: "The federal role [was] to provide students with access to postsecondary educational opportunities. The resulting benefits to colleges and universities [were] subordinate to student access."<6>

Prior to creation of the Basic Grants program, the federally funded student assistance programs, except Guaranteed Student Loans, had been "campus-based," which meant that their administrative structure gave institutional personnel broad authority to decide which students needed aid and how much aid each one should receive. Included in the campus-based group are the College Work-Study, National Direct Student Loan, and Supplemental Educational Opportunity Grants

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<6> Carol Herrnstadt Shulman, "Reauthorizing the Higher Education Act of 1965," Research Currents, Bulletin of the American Association for Higher Education, November, 1979, p.7.

programs, the latter an outgrowth of the old Educational Opportunity Grants. By contrast, the administrative structure established for the Basic Grants Program required the (then) U.S. Office of Education, with Congressional approval, to decide upon the criteria and calculations to be used to assess applicants' ability to pay for their education. Consequently, Basic Grants were based on a single formula applied uniformly throughout the nation. Further, the administrative structure for the program required that students apply directly to the Federal Government for Basic Grants, and in many instances, the institutions were not involved in the delivery of Basic Grant funds to students. In short, in creating the Basic Educational Opportunity Grants Program, the Federal Government shifted its focus from institutional aid to direct student aid, reinforced the concept of need-based financial aid for students, and, in essence, set up a dual delivery system for federal student aid programs — one for Basic Grants and another for the campus-based programs.

The Higher Education Act was renewed again in the Education Amendments of 1976, which included Student Consumer Protection provisions. These provisions, for the first time, required colleges and universities that receive federal funds for the administration of student aid programs to give students full information on the types of aid available, the procedures to apply for aid, the costs of attending the institution, and the rights and responsibilities of financial aid recipients, as well as information on academic programs, the qualifications of the faculty, the facilities for students, the number of graduates, and student retention rates (if available). The 1976 law also mandated institutions to have at least one employee whose job is to help students obtain information about financial aid; however, this mandate can be waived for schools too small to justify the maintenance of such a full-time employee.

In October, 1980, the Higher Education Act was reauthorized again. The major federal student aid programs are continued under Title IV with important changes, particularly in the loan programs. The modifications in the various programs will be explained in the second section of this chapter.

In the reauthorizing legislation, two federal aid programs (Supplemental Educational Opportunity Grants and College Work-Study) are modified to permit institutions to use up to 10 percent of their funds for less-than-half-time students. In addition, a program of campus-based grants to needy graduate and professional students is established under Title IX with a maximum individual award of $4,500 per year for three years. Also under Title IX, The National Graduate Fellows Program Fellowship Board is created. The new Fellowship Board will appoint panels to select up to 450 winners per year of fellowships in the arts, humanities, and social sciences. The awards are portable (that is, the student may win the award in one state, but use it to attend an institution in another state). The Graduate Fellows Program is merit-based, but individual stipends will depend on each recipient's financial need. How much, or even whether, funding will be provided for these new graduate programs is unknown at this time.

One of the most significant features of the 1980 legislation is its mandate for the development of a single system of need analysis for eligibility to receive federal student aid through the Basic Educational Opportunity Grants Program and the three major campus-based programs (National Direct Student Loan, College Work Study, and Supplemental Educational Opportunity Grants). The new need analysis system, scheduled for implementation in the 1982-83 school year, would require campus administrators of federal student aid programs to use a uniform method prescribed in the law to determine how much families at different income levels should be expected to contribute to the college education of their children. At this time, the proposed system is under heavy criticism from financial aid specialists because it would force many low- and middle income families to pay proportionately more to send their children to college, but would allow relatively affluent families to pay less.<7> In addition, the mandated method of distributing federal funds to students may lead to a proliferation of other methods of distributing state, institutional, and private funds rather than to the adoption of a simple single system, the original intent of Congress.

There are other salient features of the new method of computing student financial need. They are highlighted, along with a discussion of other problems created through the passage of the Education Amendments of 1980, in Chapter IV of this study.

The 1980 Higher Education Act prescribes administrative allowances for institutions that enroll students with Basic Grants, awards under any one of the three major campus-based programs (National Direct Student Loan, College

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<7> "Needy Students May Have to Pay More for College," The Chronicle of Higher Education, Vol. XXI, No. 2, November 3, 1980. p. 9.

Work Study, Supplemental Educational Opportunity Grants) or Guaranteed Student Loans. The administrative allowance is $10 for each Basic Grant recipient and $10 for each holder of a Guaranteed Student Loan. In the campus-based programs, institutions are allowed administrative costs equal to 5 percent of the total amount of their campus-based funds up to $2.75 million, 4 percent of the excess up to $5.5 million, and 3 percent of the excess over $5.5 million. There is no ceiling on the administrative allowance per institution, but a college or university must use the money solely to administer student aid programs.

The Student Consumer Provisions of the 1976 Education Amendments applicable to financial aid are renewed in the 1980 law. Consequently, to receive federal funds to administer student aid programs, institutions must provide currently enrolled and prospective students with "information on their academic programs, costs, student financial aid programs, tuition refund policies, special services for the handicapped, accreditation status and standards of satisfactory progress." <8>

B. A Catalogue of the Federal Student Aid Programs

To supplement the general description of the impact of the 1980 Higher Education Act on student aid programs, and to describe federal student aid programs funded under other legislation, the following catalogue of existing programs is presented. Each program is described, and if it has been affected by the new Higher Education law, changes in the program are explained. The

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<8> Congressional Record, September 18, 1980, p. H-9124.

total amount of money available for each program nationally and in Virginia in 1980-81 is given in every instance where these figures are available.

BASIC EDUCATIONAL OPPORTUNITY GRANTS. Established by the Education Amendments of 1972, and expanded by the Middle Income Student Assistance Act of 1978, the Basic Educational Opportunity Grants (BEOG's) are need-based awards made by the Federal Government directly to students. Through BEOG, a grant of up to one-half of the cost of attending college is currently available to any student who can show financial need. The actual amount of any award, however, depends upon the family's ability to contribute to the student's education in relation to the total cost of attending a particular school.

Since its implementation in the 1973-74 school year, the BEOG program has become the "foundation" program of student aid for the campus financial aid officer who builds a student's "package" of aid from federal, state, and institutional sources. As noted in the first section of this chapter, the maximum BEOG depends on the total amount appropriated annually by Congress. In the program's first year of implementation, the maximum award was $452, but by 1979-80, it had increased to $1,750. The BEOG Program was significantly expanded in the 1979-80 school year as a result of legislation the preceding year (Middle Income Student Assistance Act of 1978) which made Basic Grants available to students from families with incomes of up to $25,000 and liberalized the eligibility criteria for independent students.

In the 1980 Higher Education Act, Basic Grants are renamed "Pell Grants" in honor of Senator Claiborne Pell of Rhode Island, the current Chairman of the

Senate Subcommittee on Education, Arts and the Humanities, who is recognized as the father of the program. The maximum BEOG is increased in steps from the currently authorized $1,800 to $2,600 in Fiscal Year 1985, and the half-cost limitation is modified to 70 percent when the BEOG maximum reaches $2,600. This means that, beginning in the 1985-86 school year, a student could receive a Basic Grant to pay up to 70 percent of his college costs.

If, in any year, Congress appropriates too little money to fund the Basic Grants Program fully, students whose eligibility for awards is within $200 of the maximum grant will receive the full amount first, and individual grants will then be reduced according to a schedule designed to protect the neediest students.<9> The minimum BEOG in years of less than full funding is increased from $50 to $200. The four-year limit on Basic Grants is eliminated, thus enabling an undergraduate student to receive support for as long as he or she needs to earn a bachelor's degree. Graduate students, however, continue to be ineligible for Basic Grants.

In 1980-81 the Federal Government will spend more than $2.4 billion nationally on the Basic Grants Program. Although the amount to be received by students enrolled in postsecondary institutions in Virginia is unknown at this time, the total will likely approach $50 million.<10>

<9> This requirement may be modified, as it was in the 1980-81 academic year, by the language of the annual Appropriations Act. Although a provision similar to the above was contained in the previous legislation, Congress chose to reduce all Basic Grant awards, regardless of student need, by $50 in 1980-81.
<10> BEOG funds disbursed to students in Virginia institutions increased from $26,160,170 in 1978-79 to $42,598,181 in 1979-80 (a 63 percent increase). The increase was largely attributable to the impact of the Middle Income Student Assistance Act of 1978.

SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS. The Supplemental Educational Opportunity Grants (SEOG) Program, one of the three campus-based programs, grew out of the old Educational Opportunity Grants created by the Higher Education Act of 1965. According to the Education Amendments of 1972, SEOG's were originally intended to serve students with exceptional" financial need who, for lack of such a grant, would be unable to stay in school. Under the 1980 law, the definition of student eligibility is changed so that the program will serve students with "need." Like BEOG's, SEOG's are grants for undergraduates only. The new law allows institutions to use up to 10 percent of their funds for awards to less-than-half-time students; up to this time, eligibility has been limited to students enrolled at least half-time.

Under the 1980 Higher Education Act, the maximum annual SEOG is increased from $1,500 to $2,000, and the $4,000 cumulative maximum in the previous law is repealed. Also eliminated is the requirement that a student who receives an SEOG must have a "match" for the grant from other sources.

Appropriations of $350 million are authorized for "initial year" SEOG's for Fiscal Years 1981 through 1985; the threshold for "continuing year" SEOG awards increases in steps from $370 million to $480 million, coordinate with increases in the maximum grant per student.

To date the Federal Government has allocated $363,371,748 in SEOG funds to 3,713 institutions throughout the country for the 1980-81 school year. Of that amount, $6,554,257 has been awarded to 76 Virginia institutions (15 public four-year, 23 public two-year, 25 private, and 13 proprietary schools).<11>

COLLEGE WORK-STUDY. Another of the three major campus-based programs is the College Work Study Program (CWSP), created bythe Higher Education Act of 1965 to subsidize the part-time employment of needy students on campus and by other non-profit organizations off campus.

