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ABSTRACT

This program evaluation by the staff of the Illinois Economic and Fiscal Commission seeks to examine the impact and effectiveness of the major student financial aid programs in Illinois. Particular emphasis was placed on public university undergraduate students. In collecting information, a survey was distributed to over 7,800 public university students. Responses were received from 42 percent of these. Surveys were also sent to financial aid administrators and to budget and finance officers at all public and private colleges and universities. Some of the report's findings and recommendations, include: (1) A simplified, probably standard, form should replace the confusing welter of forms a student must use to apply for financial aid. (2) Nonrepayable assistance and loans play a more important role in the budgets of low income students, but low income parents as well as middle income parents still make a considerable financial effort to send their children to college. (3) Small businessmen seem to be unfairly treated by the current method of determining how much aid a student needs. (4) The Illinois State Scholarship Commission should institute tighter monitoring to detect fraudulent aid applications. (5) Studies should be made of students who do not win State scholarships to find out whether without that aid they cannot attend college for financial reasons. (MJM)

STUDENT FINANCIAL AID IN ILLINOIS: a program evaluation

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illinois economic and fiscal commission

Illinois
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ILLINOIS ECONOMIC AND FISCAL COMMISSION

PROGRAM EVALUATION

STUDENT FINANCIAL AID IN ILLINOIS

SUMMARY

This program evaluation by the staff of the Illinois Economic and Fiscal Commission seeks to examine the impact and effectiveness of the major student financial aid programs in Illinois. Particular emphasis was placed on public university undergraduate students.

In collecting information, a survey was distributed to over 7800 public university students. Responses were received from 42% of these. Surveys were also sent to financial aid administrators and to budget and finance officers at all public and private colleges and universities. Other sources of information included interviews with officials of the Illinois State Scholarship Commission (ISSC), the Illinois Board of Higher Education (IBHE), the Bureau of the Budget (BoB) and a number of campuses. State documents and national publications were also used.

In addition to the general goal of promoting access to higher education, the study centered on four basic objectives of financial aid programs: equity or fairness of distribution; adequacy of funds; administrative efficiency; and stability of funding over time.

Financial Barriers and the Role of Financial Aid (Chapter II). It is noted that tuition and fees have increased sharply over the past several years at both public and private institutions. The present range is from $15 per year at the State Community College at East St. Louis to over $3000 at Northwestern University, Knox College, and Lake Forest College (p. 6). Other financial barriers (living expenses and foregone earnings) are discussed briefly (p. 7).

Although parents and students have traditionally had the major responsibility for paying college expenses, government has played an increasing role in recent years for those who were otherwise unable to meet college costs (pp. 7-9). Much of this aid takes the form of nonrepayable assistance (NRA)--scholarships, grants and fellowships which the student does not have to repay with cash or service (p. 8). Other programs have been set up to provide employment and borrowing opportunities (p. 9).

The chapter briefly discusses the five major sources of financial assistance to students: their parents' contribution, school year employment, summer jobs, NRA and loans. It is observed from the survey of public university students that, overall, parents pay less than one-fourth of students' college costs (pp. 10-11). Parental assistance declines in importance as a funding source for juniors and seniors, being replaced largely by school-year employment (pp. 15-16). The relative importance of parental assistance among the five sources increases with family income accounting for 8% of the college resources of students in the $0-5,000 parental income range and 36% of the resources of students whose family incomes are over $20,000 (pp. 11-13).

The last section of the chapter focuses on campus financial aid officers. The purpose of a campus financial aid office is to assist students in obtaining financial aid to meet college costs. The financial aid officer must monitor sources of assistance and insure that students are informed about available aid. He must also see that the assistance provided to each student is appropriate to the student's need and conforms to the guidelines governing the various aid programs (p. 17). Over half of the students responding to the IEFC survey said that their university's financial aid office had been a useful source of information (p. 17).