Like the SEOG Program, CWSP, is modified by the 1980 law to permit institutions to use up to 10 percent of their Work-Study funds for less-than-half-time students. Students must be paid the minimum wage, but institutions can set the hourly rate higher than the minimum wage. Colleges and universities are encouraged to offer students employment that complements their educational curricula. Generally, a student may not work more than an average of 20 hours per week when classes are in session and 40 hours per week during vacation periods. There is no minimum or maximum award under CWSP, but the total award may not exceed the student's financial need. Undergraduate and graduate students are eligible for CWSP.

Under CWSP, the Federal Government pays 80 percent of the gross wages of participating students, and the institution or other non-profit organization pays the other 20 percent plus fringe benefits and the employer's share of taxes. The institution bears full responsibility for program administration, job development, placement, supervision of participants, and maintenance of records. The 1980 law increases from $15,000 to $25,000 the amount an institution may spend on job development and permits schools to carry forward

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<11> Notification to Members of Congress of the Approval of Awards to Institutions Participating in the College Work-Study, the Supplemental Educational Opportunity Grants, and the National Direct Student Loan Programs (June, August, and October, 1980). Office of Student Financial Assistance, U.S. Department of Education, Washington, D.C.

and backward up to 10 percent of their CWSP funds. Authorized funding for the program increases from $670 million in Fiscal Year 1981 to $830 million in Fiscal Year 1985.

To date the Federal Government has obligated $538,212,158 in CWSP funds to 3,110 institutions throughout the country for the 1980-81 school year. Of that amount, $11,274,339 has been awarded to 70 Virginia institutions (14 public four-year, 23 public two-year, 27 private, and 6 proprietary schools).<12>

NATIONAL DIRECT STUDENT LOAN PROGRAM. The third campus-based student aid initiative is the National Direct Student Loan (NDSL) Program. Oldest of the major federally funded student aid programs (except for Veterans' Educational Benefits), NDSL was originally created by the National Defense Education Act of 1958 and called the National Defense Student Loan Program until it was retitled in the Education Amendments of 1972. The program provides need-based, low-interest loans to students from funds that are, initially, 90 percent Federal Capital Contributions and 10 percent institutional matching money.

Under the 1980 law, the interest rate for new loans is increased from 3 percent to 4 percent, and the grace period prior to the beginning of repayment is decreased from 9 to 6 months.<13> Loan limits are increased from $5,000 to $6,000 for undergraduate education and from $10,000 to $12,000 for

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<12> Ibid. A self-supporting Virginia College Work Study Program exists to help students find off-campus jobs. See pp.xxxx of the catalogue of state programs for a full description.
<13> The NDSL grace period was reduced from 9 to 6 months so that it would conform to the new grace period for repaying Guaranteed Student Loans and thereby make loan consolidation easier.

undergraduate and graduate school combined. Four new circumstances are described in which borrowers can defer repayment of their loans, <14> and the definition of handicapped students for purposes of teacher loan cancellation is changed to the same definition used in the Education of the Handicapped Act. Institutions must provide thorough and accurate loan information to students and exercise strict "due diligence" in the collection of loans, but schools are encouraged to refer loans in default status for two years or more to the Secretary of Education for collection. In turn, the Secretary is mandated to attempt to collect the defaulted loans for four years after they are referred. A new system for the exchange of information among the Secretary of Education, credit bureaus, and lenders is established to reduce the number of NDSL's in default.

Authorization for new Federal Capital Contributions to the program increases from $400 million in Fiscal Year 1981 to $625 million in Fiscal Year 1985, and the Secretary of Education is directed to borrow money from the Federal Financing Bank to support the program in the absence of direct appropriations for it. If the Secretary borrows at least $1 billion in any one year, then the NDSL collections previously available to the institutions to support their loan funds will revert to the Federal Treasury. Despite the reversion, the new financing plan is expected, according to federal officials, to make more money available to institutions for lending to students, since the Federal Government would then advance 100 percent of the institution's NDSL fund.

<14> The four circumstances are: (1) temporary total disability, (2) service in the Commissioned Corps of the Public Health Service, (3) full-time volunteer service with a non-profit agency that does work like the Peace Corps or VISTA, and (4) internships required to begin professional practice.

To date the Federal Government has obligated $281,064,098 in NDSL funds to 3,176 institutions throughout the country for the 1980-81 school year. Of that amount, $5,159,734 has been awarded to 46 Virginia institutions (10 public four-year, 3 public two-year, 22 private, and 11 proprietary schools).<15>

STATE STUDENT INCENTIVE GRANT PROGRAM. The 1972 Education Amendments established the State Student Incentive Grant (SSIG) Program to increase funds for state-administered grants to needy students by making federal dollars available to state agencies willing to match them 50 percent. Essentially, the SSIG Program has created a partnership between the Federal Government and the states, with the goal of the partnership an increased access to higher education for students with financial need. Under the 1980 Higher Education Act, the flexibility of SSIG is increased to allow states, at their discretion, to use SSIG funds for grants to less-than-half-time and graduate students.

<15> Notification to Members of Congress of the Approval of Awards to Instiutions Participating in the Campus-Based Programs. Only ten Virginia institutions that have been historical participants in the NDSL Program did not receive initial Federal Capital Contributions in 1980-81. Of these ten schools, six made no request for new money, an indication that their loan funds may have reached "revolving status" (collections are bringing in enough money for relending). Of the remaining four institutions, three were denied new federal money because they had failed to meet the parameters set by the U.S. Office of Education in 1979 for reduction of college default rates. One private college was denied funds because its projected collections exceeded the school's authorized level of NDSL expenditures in the current year.

Under the new law, the maximum award to a student from SSIG funds is increased, again subject to state discretion, from $1,500 to $2,000. The original distinction between authorizations for initial year and continuing year awards is eliminated, and appropriations are authorized up to $100 million for Fiscal Year 1981, rising in steps to $250 million in Fiscal Year 1985.

In Virginia, SSIG funds are used to support the College Scholarship Assistance Program (CSAP), the state's need-based student aid program administered by the Council of Higher Education. In 1980-81, CSAP funds available to needy Virginia students total $3,863,436, of which $1,687,836 is federal SSIG money and $2,175,600 is the state appropriation for the program.

GUARANTEED STUDENT LOANS. The Guaranteed Student Loan (GSL) Program was established by the Higher Education Act of 1965 to increase the availability of private capital for student loans. Renewed under the Education Amendments of 1972 and 1976, the GSL Program requires the Federal Government to: (1) insure or reinsure student loans against default; (2) subsidize the lender by paying a variable allowance (5 to 8 percent) above the interest payable by the student; (3) pay full interest on any loan while the student remains in school and during the grace period before repayment begins; (4) make loan capital available to the Student Loan Marketing Association ("Sallie Mae"); and (5) support state guaranty agencies through several different means.<16> The income limits for student eligibility to receive interest-subsidized GSL's

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<16> Carol Herrnstadt Shulman, "Reauthorizing the Higher Education Act of 1965," p. 8.

were eliminated by the Middle Income Student Assistance Act of 1978, and a number of other important changes in the program have been mandated by the 1980 Higher Education Act.

First, the GSL Program is expanded to include a new Parent Loan option through which parents may borrow up to $3,000 per year ($15,000 total) for any one student. Parents must begin repaying the loan at 9 percent interest within 60 days after executing the note. In all other features, the Parent Loan option is identical to the GSL Program.

Second, the interest rate for new borrowers of GSL's is increased from 7 to 9 percent, and the grace period prior to beginning repayment is decreased from 9-12 to 6 months.<17> The annual loan limit for independent undergraduate students is increased from $2,500 to $3,000, and the aggregate loan limits are increased to $12,500 for dependent undergraduates, $15,000 for independent undergraduates, and $25,000 for graduate students.<18>

Third, the new law attempts to solve problems of short capital in some regions, multiple student loans, and very large debts. For example, the Student Loan Marketing Association ("Sallie Mae") will have the authority to make loans directly to students and parents in areas where there is a severe shortage of loan capital. Students or parents holding multiple loans in excess

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<17> In the case of student and parent loans, the interest rate decreases to 8 percent if the annualized rate of 91-day Federal Treasury bills is 9 percent or less.

<18> However, the Secretary of Education may waive the aggregate loan limits for graduate students enrolled in "unusually expensive programs of professional study."

of $5,000 may receive a single consolidation loan from Sallie Mae, and borrowers with indebtedness in excess of $7,500 may receive a new loan with graduated repayment terms of up to 20 years. Sallie Mae is mandated to distribute information on consolidation and extended repayment loans, and state guaranty agencies, such as the State Education Assistance Authority in Virginia, are given incentives to provide lender referral services to borrowers.

The members of the House-Senate Conference Committee that revised the originally drafted Higher Education Act of 1980 believe that the Parent Loan option and consolidation and extended repayment loans from Sallie Mae will reduce defaults under the GSL Program, but a number of other provisions are included to curb defaults even more and recognize the positive repayment records of student borrowers not in default. Besides its newly authorized activities, Sallie Mae is strengthened by provisions to increase the agency's ability to raise private capital and to do business with lenders that discriminate against borrowers on the basis of their banking relationship with the lender.

In Virginia, GSL's available from the Virginia Education Loan Authority (VELA) and private lenders are guaranteed by the State Education Assistance Authority (SEAA). Created by Chapter 4.3 of the Code of Virginia, VELA began lending money in July, 1978. The funds for VELA loans come from the sale of revenue bonds issued by the agency, and the loans may be used by Virginia residents to attend in-state or out-of-state institutions. Having grown apidly since its establishment, VELA is now the largest direct lender of

GSL's in the country. The annual dollar volume of its operations grew dramatically from 1978-79 to 1979-80 as a result of the impact of the Middle Income Student Assistance Act of 1978, which completely removed the income limits for student eligibility to receive GSL's. In 1978-79 VELA made 12,174 loans amounting to $21,619,156. In 1979-80, the number of loans increased 129 percent to 27,871, and dollars disbursed to $53,380,063 (a 147 percent increase).<19> For the 1980-81 school year, the agency has already lent $72,259,980 in 31,638 GSL's.<20>

GSL's from private lenders in Virginia, guaranteed by the SEAA, <21> also increased significantly as a result of the impact of the 1978 Middle Income Student Assistance Act. In 1978-79, the SEAA guaranteed $18,421,977 in 10,420 private lender loans. In 1979-80, the agency guaranteed 11,274 loans (an 8 percent increase) for a dollar volume of $25,367,936 (a 38 percent increase). To date, for the 1980-81 school year, the SEAA has guaranteed $20,236,753 in 9,495 GSL's from private lenders.<22> The deadline dates for student applications to receive private lender GSL's vary from region to region within

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<19> According to Joseph Michalak in an article for The New York Times ("Middle Class Gets More Aid From U.S.," p. 19), from 1978 to 1980, the dollar volume of GSL's nationally increased from $1.95 billion to $5.3 billion. He cites a Congressional Budget Office report stating that, "Although the income distribution of GSL borrowers is not known, it is fair to assume that most of the increased borrowing is occurring among middle- and higher-income students."

<20> These figures are as of September 30, 1980. Mr. Gene Cattie, Executive Director of VELA, estimates that since that date, the agency has lent about $5 million more. Students may apply for VELA loans for the current school year until March 15, 1981.

<21> The State Education Assistance Authority (SEAA) guarantees VELA loans as well as GSL's from private lenders.

<22> These figures are as of October 31, 1980. Miss Jane Chittom, Executive Director of the SEAA, estimates that for the entire 1980-81 school year, approximately $30 million in GSL's will be lent by private lenders and at least $75-77 million by VELA.

the state, but generally, two-thirds of the money set aside by lending institutions for the GSL Program has been disbursed by the end of the fall term.

LAW ENFORCEMENT EDUCATION ASSISTANCE PROGRAM. The Law Enforcement Education Assistance Program (LEEAP) is a federal program of student aid established by the Safe Streets Act of 1968 and reauthorized by the Justice Improvement Act of 1980. Previously administered by the United States Department of Justice, the program was moved to the Department of Education in May, 1980. The purpose of LEEAP is the improved education of law enforcement officers and other persons employed in occupations aimed at the reduction of crime and delinquency. The program is hot need-based and is limited to persons employed in, or preparing for employment by, publicly-funded law enforcement or criminal justice agencies.

Through LEEAP, full-time law enforcement officers (police and corrections personnel, sometimes on educational leave from their jobs) can receive grants of up to $250 per quarter or $400 per semester to attend college. Full-time or part-time students are eligible for the program. Besides grants, LEEAP makes loans of up to $2,200 per academic year available to eligible students, but those who earn degrees financed through LEEAP are obliged to remain employed full time in law enforcement occupations for two years following graduation or program completion.

Funds have not been appropriated by Congress for LEEAP since Fiscal Year 1979, and the program is now being supported by "reversionary funds" left over from previous fiscal years. Approximately $18,000,000 is available nationally in the 1980-81 school year, and $200,600 is in place at Virginia institutions. Some federal officials foresee the end of the program by the end of the 1981-82 school year.

Beginning in the fall of 1979, LEEAP awards were restricted to students who had received awards the previous year; the same restriction was applied in the fall of 1980, and it will be applied again in the fall of 1981. In this way, students who began degree curricula in the LEEAP program when new funds were being appropriated will have an opportunity to complete their graduation requirements before all the "reversionary" money is exhausted.

HEALTH CARE PROFESSIONS STUDENT AID PROGRAMS. The major federal student aid programs established to help students preparing for careers in the health care professions are (1) Nursing Scholarships and Loans, (2) Health Professions Scholarships for First-Year Students of Exceptional Need, (3) Health Professions Student Loans, (4) Health Education Assistance Loans (HEAL's), and (5) National Health Service Corps Scholarships. These programs were authorized by Titles VII and VIII of the Public Health Service Act, which has been amended several times, most notably by the Health Professions Educational Assistance Act of 1976. A description of each program follows.

(1) Nursing Scholarships and Loans. Amendments to Title VIII of the Public Health Service Act created the Nursing Student Loan Program in 1964 and the Nursing Scholarship Program in 1968. The Nurse Training Amendments of 1979 extended the scholarship program for one year, but repealed cancellation

provisions for loans made on or after September 29, 1979, the date of the legislation.

Only institutions with accredited schools of nursing education are eligible to participate, and the schools are responsible for selecting award recipients and deciding how much aid a student should receive.

Eligible students must be enrolled at least half-time in a program leading to a diploma or degree (undergraduate or graduate) in nursing. In addition, students must be able to show financial need for loans, and scholarship applicants must show "exceptional" need. The maximum scholarship is $2,000 per academic year, and the maximum loan is $2,500 for the same period ($10,000 aggregate limit for loans based on the four years usually required to earn a bachelor's degree). Nursing loans bear interest at the rate of 3 percent per annum, and the institution must contribute 10 percent of the loan fund.

In administrative structure, financing, and student eligibility requirements, Nursing Scholarships and Loans resemble the campus-based programs of Supplemental Educational Opportunity Grants (SEOG) and National Direct Student Loans (NDSL) respectively. Nationally, Nursing Loans and Scholarships are administered by the Student and Institutional Assistance Branch, Health Resources Administration, the Department of Health and Human Services.

The Federal Government has made a total of $8,910,000 available for Nursing Scholarships in 1980-81, and $182,984 of that amount has been obligated for the scholarship program at Virginia institutions.<23> At this date, no funds have been appropriated for Federal Capital Contributions to institutional Nursing Loan Funds in 1980-81, so Virginia schools are operating their loan programs with funds carried over from 1979-80.<24>

(2) Health Professions Student Scholarship Program for First-Year Students of Exceptional Financial Need. Title VII of the Public Health Service Act, amended by the Health Professions Educational Assistance Act of 1976, created the Health Professions Student Scholarship Program for First-Year Students of Exceptional Financial Need, first implemented in 1978-79. This program offers scholarships with no service or financial obligation to first-year students in medicine, osteopathy, dentistry, optometry, pharmacy, podiatry or veterinary medicine. Eligibility is limited to full-time students with exceptional financial need enrolled, or accepted for enrollment, in accredited health professions schools.

Scholarships cover the cost of tuition, fees, books, and laboratory expenses. In addition, scholarship recipients are paid a monthly cost-of-living stipend for twelve consecutive months. In 1980-81 the monthly stipend is $485.

<23> Notification to Members of Congress of Academic Year 1980-81 Allotments to Schools Participating in the Nursing Scholarship Program (July, 1980), Health Resources Administration, Public Health Service, U.S. Department of Health and Human Services, Hyattsville, Maryland.
<24> In 1979-80, $13,365,000 was appropriated nationally for the Nursing Loan Program and $8,910,000 for Nursing Scholarships. In that year, $291,727 went to Virginia schools for Nursing Loans and $195,499 for Nursing Scholarships.

The Health Professions Exceptional Financial Need (EFN) Scholarship Program is similar in administrative structure to the campus-based Supplemental Educational Opportunity Grants (SEOG) Program. Under both programs, federal funds are allocated to participating schools, and the schools select award recipients based on need. The responsibility for this program's administration at the federal level rests with the Student and Institutional Assistance Branch, Health Resources Administration, the Department of Health and Human Services.

In 1980-81, $9,899,807 was appropriated nationally for the Health Professions EFN Scholarship Program, and $170,306 of that amount has been allocated to four Virginia schools (the University of Virginia, Virginia Polytechnic Institute and State University, Eastern Virginia Medical School, and the Medical College of Virginia, a division of Virginia Commonwealth University). <25>

(3) Health Professions Student Loans. The Health Professions Student Loan Program is similar to the campus-based National Direct Student Loan (NDSL) Program, except that the former serves only professional students who pay a higher annual interest rate than undergraduate or graduate students who borrow under the NDSL Program. Health Professions Student Loans were authorized by Title VII of the Public Health Service Act, as amended by the Health Professions Educational Assistance Act of 1976. Institutional eligibility is

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<25> Notification to Members of Congress of Academic Year 1980-81 Allotments to Schools Participating in the Scholarship Program for First-Year Students of Exceptional Financial Need (August, 1980), Health Resources Administration, Public Health Service, U.S. Department of Health and Human Services, Hyattsville, Maryland.

limited to schools with accredited professional degree programs in medicine, dentistry, veterinary medicine, optometry, pharmacy, podiatry, and osteopathy. Institutions contribute 10 percent of the loan funds, and the Federal Government contributes the other 90 percent.

Eligible students must be enrolled, or accepted for enrollment, full-time in one of the above programs, and they must show financial need.<26> Individual loan limits are $2,500 per school year plus the amount required to pay full tuition. Loans bear interest at the rate of 7 percent per annum, and repayment may be extended over a 10-year period, beginning one year after the student leaves school. Interest begins to accrue at the time the loan becomes repayable.<27> Repayment may be deferred up to three years for full-time service in the Armed Forces, Peace Corps, National Oceanic and Atmospheric Administration Corps, or the Public Health Service Corps. Deferments are also available during periods of advanced professional training, including internships and residencies. Interest does not accrue during deferment periods.

<26> Students of medicine or osteopathy who will graduate after June 30, 1979, must show "exceptional" financial need.