It is noted that there are a large number of forms that students must fill out in order to apply for financial aid, and it is recommended that efforts be undertaken to develop a standard aid application at least for all public universities and colleges in the state (pp. 18-19).

The need to provide each student with a mix of financial assistance that takes account of his individual situation ("balanced packaging") is discussed. Balanced packaging is intended to prevent a student from taking on an unmanageable commitment to either loans or school year employment, but there is no agreement among financial aid officers about what constitutes a balanced package generally. For example, most felt that NRA was more necessary for freshmen and sophomores than for juniors and seniors, but a number of aid officers at private senior institutions disagreed. There was also widespread disagreement about the appropriateness of loan financing at different grade levels (pp. 19-21).

Because of the complexity involved in keeping track of many different aid programs and the needs of many students, it would seem that there would be extensive use of computers in financial aid administration. However, the IEFC survey showed that only one-third of financial aid officers use computers even for bookkeeping purposes. It is recommended that IBHE and ISSC develop a plan for the use of computers in the management of financial aid resources at least at all public universities (pp. 21-22).

Nonrepayable Assistance (Chapter III). Nonrepayable assistance (NRA) is any financial aid which the student does not repay or earn through employment. There are two basic types of NRA--need-based, awarded on the basis of financial need after a formal needs assessment procedure; and non-need, awarded on the basis of other criteria without specific consideration of individual economic circumstances (p. 23).

The major State need-based NRA program is the Illinois State Scholarship Commission (ISSC) Monetary Award Program. The Monetary Award Program has two objectives: to enhance financial access through tuition payments and to decrease the importance of cost as a factor in the student's decision of which college to attend. The second objective, "freedom of choice," is intended to help students make their college decisions on noncost grounds (program offerings, size, location, etc.) and to help private institutions, which suffer a serious price disadvantage in competing with the public institutions for students (pp. 29-30).

Over $55 million was appropriated for this program in FY 1974, with $63.2 million requested for FY 1975. ISSC announces awards in excess of appropriations every year because approximately 20% of winners do not use their awards (pp. 30-31).

The traditional principle underlying most needs analysis procedures has been that parents have a major responsibility for financing the college education of their children. However, with the passage of the 18-year-old vote and the extension of adult rights to 18-year-olds in most states, legal questions have been raised concerning the idea that parents' economic circumstances should determine eligibility for need-based NRA. If the courts should hold that all 18-year-old students must be considered "independent," nearly all students would qualify for need-based aid, and the concept would be meaningless (pp. 34-35).

To insure fairness in assessing need and distributing NRA, ISSC requires a family financial statement on the basis of which it calculates how much the student's parents should contribute to his education from income (pp. 35-36); how much should be contributed from family assets (pp. 36-37); and how much the student himself should contribute (p. 37). It is noted that ISSC awards are given to almost 90% of applicants in the $11,000-11,999 range. There is no specific income cutoff for eligibility--over 200 students from families with incomes over $26,000 are receiving monetary awards this year (p. 39).

Within the public university system, various NRA programs seem to be impacting so as to provide the greatest assistance to those students with the greatest financial need. When the composition of

student budgets was examined, it was observed that the percent of budget from gift assistance (nonrepayable plus parental assistance) did not vary greatly across income groups. Accordingly, the extent of effort being made by students from self-help sources (work and loans) was not observed to vary substantially (pp. 39-40).

There is, however, some question about the impact of NRA as it relates to parental assistance. For students with parents in the $5000-20,000 income ranges, parental assistance as a percent of current income appears to remain relatively similar at just under 5%. This amounts to a tax rate which is basically proportional within this income range.

Parents in the highest income group (over $20,000) are providing the highest amount of assistance. However, as a percent of income, the effort being made by these parents appears to be below average (pp. 40-41).

Despite the fact that students in the lowest income group are receiving relatively more NRA, the parents of these students appear to be making an above average effort in providing assistance. However, because only about one-third of the students in this lowest income group are receiving any assistance from parents, care must be taken in drawing any conclusions about this above average parental effort as it impacts typically within this income group (pp. 40-43).

Changes occuring in several key need-based NRA programs should provide a more progressive distribution of NRA next year. To some extent, these changes should reduce the effort currently being made by low and middle income parents in providing financial assistance (p. 42).

To ascertain the real impact of these changes in State and federa. NRA programs, it is recommended that IBHE closely monitor student budgets next year. Because it appears that many lower income parents may be making an exceptional effort in providing assistance, particular attention should be given to the impacts of these changes on parental assistance to students from the lower income groups (under $10,000).

In order to improve the State's Monetary Award Program, ISSC should survey nonwinners and nonacceptors of awards each year. Only in this way can the adequacy of the State's primary program of need-based assistance be regularly assessed to insure that residents are not being denied access to higher education because of financial considerations.

Responses to the IEFC student survey show that half or more of the students from all income groups feel that current needs assessment procedures are unfair to students from their economic background. This attitude is most marked in middle and upper income groups (pp. 43-44).

There has been considerable discussion of the need to increase financial aid available to middle income students. ISSC has already made adjustments in its need analysis procedures which, beginning in AY 74-75, are expected to help primarily middle income students by decreasing the expected family contribution from both income and assets (pp. 45-46).

Further changes could be made in the maintenance allowance which would help middle income families even more. Expected contributions from assets could also be further adjusted--by allowing a "homestead exemption" for a family's residence or by treating "necessity" assets (home, basic cash reserves) differently than "luxury" assets (vacation homes, recreational vehicles).

The present procedure allows a "reward" to families who choose to spend rather than saving--since such families have a lower expected contribution from assets, the State pays more of their college costs than it does for a family which has been thrifty and accumulated assets. It is recommended that ISSC consider establishing a minimum expected contribution from assets based on a reasonable saving pattern (p. 46).

The treatment of farm and small business assets is considered. It is noted that, while problems in the valuation of farm assets seem to have been alleviated, the children of small businessmen are still being denied NRA because of the valuation of the family's business assets. Since income-earning assets should be considered "necessity" assets when the family's primary income source, it is recommended that ISSC adjust its needs analysis procedure to correct this (pp. 46-47).

Three other recommendations are made in the chapter. First, ISSC should discontinue its practice of giving partial awards only in $150 blocks and give partial winners the exact amount for which they are eligible (p. 32).

Second, ISSC should provide more publicity about the way needs analysis is done (pp. 44, 51). The less people know about the procedure, the more likely they are to consider it unfair.

Third, it is recommended that ISSC tighten up its procedure for auditing information provided in the monetary award application. At the very least, an automatic audit should be made of applications submitted by those who have previously submitted fraudulent information. Ultimately, a complete crosscheck with Illinois income tax data should be made on all ISSC monetary award applications to insure that information about income is being correctly reported (p. 34).

State "Non-need" NRA Programs (Chapter IV). Non-need NRA is aid which is awarded to students on the basis of some characteristic other than demonstrated personal financial need. Some programs which are technically non-need, such as Social Security benefits, are effectively impacting most heavily on needy students even though they do not require a personal financial statement. This is because the criterion on which they are awarded is closely related to need. (In the case of Social Security benefits, the criterion is that an income-earning parent must be deceased or retired, which is likely to reduce the family's income and so increase the student's need.)

Non-need NRA is provided either as a fringe benefit for certain kinds of public service personnel (e.g., veterans) or to provide incentives for students to train for occupations which are in short supply. In some states, non-need NRA is given on the basis of academic merit, but this is not done in Illinois. Approximately $25 million in State non-need NRA was awarded to Illinois students during AY 1972-73 (p. 52).