<27> The Federal Government will cancel 60 percent of the principal and interest on loans to students of medicine, dentistry, osteopathy, optometry, pharmacy, podiatry or veterinary medicine who agree to practice two years in a health care shortage area. For a third year of service, the Federal Government will cancel an additional 25 percent of the loan. The Secretary of Education may cancel the full loan of any exceptionally needy or disadvantaged student who fails to earn his or her degree and cannot be expected to resume studies within two years.

At the federal level, the Health Professions Student Loan Program is administered by the Student and Institutional Assistance Branch, Health Resources Administration, the Department of Health and Human Services.

In 1980-81, $16,335,000 was appropriated nationally for the program, and $130,267 of that amount has been allocated to four Virginia schools (the University of Virginia, the Virginia-Maryland Regional College of Veterinary Medicine at Virginia Polytechnic Institute and State University, Eastern Virginia Medical School, and the Medical College of Virginia, a division of Virginia Commonwealth University).<28>

(4) <u>Health Education Assistance Loans.</u> The Health Education Assistance Loan (HEAL) Program was authorized under Title VII of the Public Health Service Act, as amended by the Health Professions Educational Assistance Act of 1976. While the Health Professions Student Loan Program described above is similar to the campus-based NDSL Program, the HEAL Program is similar to the Guaranteed Student Loan (GSL) Program.

HEAL's are available to full-time professional students in accredited schools of medicine, dentistry, veterinary medicine, osteopathy, optometry, podiatry, public health, and pharmacy.<29> However, eligibility is limited to

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<28> Notification to Members of Congress of Academic Year 1980-81 Allotments to Schools Participating in the Health Professions Student Loan Program (September, 1980), Health Resources Administration, Public Health Service, U.S. Department of Health and Human Services, Hyattsville, Maryland.

<29> There are a few other categories of eligible recipients of HEAL's, such as medical residents who need to borrow to pay the interest accruing on prior loans. Pharmacy students must have completed three years of training to be eligible for HEAL's.

those students who have not received any other Guaranteed or Federally Insured Student Loan for the same academic year covered by the HEAL. Individual loan limits are $10,000 per year with aggregate limits of $50,000 (for pharmacy students, $7,500 per year and a $37,500 aggregate). Loans may be used only to pay educational costs.

Although HEAL's are similar to GSL's, there are some important differences. For example, students pay only 7 percent interest on GSL's (9 percent under the 1980 Higher Education Act), and the Federal Government pays all the interest while the student is in school and during the grace period. The interest rate is higher for HEAL's, but at this date, the maximum interest rate, originally 12 percent, then adjusted upward, <30> has been challenged by several lending institutions. There is no federal interest subsidy on HEAL's.<31> Students may pay the interest as it accrues, or allow it to accrue, compounded semi-annually, and be added to the principal until loan repayment begins nine to twelve months after all formal training, including an internship or residency, has been completed. Borrowers may take from ten to fifteen years to repay a loan, and deferments of principal repayment are available to borrowers who return to full-time study in an institution of higher education or serve in the Armed Forces, Peace Corps, or the National Health Service Corps.

<30> In proposed program regulations, the maximum interest rate was changed from 12 percent per annum to a percentage equal to the rate of yield on 91-day Treasury bonds plus 2 percent (the "T plus 2 rate"). The "T plus 2 rate," however, has been rejected by several lending institutions in their comments on the proposed regulations.

<31> In some instances, though, the Federal Government will cancel the interest and principal repayment to a maximum of $10,000 per year for HEAL borrowers who serve in the National Health Service Corps in health care shortage areas.

First implemented in the 1978-79 school year, HEAL, at this date, has not yet been reauthorized for the 1980-81 school year (Fiscal Year 1981). Program administrators, however, are seeking authority to allow them to guarantee HEAL's in 1980-81.

Nationally, since its establishment, $26,331,014 has been lent in 3,235 HEAL's. The average HEAL is $8,139. In Virginia, 13 HEAL's have been made since the program's initiation for a total disbursement of $81,180 to students at the University of Virginia and Eastern Virginia Medical School.<32>

The HEAL Program is presently administered by the Public Health Service of the Department of Health and Human Services, but the Department of Education is negotiating for control of the program.

(5) National Health Service Corps Scholarships. The National Health Service Corps (NHSC) Scholarship Program is a competitive federal program for students of medicine, dentistry, osteopathy, and related health care fields (including nursing) that vary from year to year according to the needs of the Corps. Authorized by the Emergency Health Personnel Act Amendments of 1972, the Scholarship Program distributed its first cycle of awards in the 1973-74 school year. The Health Professions Educational Assistance Act of 1976 revised the program and continued it through Fiscal Year 1980. It has yet to be reauthorized for Fiscal Year 1981, and the funds obligated for the 1980-81 school year are from the program's Fiscal Year 1980 appropriation.

<32> These figures were provided by Mr. Richard Rind, Office of Student Financial Assistance, U.S. Department of Education, Washington, D.C.

Under the NHSC Scholarship Program, award winners receive full payment of their tuition, fees, and other educational expenses; they also receive a monthly stipend in exchange for their agreement to serve one year as NHSC personnel in health care shortage areas for each year of support they receive while in school.

In 1979-80 the monthly stipend paid to scholarship winners was $429; it has been increased to $485 for 1980-81. Nationally, $79.5 million has been obligated for the program in 1980-81. In Virginia this year, 196 students in training <33> hold NHSC scholarships, and these students will receive $1,140,720 in stipends. The institutions they are attending will receive $629 357 in tuition and fees from the National Health Service Corps.<34>

<u>VETERANS EDUCATIONAL BENEFITS.</u> The Servicemen's Readjustment Act of 1944, known popularly as the G.I. Bill, established the first major federally funded student aid program. Eligibility for the program was based not upon financial need, but upon past military service to the country. The purpose of the legislation was to reward men and women who had served in the Armed Forces in World War II and to help them readjust to civilian life in the growing post-war economy. In so doing, the G.I. Bill indirectly pumped federal dollars into American colleges and universities and set the stage for other federally funded student aid programs.

<33> This figure includes only those students actually taking courses, not those completing internship or residency requirements.
<34> Tuition and fees are paid directly to the institutions by the National Health Service Corps, but monthly stipends and "other educational costs" are paid directly to the students. The above figures were provided by Ms. Maxine Frost of the Public Health Service, Department of Health and Human Services in Washington, D.C. No figure for "other educational costs" to be paid to Virginia students in 1980-81 was available.

As a result of 1980 amendments to the authorizing legislation, monthly payments for college student veterans have been increased by 10 percent in 5 percent increments effective October 1, 1980, and January 1, 1981. The minimum monthly payment at this time is $327.

Monthly payments to college student veterans are available for 45 months, but these benefits must be used within 10 years of the date he or she was released from active duty or by December 31, 1989. The same schedule of monthly payments for college costs is available to the spouses and children of deceased or totally and permanently disabled veterans (as long as the disability results from a service related injury). Children of such veterans have until age 26 to use their monthly-payment educational benefits, and spouses have 10 years.

Besides the above monthly payments, veterans who need to be tutored in their college courses may receive additional payments each month ($76 as of January 1, 1981) up to a maximum of $911, but eligibility is limited to students enrolled at least half-time.

Veterans enrolled at least half-time in programs of 6-months duration leading to professional or vocational objectives may borrow up to $2,500 per school year from the VA. Interest on these loans is 7 percent per annum, and repayment begins 9 months after program completion. While the 1980 amendments did not increase the loan limits or interest rate, they did expand the loan program to include students in flight training curricula.

The VA Regional Office in Roanoke estimates that in the 1979-80 school year, $56,342,000 was disbursed to veterans and their dependents enrolled in colleges and universities in Virginia. Approximately $29,185,158 of that amount was advanced to full-time students and $27,156,842 to part-time students. No estimate of expenditures is yet available for the 1980-81 school year.

C. A Catalogue of the State Student Aid Programs

Since 1973-74, the first year of the implementation of the need-based Basic Educational Opportunity Grants (BEOG) Program created by the Education Amendments of 1972, the Basic Grant has evolved as the "foundation" or "cornerstone" of most student aid packages. Through the State Student Incentive Grant (SSIG) Program, also created by the 1972 legislation, the Federal Government encouraged the states to establish need-based student aid programs for undergraduates to supplement money disbursed to them through BEOG and the three major campus-based programs (SEOG, NDSL, and CWSP). There are real advantages for the states in the SSIG Program, which has established a partnership between them and the Federal Government for equally shared support (50/50) of a need-based student assistance program in each state.

The goal of the SSIG partnership between the states and the Federal Government is the guaranty of access to higher education for students of all socioeconomic strata. That goal is recognized in the 1980 Higher Education

Act, which sets a federal policy objective that 75 percent of a student's college costs should be met through a combination of family contributions and grants (BEOG, SEOG, and SSIG awards).

In Virginia, campus financial aid officers prepare student aid pacakages comprised not only of funds from appropriate federal programs, but also from state programs created to serve a variety of purposes. Several of these programs, including the two largest, the College Scholarship Assistance Program (CSAP) and the Tuition Assistance Grant Program are administered by the Council of Higher Education. The CSAP Program is based on financial need, and, like the federal need-based programs, it helps to ensure access to higher education for students from all socioeconomic strata. Funded 50 percent by federal SSIG money, the CSAP Program has been particularly helpful to low- and middle-income Virginia students.

The TAGP Program, on the other hand, is not need-based; it is an "entitlement"<35> program for all students in private colleges in Virginia. It serves two purposes: (1) it narrows the "tuition gap" between private and public institutions of higher education in Virginia; and (2) it gives Virginia students greater freedom of choice among institutions of higher education. Other state-funded programs serve students of particular regions, backgrounds, and degree programs. In addition, each biennium the Commonwealth appropriates funds that each public four-year institution and Richard Bland College may use to make awards to students in that school; there are, however, statutory re-

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<35> "Entitlement" in this context means that, by statute, Tuition Assistance Grants are guaranteed to private college students who apply for them. Any such student, regardless of need, is "entitled" to a grant.

strictions on the use of this appropriation. Virginia makes available a variety of aid programs for its residents. The major state programs of student aid are described below.

<u>COLLEGE SCHOLARSHIP ASSISTANCE PROGRAM.</u> The College Scholarship Assistance Program (CSAP) is a need-based program of grants to full-time undergraduate students in Virginia. Full-time students in the private and public, two-year and four-year, institutions are eligible, but they must have been domiciled in Virginia for at least one year prior to application to the Council ~~of Higher~~ Education for a CSAP award.

Authorized by the General Assembly in 1973, CSAP is funded by state and federal appropriations. In the last two years, a relatively constant funding level and increasing applications have converged to bring about a reduction in the average CSAP award. The reduction, coupled with rising college costs and inflation in the total economy, have weakened the ability of the program to assist eligible students. The table below illustrates the problem.

FINANCING THE COLLEGE SCHOLARSHIP ASSISTANCE PROGRAM (CSAP)

	1977-78	1978-79	1979-80	1980-81
State Appropriation	$1,255,415	$2,175,600	($2,187,715)	$2,175,600
SSIG Contribution	$1,232,897	$1,309,953	($1,594,315)	$1,687,836
Total	$2,488,312	$3,485,553	$3,782,030	$3,863,436
Number of Applications	18,849	30,663	31,038	39,394
Number of Awards Offered	12,022	10,498	15,776	19,361
Range of Awards	($250-700)	($200-800)	($200-800)	($200-600)
Average Award	$281	$404	($285)	$240

In 1979-80 student eligibility for CSAP was based upon an adjusted need <36> of at least $1,000, and the CSAP award was calculated to meet 15 percent of that adjusted need. In 1980-81, however, students had to demonstrate an adjusted need of at least $1,500 to be eligible for the program, and individual awards were calculated by only 9 percent of the adjusted need. The maximum CSAP grant for 1979-80 was $800, but it dropped to $600 in 1980-81. The minimum award for both years was $200.

<36> In computing a student's adjusted need, Council staff subtract from the total need the amount contributed by the student's family as well as the amount of the student's Basic Grant and Tuition Assistance Grant.

TUITION ASSISTANCE GRANT PROGRAM. The Tuition Assistance Grant Program (TAGP) is a non-need-based "entitlement" program of direct aid to full-time undergraduate students in private colleges in Virginia. Established by the General Assembly in 1973, the TAGP Program is designed to help narrow the "tuition gap" between the private and public institutions of higher education in the Commonwealth. It also gives Virginia students from families at any income level greater freedom of choice among colleges. Like CSAP, eligibility for TAGP is limited to students who have been domiciled in Virginia for at least one year prior to application to the Council of Higher Education for a TAGP award.

The TAGP Program was originally established as a loan program, but was gradually converted to a grant program following the approval in 1974 of an amendment to Virginia's Constitution to permit State grants to students attending private institutions. The growth of the TAGP Program in the last two years is reflected in the following table.

FINANCING THE TUITION ASSISTANCE GRANT PROGRAM (TAGP)

	1979-80	1980-81
State Appropriation	$6,147,000	$7,312,500
Number of Applications	14,477	15,222
Number of Awards Offered	13,932	14,361
Actual Number of Recipients	11,039	11,435 (as of 12/15/80)
Size of Individual Award	$ 550	$ 625

EASTERN SHORE TUITION ASSISTANCE PROGRAM. The Eastern Shore Tuition Assistance Program (ESTAP) was established by the General Assembly in 1978 for residents of Northampton and Accomack Counties who wish to take their junior and senior years of college as commuter students at Salisbury State College or the University of Maryland-Eastern Shore. Eligibility is limited to at least half-time students who have been domiciled in Virginia for at least one year prior to application to the Council of Higher Education for an ESTAP grant.

In the 1978-80 biennium, the award for each full-time student was $500 from an annual appropriation of $40,000. The same amount was appropriated for each year of the 1980-82 biennium, but because of a smaller applicant pool, the award for full-time students was increased to $625. Half-time students are eligible for prorated awards.

COMMONWEALTH INCENTIVE GRANT PROGRAM. The Commonwealth Incentive Grant Program (CIGP) provides merit-based grants to "other-race" undergraduate students enrolling for the first time in a senior state-supported Virginia institution of higher education. Established to fulfill a commitment in *The Virginia Plan for Equal Opportunity in State-Supported Institutions of Higher Education (revised, 1978)*, the CIGP was implemented for the first time in the 1979-80 school year. The program's purpose, implicit in its eligibility criteria, is to attract "other-race" students to public colleges and universities in Virginia that have traditionally enrolled only white or black students.

Under the CIGP, a full-time, degree-seeking "other-race" student can receive a grant of $1,000, providing he or she is attending a particular institution for the first time. Freshmen and transfer students are eligible, but CIGP awards are not renewable; a student may receive a grant only for the first year of attendance at one of the public senior institutions. Half-time students are eligible for grants equal to the cost of tuition and fees, but not to exceed $1,000. As noted above, the program is limited to undergraduates, and the criteria for merit-based CIGP awards are set by the schools.

In 1979-80, the first year of the program's implementation, $512,000 was appropriated for CIGP grants. In the 1980-82 biennium, the General Assembly included a total of $1,012,000 in the institutions' budgets to be used for CIGP grants in 1980-81; $1,522,000 was appropriated for 1981-82.

In the fall of 1979, 470 students accepted CIGP grants for the 1979-80 school year for an acceptance rate of 92 percent of the 512 available awards. The Council of Higher Education, which assists in coordinating the program, is gathering data from institutions on the number of CIGP grants awarded in 1980-81.

VIRGINIA APPROPRIATION FOR HIGHER EDUCATION STUDENT FINANCIAL ASSISTANCE.

Each of the state-supported four-year institutions and Richard Bland College receives an annual appropriation for Student Financial Assistance, but certain restrictions are placed on its use. The money can be used for need-based grants to undergraduates; assistantships and fellowships for graduate students <37> contributions to the State Student Loan Program; and as matching funds for federal student aid programs.

In the 1978-80 biennium, the appropriation for the 16 eligible schools was $7,370,550; $3,902,945 of that amount was available for the 1979-80 school year. The total appropriated for the 1980-82 biennium is $6,313,290, a decrease brought about by the increased appropriations necessary for the Commonwealth Incentive Grant Program.

<37> The portion of the state appropriation which an institution can use for graduate student aid is restricted to 50 percent.

UNFUNDED SCHOLARSHIPS.

Under Title 23, Chapter 4, Section 23-31, of the Code of Virginia, the fifteen state-supported senior institutions, Richard Bland College, and the Virginia Community College System have authority to award "unfunded scholarships" to students for full or partial remission of tuition and required fees. Within certain restrictions, institutions may award these scholarships to graduate and undergraduate students as well as to Virginians and non-Virginians. Funds for the scholarships are transferred from the school's Education and General (E&G) appropriation to its Student Financial Assistance budget, and each school must report annually to the Council of Higher Education the number and dollar value of unfunded scholarships awarded to each classification of students.

Undergraduate awards must be made to "students of character and ability who are in need of financial assistance."<38> The number and dollar value of undergraduate awards per year are limited, respectively, to 20 percent of the preceding year's enrollment and 20 percent of the tuition and fees payable by students enrolled the previous year.

Graduate student scholarships must be awarded to "graduate students of character and ability" <39> employed by the institution as teaching or

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<38> Code of Virginia, Title 23, Chap. 4, Section 23-31(al).2.
<39> Ibid., Title 23, Chap. 4, Section 23-31(al).3.

research assistants and paid a stipend of at least $2,000 per academic year. The number and dollar value of graduate student awards per year are limited, respectively, to the total number of teaching or research assistants so employed by the institution and the tuition and fees payable by all of them.

In 1979-80 the senior state-supported institutions awarded $232,708 in 662 unfunded scholarships to Virginia students and $174,729 in 274 awards to non-Virginia students. The public two-year colleges reported no unfunded scholarships awarded to their students in that year.

VIRGINIA COLLEGE WORK-STUDY PROGRAM. In 1971, upon the recommendation of the General Professional Advisory Committee (GPAC) <40> to the Council of Higher Education, the Virginia Work-Study Program (VCWSP) was established to supplement the national program. In particular, the Virginia Program was created to help eligible students find off-campus employment with non-profit organizations and agencies across the state. The GPAC members believed that such a program would benefit the institutions, whose financial aid offices lacked the personnel to do off-campus placement, as well as non-profit organizations eager to employ students on a part-time basis during the school year and full-time in the summer.

<40> The General Professional Advisory Committee (GPAC) is comprised of the Presidents of the state-supported senior institutions and Richard Bland College and the Chancellor and a representative number of presidents of the Virginia Community College System.

The VCWSP is housed in the Office of Sponsored Programs at Virginia State University. The program is entirely self-supporting from "broker's fees" paid by the participating institutions and off-campus employers of Work-Study students. Work-Study funds at Virginia colleges and universities are based on students' anticipated gross earnings for a particular school year. Schools set the hourly wage paid to Work-Study students, but it must be at least the applicable federal, state, or local minimum wage. The Federal Government contributes 80 percent of the anticipated gross earnings, and the schools or off-campus employers pay the other 20 percent.

Approximately 35 to 40 institutions participate in the Virginia Program each year, and approximately 800 students are placed in off-campus jobs. Most of the placements occur in the summer, but 250 to 300 students are placed in part-time off-campus jobs during the school year. The VCWSP also helps graduate and professional students as well as undergraduates find suitable jobs.