About $17 million was awarded under various State statutory programs, mostly for veterans and teacher education (which is being phased out). Approximately 44% of veterans and 81% of nonveterans responding to our student survey said they thought veterans' benefits should be based at least partly on financial need. The General Assembly might consider the addition of some need criterion for veterans. For example, all veterans might receive a waiver of half of public tuitions, with waiver of the other half contingent upon demonstrated personal need (pp. 54-57).

In addition to statutory tuition waivers (which can be used only at public universities), a few special education programs award cash stipends (which can be used at either public or private institutions) to provide incentives to students who wish to train as teachers of gifted or handicapped children. Another such program is for bilingual teachers who wish to qualify for Illinois teacher certification. Special education programs require participants to teach in their area of training (pp. 58-59).

Nearly $8 million was awarded last year in the form of "institutional waivers" by public universities (pp. 59-60). Each of the four public university systems has a different policy governing the award of institutional waivers, and individual campuses within a system may implement the system policy differently. Over $700,000 was spent on tuition waivers for athletes at public universities this year. As these waivers are funded from State appropriations, it is recommended that the Board of Higher Education establish a uniform policy.

Major Federal NRA Programs (Chapter V). The federal government provides about twice as much aid to students at Illinois colleges and universities as does the State ($150 million vs. $76 million). Most of the federal money is in the form of veterans' and Social Security benefits (pp. 63-64).

There are two major federal need-based programs--Basic Educational Opportunity Grants (BEOG) and Supplemental Educational Opportunity Grants (SEOG). BEOG, implemented for the first time this year, provides grants directly to low income students but got off to a slow start, partly because of funding problems. Financial aid officers are generally pessimistic about the program (pp. 66-68). BEOG provided an estimated $8 million to Illinois students in AY 1973-74. Funding of the program has quadrupled for next year, and average awards are expected to increase from $260 to $670 (p. 69).

SEOG is administered by the institutions rather than given directly to the students by the federal government. SEOG accounted for approximately $9.4 million in Illinois in AY 1973-74 and will remain at that level in AY 1974-75 (pp. 68-69).

Federal and State Student Loan Programs (Chapter VI). Publicly supported loan programs provided approximately $50 million to students in Illinois institutions during AY 1972-73. This chapter focuses on two programs--federal National Direct Student Loans (NDSL) and the Illinois Guaranteed Loan Program (IGLP).

NDSL loans are made directly by the institution and are targeted on low income students. About $13.5 million was distributed through this program in AY 1973-74. Financial aid officers responding to our survey said they felt funding for the program was inadequate (pp. 71-72).

Students may borrow up to $2500 during each of the first two undergraduate years and up to a total of $5000 during the time it takes to complete their bachelor's degrees. NDSL loans carry 3% simple interest and are repayable over ten years (p. 73).

NDSL defaults are widely believed to be a serious problem, but the U. S. Office of Education provides very little specific information on which to test this. We estimate the default rate for 1968 (the last year for which data are available) to have been 22% (14% if only delinquencies longer than 120 days are counted). Factors causing the high delinquency rates include: (1) inadequate federal enforcement efforts, (2) the long repayment period, and (3) insufficient emphasis on the repayment obligation when the institution makes the loan (pp. 73-74).

The Illinois Guaranteed Loan Program is targeted primarily on middle and upper income students. They may borrow up to $1000 for the freshman year, $1500 for the sophomore year, and $2500 for each year

thereafter up to a maximum of $10,000. IGLP loans are made by private lenders, such as banks, carry a 7% interest and must usually be repaid within five years. Loan volume has been about $40 million per year, with approximately 89% of loans going to undergraduates (pp. 74-75).

Loans made by private lenders under IGLP are "guaranteed" by the State and federal governments. The federal government covers 80% and the State 20% of repayment of loans delinquent longer than 120 days. The federal government also contributes a variable interest add-on to lenders above the 7% paid by the student. Another federal attempt to aid state guaranteed loan programs is "Sallie Mae," the Student Loan Marketing Association, a quasi-private corporation which acts as a "warehouse" for student loans. Private lenders who make guaranteed loans may borrow from Sallie Mae, using their student loans as collateral. Because the program only began in Fall 1973, its impact is still uncertain (p. 77).