<u>STATE LAW ENFORCEMENT OFFICERS EDUCATIONAL PROGRAM</u>. The State Law Enforcement Officers Educational Program (SLEOEP) was established by the General Assembly in 1966 as a program of tuition reimbursement for law enforcement officers attending college. The State Department of Education was designated to administer the program. In 1972 the General Assembly amended the authorizing legislation to permit the State Department of Education to make payments directly to accredited institutions of higher education for the tuition, fees, and textbook costs of law enforcement officers enrolled full-time or part-time in these schools. Through another amendment passed in 1977, the maximum

payment per course was increased to $100 (semester) and $80 (quarter). Institutions are paid for only two courses per student in a semester or quarter.

SLEOEP is not need-based; rather, it is open to all full-time criminal justice personnel, who are obliged to remain in their employment for three months following the completion of any SLEOEP-financed course.

The General Assembly has appropriated $110,700 for SLEOEP in the 1980-82 biennium, $55,300 for 1980-81 and $55,400 for 1981-82.

HEALTH PROFESSIONS STUDENT AID PROGRAMS.

(1) Medical and Dental Scholarships. The Code of Virginia, Title 23, Chapter 4, Section 23-35, 1-8, authorizes the establishment of 70 annual medical scholarships, each for $2,500 to be awarded to students at Eastern Virginia Medical School, the University of Virginia School of Medicine, and the Medical College of Virginia, Health Sciences Division of Virginia Commonwealth University. By statute, the scholarships are distributed as follows: 10 to Eastern Virginia Medical School, 33 to Virginia Commonwealth University, and 27 to the University of Virginia. In addition, Virginia Commonwealth University is authorized to award 10 annual dental scholarships, each for $2,500, to students in its School of Dentistry.

Medical and dental scholarships are awarded in return for the student's written agreement to practice in "an area of need in Virginia" or serve as an employee of a state health, welfare or corrections agency "for a period of years equal to the number of years which he has been a beneficiary of such scholarship." <41> Medical students who draw support from a scholarship and choose to practice in a health care shortage area in Virginia are expected to become family physicians. The State Board of Health defines "area of need" and "practice of family medicine," and the State Health Commissioner maintains liaison with scholarship winners after they have graduated to ensure their full compliance with the contracts between them and the Commonwealth.<42>

Although medical and dental scholarships are annual awards, a student may receive successive awards up to a maximum of five per student. Virginians and non-Virginians are eligible for medical and dental scholarships, but preference must be given to residents of Virginia. The criteria for selection of award recipients are scholastic achievement, character, financial need, and adaptability of the student to the service he or she promises to the Commonwealth.

To fund medical and dental scholarships in the 1980-82 biennium, the General Assembly appropriated the following amounts per year: $67,500 to the University of Virginia, $25,000 to Eastern Virginia Medical School,<43> and

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<41> Code of Virginia, Title 23, Chapter 4, Section 23-35.3(b).
<42> The conditions under which students may break may break their contracts are explained in the Code, Title 23, Chapter 4, Section 23-35.5:1. A student still enrolled in school may terminate his or her contract, after notice, by repaying the full amount of the scholarship plus 8 percent interest from the date of its receipt. Students who fail or refuse to fulfill their contracts must repay the full scholarship amount plus 10 percent interest from the date of its receipt.
<43> Eastern Virginia Medical School will receive another $2 million (approximate) each year of the 1980-82 biennium to defray the costs of educating all their medical students, in particular, second- and third-year students in family practice training.

$107,000 to Virginia Commonwealth University ($82,500 for medical scholarships and $25,000 for dental scholarships). <44>

Medical and dental scholarships to attend out-of-state schools are also available from the Council of Higher Education through agreements between the Council and member professional schools of the Southern Region Educational Board (SREB). No service obligation is attached to these awards, which pay the difference between the in-state and out-of-state rates for Virginians attending the out-of-state schools. In 1980-81, $109,250 has been appropriated for this purpose and $114,000 in 1981-82. Through its SREB contracts, the Council also administers state-funded scholarships for optometry ($220,000 in 1980-81, $240,000 in 1981-82) and veterinary medicine ($597,955 in 1980-81, $398,900 in 1981-82).<45>

(2) Nursing and Dental Hygienist Scholarships. The Code of Virginia, Title 23, Chapter 4, Sections 23-35.9. and 23-37.1., establishes nursing and dental hygiene scholarships to be administered by the State Board of Health. Only Virginia residents are eligible for these awards, which carry contractual obligations to "engage continuously in nursing work in the State of Virginia for one month for each one hundred dollars of scholarship awarded" or to "engage continuously in dental hygiene work in the State of Virginia for a

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<44> The amounts given for medical and dental scholarships at the University of Virginia and Virginia Commonwealth University are included in each institution's appropriation for Student Financial Assistance.

<45> The appropriation is lower for 1981-82 since, after that date, the School of Veterinary Medicine at Virginia Polytechnic Institute and State University is expected to be able to accommodate all qualified Virginia residents who wish to enter such a professional school.

period of years equal in number to the years the applicant has been a beneficiary of such scholarship or scholarships."<46>

The maximum undergraduate nursing scholarship is $2,000 annually; the maximum graduate student award is $4,000 annually. Twelve annual dental hygienist scholarships are available for $500 each. Both types of award are renewable from year to year up to a five-year limit for nursing scholarships and a three-year limit for dental hygienist awards. Winners of either type of scholarship must use the funds to attend Virginia schools. An Advisory Committee to the State Board of Health sets the criteria for selection of nursing scholarship winners, and the State Board of Health itself sets them for the dental hygienist scholarships. In both cases, awards may be distributed on a competitive basis, "with due regard for scholastic attainments, character and adaptability of the applicant for the service contemplated in such award;...."<47>

In the 1980-82 biennium, the General Assembly has appropriated $121,000 each year to the Department of Health for nursing and dental hygienist scholarships.

<46> Code of Virginia, Title 23, Chapter 4, Sections 23-35.11. and 23-37.3.
<47> Ibid., Title 23, Chapter 4, Sections 23-35.10. and 23-37.2.

Virginia Mental Health and Mental Retardation Scholarship Fund.

The Code of Virginia, Title 23, Chapter 4, Sections 23-38.2, establishes the Virginia Mental Health and Mental Retardation Scholarship Fund to consist of "funds appropriated to it from time to time by the General Assembly [to be] administered by the Department of Mental Hygiene and Hospitals, for the purpose of providing scholarships for study in various professions and skills that deal with the treatment, training and care of the mentally ill and mentally retarded."<48>

No funds were appropriated for this program in the 1980-82 biennium.

AFFIRMATIVE ACTION SCHOLARSHIPS. The Council of Higher Education administers two types of Affirmative Action scholarships. First, undergraduate minority students who have completed their junior year of college and have the potential to become outstanding graduate students may receive awards to attend a special summer session program at either the University of Virginia or Virginia Polytechnic Institute and State University. The tuition of the recipients is paid for two classes in each student's chosen field. In addition, a graduate level seminar is offered to help each scholarship recipient learn more about graduate degree programs and how to apply to the graduate school of his or her choice. In the 1980-82 biennium, $25,600 has been appropriated each year to support minority undergraduate scholarships.

Under the second program, minority faculty or administrators employed by state-supported institutions of higher education in Virginia may receive scholarships enabling them to return to graduate school and earn terminal

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<48> Code of Virginia, Title 23, Chapter 4, Sections 23-38.2(a).

degrees, usually the doctorate. Each scholarship pays graduate tuition and fees plus a cost-of-living stipend and another amount for books and related educational expenses. For every year of support, the minority award recipient is obliged to remain employed for two years by a state-supported college or university in Virginia.

In the 1980-82 biennium, $74,400 has been appropriated each year to support graduate student scholarships for minority faculty and administrators in Virginia colleges and universities.

VIRGINIA NATIONAL GUARD TUITION ASSISTANCE PROGRAM. The *Code of Virginia*, Title 23, Chapter 1, Section 23-7.3, gives the Department of Military Affairs the authority to administer a program of grants to pay up to one-half of the college tuition of members of the Virginia National Guard who have a minimum remaining service obligation of two years upon the completion of the academic term for which the tuition has been paid. In addition, award recipients must have completed initial active duty service. Grants are currently limited to $250 per term (semester or quarter) and $500 per year although a 1980 amendment to the authorizing legislation gives the Department of Military Affairs the authority to increase awards to $500 per term and $1,000 per year. The money can be used to pay tuition at any state-supported college or university, private institution, community college, or public vocational or technical school. Funds to support this program come from the total General Assembly appropriation for the National Guard in the biennial budget of the Department of Military Affairs.

In the fall of 1980, 68 National Guard members received tuition assistance through the program, and in the winter and spring of 1981, 163 additional recipients will attend Virginia colleges. To date, for the 1980-81 school year, the Department of Military Affairs has paid, or obligated for payment, to approved institutions $38,298 under the National Guard Tuition Assistance Program.

VIRGINIA WORLD WAR ORPHAN EDUCATION ACT. Under the Virginia World War Orphan Education Act, incorporated in Title 23, Chapter 1, Section 23-7.1 of the *Code of Virginia*, any child of a deceased veteran or a veteran who has been 100 percent permanently disabled as a result of a wartime service-related injury <49> may attend a state-supported institution of higher education in Virginia free of tuition. Once such a student has been certified as eligible for the program by the Division of War Veterans Claims, a Virginia state agency, the institution notes the certification on the student's permanent record and thereafter treats the tuition remission as an offset to the amount payable by the student. The institution recovers no money for War Veterans' tuition remission. Students enrolled under the program pay all other educational expenses. Tuition remission continues over a period of four years or until the student reaches age 26, whichever comes first. Full-time and part-time students are eligible.

<49> There is a further requirement that the beneficiary's parent must have been a resident of Virginia for ten years before the student enters college. If the parent is a deceased veteran, he or she must have entered wartime service from Virginia.

At present, 818 students are enrolled in Virginia colleges and universities under the provisions of the Virginia World War Orphan Education Act. Of the total, 342 are attending public four-year colleges or professional schools, and 476 are enrolled in the two-year colleges.

VOCATIONAL REHABILITATION. The Department of Rehabilitative Services receives a biennial appropriation for Higher Education Student Financial Assistance, and the money is used for scholarships and loans to students with vocational handicaps. In 1980-81, $567,600 has been appropriated for this purpose, and in 1981-82, the amount increases to $650,400.

SENIOR CITIZENS' TUITION WAIVER. The Virginia Senior Citizens' Higher Education Act of 1974, as amended, is incorporated in the Code of Virginia under Title 23, Chapter 4.5, Sections 23-28.54 - 23-38.60. The legislation provides that any person domiciled in Virginia for at least one year who has reached sixty years of age before the beginning of an academic term may enroll in a state-supported college or university with full waiver of tuition and required fees on condition that all tuition-paying students are given first priority for limited class spaces. Senior citizens whose federal taxable income does not exceed $5,000 for the year preceding the year of college enrollment may receive full credit for course work successfully completed, tuition and fee-free. Senior citizens whose income exceeds $5,000 the year preceding may only audit, tuition and fee-free, courses offered for credit, or enroll in non-credit classes. Under the provisions of this legislation, senior citizens may register for no more than three courses each academic term.

In Fall, 1980, the Council of Higher Education conducted a study of the Fall, 1979, enrollment generated in the state-supported institutions by the Senior Citizens' Higher Education Act. Senior Citizens Headcount and Full-Time Equivalent Students (FTES) are shown in the summary table below. The Council estimates that the program costs the institutions approximately $200,000 each year in "lost" revenues.

	Fall, 1979 Credit Headcount	Fall, 1979 Credit FTES
Public Four-Year Institutions	667	46.06
Public Two-Year Institutions	836	55.74
Total	1,503	101.80

STATE STUDENT LOANS. Title 23, Chapter 4.01, Section 23-38.10:3, of the Code of Virginia authorizes any state-supported institution of higher education to make loans to needy students "who might be unable to attend such institution without such loans and who are duly admitted into degree or certificate programs at the institution." An institutional student loan fund may be capitalized from the school's appropriation for Student Financial Assistance, and schools who do so must file with the Council of Higher Education a detailed annual report of all loan fund activity. Loan terms are set by each school's governing board with the approval of the Council, but the statute fixes the rate of interest at 3 percent per annum. No student may receive a loan in excess of the institution's annual tuition and fees applicable to that student.

If the student loan fund at any institution is depleted so that it can no longer "carry out fully the purpose for which the fund was established,"<50> then the institution may, upon the Governor's written consent, borrow up to $25,000 to replenish its fund.

Since the loan program was established, institutions have tended to use the limited money availabe to them in the Virginia appropriation for Student Financial Assistance as matching dollars for federal student aid programs, support for graduate students (within the statutory restrictions), and scholarships for needy undergraduates. The trend has been re-enforced in the last two years with the increased availability of Guaranteed Student Loans (GSL's). In August of 1980, the state-supported institutions reported that, in 1979-80, they had over $300,000 in current accounts under the State Student Loan Program.

MISCELLANEOUS STATE PROGRAMS. The Code of Virginia, Title 23, Chapter 4, Section 23-38.3, authorizes Virginia Polytechnic Institute and State University to award 20 annual tuition scholarships to Virginia residents preparing for careers as Soil Scientists. Scholarships are renewable up to a four-year limit, and they carry a service obligation to the Commonwealth for a period of time equal to the number of years the student has received support

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<50> Code of Virginia, Title 23, Chapter 4.01, Section 23-38.10:7.

from the program. In each year of the 1980-82 biennium, $11,000 has been appropriated for Soil Science Scholarships.

Through its SREB contracts, the Council of Higher Education awards scholarships to students seeking degrees in Library Science and Forestry at out-of-state institutions. In each year of the current biennium, $73,500 is available for Library Science Scholarships. Forestry Scholarships are funded by an appropriation of $13,695 in 1980-81 and $15,200 in 1981-82.

D. Other Sources of Student Aid Available to Virginia Students Financial aid is available to Virginia students through other social welfare programs, state and federal, that are not primarily student assistance vehicles. Included in this group are Social Security benefits, assistance for the dependents of certain military personnel, payments through the Bureau of Indian Affairs, and payments to the participants in certain programs under the Comprehensive Employment and Training Act of 1978. In addition, through the Aid to Dependent Children (ADC) Program, a single parent who is a full-time student can receive payments to support his or her children while the parent attends college.

According to a report prepared by the College Scholarship Service of the College Entrance Examination Board as a part of this study, the money available to Virginia students in 1980-81 through "other" sources of aid is approximately $15 million. This amount, however, is based mainly on an estimate of institutional and private sources of aid as well as collections of money for relending under the National Direct Student Loan Program. What is significant about the CSS calculations is that, despite the number of federal and state social welfare and student aid programs, the College Board researchers computed the unmet need of Virginia students in 1980-81 to be approximately $34,335,00. This figure, however, is merely an estimate of the need remaining after exclusion of the funds available through Basic Educational Opportunity Grants, federal and state social welfare programs, the three major campus-based programs (National Direct Student Loan, College Work Study, and Supplemental Educational Opportunity Grants), Guaranteed Student Loans, state student aid programs, and institutional and private sources. Further, it is computed to be the unmet need of students enrolled in, or actively seeking admission, to college. It does not include the amount of need of students who finished high school and decided, perhaps for lack of money, not to attempt to go on to college.

APPENDIX B

FINANCIAL AID SURVEY

FINANCIAL AID SURVEY: Outline

I. Financial Aid and Packaging Philosophy

II. State-Administered Financial Aid Programs

III. Portability/Reciprocity

IV. Virginia State Appropriation

INTRODUCTION TO THE 1980 FINANCIAL AID SURVEY

Through House Joint Resolution No. 7, the 1980 General Assembly requested the State Council of Higher Education to conduct a study of the financial assistance received by students attending institutions of higher education in Virginia. In particular, the Council was asked to look at the number, type, and fund availability of financial assistance programs for students at Virginia institutions of higher education; to determine whether the Commonwealth's programs are complementary to federal programs; to examine the impact of student aid on the financing of higher education; and to determine how all aid programs can best be used to serve the needs of students and the Commonwealth. The Council's findings and recommendations are to be reported to the Governor and General Assembly prior to the 1981 session of the General Assembly.

Guided by the General Assembly resolution, the Council staff developed a list of topical areas to be covered in the study; the list was endorsed by the Postsecondary Education and Financial Aid Advisory Committees. Subsequently, the Council staff, with the assistance of a task force of financial aid officers from private, public four-year, and public two-year institutions of higher education in Virginia, prepared the attached survey instrument to gather data about the topical areas. Some of the questions require the submission of data from professional staff at the institutions, but many of them are intended to elicit the opinions of a cross-section of respondents whose views are important to the results of the study. Therefore, we would very much appreciate your taking time to complete the survey and return it to the State Council of Higher Education by Wednesday, September 3, 1980. For your convenience, a stamped envelope addressed to the Council is included with these materials.

FICE Code (1-4)	Institution: ____________	FICE Code: ________
	Name of Respondent: ____________	Title: ________
	Telephone Number: ____________	Date: ________

Card # (5)
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Column

I. Financial Aid and Packaging Philosophy

*1. Assuming that future state funding for financial aid remains relatively constant, and taking into consideration the various federal and other sources of aid, what students should be targeted to receive state aid dollars? (Circle one from each section.)

(7)
1 Low-income students
2 Middle-income students

(8)
1 Full-time students
2 Half-time students (6 - 12 hours)
3 Less than half-time students

(9)
1 First-time students
2 Continuing students

(10)
1 Other. Please comment: ____________

*2. Assuming that future state funding for financial aid remains relatively constant, and taking into consideration the various federal and other sources of aid, what types(s) of award should be made to each of the following groups of students through a state need-based program?

		Full-time Students	Half-time Students	Less than half-time Students
(11-13)	Grants only	____	____	____
(14-16)	Loans only	____	____	____
(17-19)	Both grants and loans	____	____	____

(20) Comments: ____________

For Office Use Only Column

*3. In order to receive financial aid under Virginia's state-supported Tuition Assistance Grant and College Scholarship Assistance Programs, and in order to qualify for in-state tuition rates at public institutions, students must be bona fide domiciliary residents of Virginia. To establish domicile under Virginia statutes, students must have resided in Virginia for a minimum of 12 consecutive months and must have demonstrated an unqualified intent to remain in Virginia indefinitely after graduation. Students typically demonstrate this intent by filing a resident state tax return, obtaining a Virginia driver's license, or registering as a Virginia voter. Indicate whether you agree or disagree with the following statement.

(21) The current requirements and procedures for establishing domicile in Virginia are too rigorous. Circle only one.

1 Agree
2 Disagree

*4. Indicate the minimum requirements that you believe should be used to establish domicile in Virginia, thereby establishing student eligibility for a state-funded financial assistance program.

Residence requirement. Circle only one.

(22)
1 None
2 Six months or less
3 Twelve months
4 Eighteen months or more

Unqualified intent to remain in Virginia indefinitely. Circle only one.

(23)
1 There should be no intent requirement.
2 Notarized statement of intent to remain in Virginia indefinitely.
3 Objective evidence of intent through payment of state taxes, obtaining a Virginia's driver's license, or registering as a Virginia voter.

*5. Should non-Virginia residents who attend Virginia institutions be eligible for state-funded need-based aid? Circle one.

(24)
1 Yes
2 No

If you answered "Yes" to No. 5, should non-Virginia students be required to meet any criterion other than need in order to qualify for Virginia state aid? Circle one.

(25)
1 Yes
2 No

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(26) *6. If you answered "Yes," specify the criterion. ____________

____

*7. Assuming that future state funding for financial aid remains relatively constant, and taking into consideration the various federal and other sources of aid, should the state establish a program of student financial aid based on merit? Circle one.