Besides guaranteeing loans, ISSC is responsible for reviewing loan applications to insure that loans are made according to federal and State guidelines (p. 77).

It is recommended that ISSC establish better contact with lenders to minimize lender misunderstanding about the program and to promote greater lender participation (p. 78).

ISSC's default prevention program appears to be generally effective (pp. 78-80).

Borrowing by Public University Students (Chapter VII). In this chapter, the results of the IEFC student survey are analyzed to gain some insight into supply and demand factors in the student loan market. In order to determine how borrowing relates to assistance from nonloan sources, the full-time undergraduates in our sample were divided into two groups--those who had borrowed for the current academic year and those who had not. There were 416 borrowers and 1640 nonborrowers (p. 82).

Borrowers were found to receive about half as much parental assistance as nonborrowers, but almost one and a half times more NRA. Borrowers were working fewer hours during the school year and were earning less during both the school year and the summer. On the whole, borrowers appeared to receive only about 90% as much money from nonloan sources as did nonborrowers. Thus, while in some cases students choose to borrow instead of working, there are also cases where borrowing occurs in response to inadequate funds from other sources (pp. 82-84).

Some evidence is presented which shows that those who borrow receive loans which are greater than they may actually need. This may be explained by borrowers' greater reliance on uncertain sources such

as NRA, which may cause them to hedge by negotiating a loan which later proves to be larger than needed. Consideration should be given to disbursing loans by semester or quarter rather than in a lump sum at the beginning of the year, so that adjustment can be made as needed. However, such a procedure appears impractical under the existing program (pp. 84-86).

Factors causing different rates of borrowing at different levels of family income are also discussed. Primarily as a result of the NDSL program, students from low income families were found to have greater success than middle and upper income students in obtaining college loans (pp. 86-90).

It is observed that student loan activity declined sharply in 1973, primarily because of more strict federal guidelines. It has been argued that many students have not sought loans because of the more complicated needs analysis procedures. Another major factor has been lenders' unwillingness to participate in IGLP because of the higher administrative costs brought on by the new procedures and because of considerable confusion about the new federal guidelines (pp. 91-93).

Improving Student Loan Programs (Chapter VIII). In this chapter, possible changes in the IGL Program are examined as are various alternatives to the existing program. A closer review by ISSC of loan requests is recommended to reduce the problem of overborrowing (p. 95).

In order to promote greater lender participation, a recommendation is made that ISSC's budget request for two full-time field representatives be granted (p. 96). A special allowance to help lenders defray administrative costs of loans and the allocation of State deposits by the Treasurer are also considered as means of promoting greater lender participation (pp. 96-97).

The possibility of direct State lending is analyzed. Under such a program, the State would have greater control over the availability of student loan money as well as greater control over the distribution of such funds. A recommendation is made that ISSC's proposed feasibility study of a direct State lending program in Illinois be undertaken, and some issues that study should address are enumerated (pp. 97-99). If the ISSC study concludes that there is no need for a full scale direct State lending program, evidence should be provided showing how the current program will provide adequate funds over the next five to ten years.

The need to promote student borrowing is considered. If students are expected to finance a greater share of their educational costs over time, then the role of borrowing as a self-help source will increase. An increased emphasis on providing information about the State program is seen as one important way of promoting students borrowing (p. 100).

Possible changes in the terms of student loans are also examined. Lengthening the repayment period is one such change. Another possibility is the income contingent loan concept. Because the liability for repayment under such a program is determined on the basis of a student's actual future income, it is possible that greater student borrowing may occur (pp. 100-103).

Some of the potential problems of an income contingent loan program are considered, including adverse selectivity, federal nonparticipation, and administrative complexity (pp. 103-104). So is student receptivity to the concept. Overall, 45% of the undergraduates in the IEFC survey responded positively to the concept and indicated they might participate in such a program (pp. 104-106).