1 Yes

(27) 2 No

Why or why not? ____________

(28) ____________

____

*8. If you answered "Yes" to No. 7, should the principal merit criterion be: (Circle only one.)

1 Minimum grade point average

(29) 2 Minimum grade point average plus school activities

3 Minimum grade point average plus community service

4 Other merit criteria established by the state
Specify ____________

5 Other merit criteria established by each institution
Specify ____________

*9. Should non-Virginia residents who attend Virginia institutions be eligible for state-funded merit-based aid? Circle one.

1 Yes

(30) 2 No

*10. If you answered "Yes" to No. 9, should non-Virginia students be required to meet any criterion other than merit in order to qualify for Virginia state aid? Circle one.

1 Yes

(31) 2 No

If you answered "Yes," specify the criterion. ____________

(32) ____________

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11. Give the number and per cent of students at your institution who received financial aid for the 1979-80 academic year from federal, state, or other sources. ("Other sources" should include only those programs that are administered through your institution's financial aid office.)

(33-37) ______________ (#)

(38-39) ______________ (%)

(40) Comments: ______________

12. What percentage of a student's need (on the average) was your institution able to meet through federal, state, and other aid programs in 1979-80? ("Other aid programs" should include only those programs that are administered through your institution's financial aid office.)

(41-42) ______________ %

(43) Comments: ______________

13. Has the percentage indicated in No. 12 remained constant over the last several years? Circle one.

(44)
1 Yes
2 No

(45) If there is a trend up or down, please specify: ______________

14. On the average, what percentage of each student's need did your institution meet in 1979-80 through each of the following types of aid?

(46-47) ______________ % Scholarship/Grant

(48-49) ______________ % Loan

(50-51) ______________ % Work-Study

(52-53) ______________ % Other (Please specify): ______________

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Column

15. Briefly explain the percentages given in No. 14. Are they, for example, the result of institutional policy? Of limited funding?

(54) ______________________________

____

____

____

16. Please indicate the order (1, 2, 3, etc.) in which you use the following programs when building a student's aid package. Use "N/A" where appropriate.

NA = 0

(55-56) ___ Basic Educational Opportunity Grant
(57-58) ___ Supplemental Educational Opportunity Grant
(59-60) ___ Guaranteed Student Loan
(61-62) ___ National Direct Student Loan
(63-64) ___ College Work-Study
(65-66) ___ College Scholarship Assistance
(67-68) ___ Tuition Assistance Grant
(69-70) ___ Commonwealth Incentive Grant
(71-72) ___ Undergraduate Scholarships/Loans (from state aid appropriation)
(73-74) ___ Other federal (Examples: ______________________________)
(75-76) ___ Other state (Examples: ______________________________)
(77-78) ___ Institutional/private

(79) Comments: ______________________________

____

____

17. Other comments about packaging. ______________________________

(80) ______________________________

____

____

____

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For Office Use Only Column

II. State-Administered Financial Aid Programs

A. College Scholarship Assistance Program (CSAP)

*18. If CSAP funding remains relatively constant and the number of applicants remains constant or only slightly increases, which of the following policies would you favor for the 1981-82 academic year? Circle only one.

(7)

1 Continuation of the 1980-81 policy granting an average award of $200 - $275 ($240 actual in 1980-81) to approximately 50% of the total eligible applicants (that is, applicants with a net need of $1,500 or more)
2 Larger awards to fewer students
3 Smaller awards to more students
4 Another method of making awards (Please explain under No. 19.

*19. How would you put into effect the policy expressed in No. 18? Circle no more than one from each section.

(8)

1 Increase the minimum need required to receive an award (currently $1,500)
2 Reduce the minimum need required to receive an award (currently $1,500)

(9)

1 Increase the percentage of need CSAP will meet (currently 9%)
2 Reduce the percentage of need CSAP will meet (currently 9%)

(10)

1 Increase the maximum award (currently $600)
2 Reduce the maximum award (currently $600)

(11)

1 Other ____

____

*20. With its current level of funding and distribution of awards, is the CSAP an effective program of student assistance? Circle one.

(12)

1 Yes
2 No

(13)

If not, why not? ____

____

____

*21. What changes, if any, would you recommend for the CSAP?

(14)

____

____

____

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*22. Comments about the CSAP: ______

(15)

B. Virginia Program for Off-Campus Work Study

23. Please comment on the Virginia Program for Off-Campus Work-Study Placement and its effectiveness in assisting students at your institution. How might this program be improved?

(16)

24. Comments about work study (the federal on-campus or Virginia off-campus program):

(17)

C. Guaranteed Student Loan Program

25. How has the increased accessibility to the Guaranteed Student Loan Program through the Virginia Education Loan Authority affected the recommendations made by financial aid counselors to students at your institution? Circle no more than one from each section.

(18)
1 Loans are recommended for more students.
2 Loans are recommended for fewer students.

(19)
1 Larger loans are recommended for those students who borrow.
2 Smaller loans are recommended for those students who borrow.

(20)
1 There has been no change in the recommendations made by financial aid counselors.

26. How has the increased accessibility to the Guaranteed Student Loan Program through the Virginia Education Loan Authority affected the borrowing patterns of students at your institution? Circle no more than one from each section.

(21)
1 More students borrow money.
2 Fewer students borrow money.

(22)
1 The average GSL obtained by students has increased.
2 The average GSL obtained by students has decreased.

(23)
1 There has been no change in the borrowing patterns of students.

For Office Use Only Column

*27. Comments about the Guaranteed Student Loan Program in Virginia:

(24)

D. Tuition Assistance Grant Program (TAG)

*28. When established by the General Assembly in 1973, the TAG program eliminated about one-third of the tuition gap between public and private college students. Now, even though the total appropriations for the program have increased substantially, only about one-fourth of the tuition gap is met for each student recipient. Should the TAG program be indexed so that the size of awards would automatically increase each year in order to eliminate a specified percentage of the tuition gap?
Circle one.

(25) 1 Yes
2 No

(26) Comments:

*29. If you answered "Yes" to No. 28, please indicate what percentage of the tuition gap should annually be met through the TAG program.

(27-28) ____________ %

(29) Comments:

*30. Comments about the Tuition Assistance Grant Program:

(30)

For Office Use Only Column

E. Commonwealth Incentive Grant Program

*31. Is the Commonwealth Incentive Grant Program an effective means of attracting academically superior "other-race" students to Virginia's state-supported institutions of higher education? Circle one.

(31)

1 Yes
2 No

*32. If you answered "No" to No. 31, please explain your response and indicate how the program could be modified in order to accomplish its goal.

(32)

F. General Administration of Aid Programs

*33. Please comment on the present administrative organization of state financial aid programs for Virginia students (i.e., the independent administration by separate agencies of the College Scholarship Assistance Program, Tuition Assistance Grant Program, Guaranteed Student Loan Program, and other programs).

(33)

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34. Using the chart below, please discuss any problems you are experiencing with the administration of state student aid programs. For example, are you able to use all of the funds allotted to your institution for a particular program? Have federal programs rendered state funds superfluous for any program? Are there policies or procedures with which you disagree? Are the individual awards under each program large enough to be meaningful to your students? (If additional space is needed, continue on a separate sheet or on the back of this page.)

(34)	(a) College Scholarship Assistance Program	
(35)	(b) Tuition Assistance Grant Program	
(36)	(c) Commonwealth Incentive Grant Program	
(37)	(d) General Assembly Nursing Scholarships	
(38)	(e) State Medical Scholarships	
(39)	(f) State Dental Scholarships	
(40)	(g) Guaranteed Student Loan Program/Virginia Education Loan Authority	
(41)	(h) Other	

(42) Comments: ____

____

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For Office Use Only Column

III. Portability/Reciprocity

Portability may be defined as the student's option to apply for and receive a state financial aid grant in Virginia, then carry that award to an out-of-state institution. A reciprocity agreement between Virginia and another state would allow portability of student financial aid grants between the two states.

*35. Do you think Virginia should allow portability of state-funded student financial aid grants? Circle one.

(7)
1 Yes
2 No

*36. Do you favor reciprocity agreements:

Between Virginia and contiguous states? Circle one.

(8)
1 Yes
2 No

Between Virginia and non-contiguous states? Circle one.

(9)
1 Yes
2 No

Comments: ____________________

(10) ____________________

____

37. How many out-of-state students (full and part-time) enrolled in your institution in 1979-80 held portable awards from other states?

(11-14) ____________________

In descending order, list the five principal states from which these students held portable awards and the approximate number of students with grants from each state.

	State	Number of Students
(15-16, 17-19)		
(20-21, 22-24)		
(25-26, 27-29)		
(30-31, 32-34)		
(35-36, 37-39)		

For Office Use Only Column

38. In rank order, list the five principal states with which reciprocity agreements would benefit your institution.

(40-41) ______________

(42-43) ______________

(44-45) ______________

(46-47) ______________

(48-49) ______________

IV. Virginia State Appropriation

*39. For a number of years, the state-supported four-year institutions have been receiving a biennial appropriation specifically for student financial assistance. This appropriation, by statute, must be used for one of the following purposes:

(1) Need-based grants to full-time undergraduates,
(2) Assistantships or fellowships to full-time graduate students with the stipulation that no more than 50 percent of the total amount available to the institution through the appropriation may be used for graduate student financial aid.
(3) Institutional contributions to the State Student Loan Program.
(4) Institutional matching funds for federal programs of student financial aid.

Please comment on the restrictions for use of the Virginia state appropriation and specify the changes, if any, that you would recommend for the use of future appropriations.

____

(50) ______________________________

____

Thank you for your participation in this survey. Although all individual responses will remain confidential, in order for the Council to determine that questionnaires have been received from a cross-section of the population, please sign and date the survey below.

______________________________ (Signature) ______________ (Date)