The report recommends that no immediate action be taken by the State to develop an income contingent loan program. For the time being, the most serious problem which the State should address is insuring that an adequate supply of loan money is available (p. 106).

Earnings from Employment (Chapter IX). This is the largest single source of funds, according to the IEFC survey of public university students. Summer employment accounted for 31% of full-time undergraduate students' total resources, and school-year jobs accounted for 20%. Despite the importance of this source, however, little attention has been focused on it in state or national studies (p. 107).

About 48% of the full-time undergraduates in our survey had school-year jobs, with an "unemployment rate" (those who unsuccessfully sought jobs) of about 23% (p. 108). The average employed student works about 18 hours per week during the school year, and 52% of the students with jobs said their studies had suffered as a result of working (pp. 108-109).

Low and middle income students were found to be less successful in finding jobs than those in higher income groups. They made up for their unemployment by obtaining more money from parents and borrowing (pp. 109-110). School-year employment is lowest among freshmen--29% employed--and jumps sharply among upper classmen--53% of sophomores and juniors have jobs. Seniors are most likely to have school-year jobs, with 61% reporting employment (pp. 111-112).

The two principal public sources of school-year employment are the federally supported College Work-Study Program and institutional funds. However, the off-campus private sector accounts for an estimated 60-70% of school-year jobs at the public universities. It was found that schools located outside of major cities had consistently higher student "unemployment rates" than those in cities, presumably because of an inadequate supply of off-campus jobs (pp. 113-114).

Under the federal College Work-Study Program, administered by the institutions, the federal government will pay 80% of the school-year earnings of a student with demonstrated financial need. About

28,000 Illinois students will receive assistance amounting to $13 million through this program in AY 1973-74 (p. 115). The President's FY 1975 budget request for Work Study is $250 million. This is a reduction of $20 million from the FY 1974 level, largely because the Administration wishes to replace most federal student aid programs with BEOG (p. 116).

About 85% of the students responding to our survey had summer jobs, with a summer "unemployment rate" of 9%. Male students were more likely than females to seek and to find summer work, and high income students were more likely than low income students to seek and find jobs (pp. 116-117).

Twenty-two Illinois colleges and universities have expanded their off-campus placement services into cooperative education programs, under which the student alternates between terms of full-time work and full-time study. Under some programs this may mean that five years are needed to complete a bachelor's degree. Under a "co-op ed" program, an attempt is made to place the student in a job related to his field of study. The student often receives academic credit for his work term (p. 118).

The federal government provides some aid to schools to set up co-op ed programs. Thirteen Illinois schools are presently receiving such aid. We contacted several of these, and they reported general satisfaction with the programs and good cooperation from private employers (p. 119).

Almost 60% of all undergraduates responding to the IEFC survey indicated they might participate in a co-op ed program if one were available at their school. Among income groups, those in the $10,000-15,000 range expressed greatest interest. Two-thirds of students working more than 30 hours a week said they might participate, as did 65% of those who said their studies suffered because of their jobs (pp. 119-120).

It is recommended that IBHE make a comprehensive study of possible expansion of student off-campus employment, with special attention to a co-op ed alternative. Because of the importance of employment as a funding source for all students, it is also recommended that IBHE establish an ongoing capability to monitor the student employment market (pp. 120-121).

Tuition Policy and Financial Aid (Chapter X). The effectiveness and efficiency of financial aid programs depend heavily on tuition policy. Programs which now seem adequate could become ineffective if tuitions increased significantly. Because private universities do not receive large amounts of tax support, their tuition charges are significantly higher than those at public institutions. This creates a "dual pricing" situation, which places private schools at a disadvantage in attracting and retaining students (p. 122).

Many public educators believe that low tuitions should be maintained at public colleges in order to permit access to low and middle income students who depend on higher education for economic and social advancement. Some also feel that increasing tuition at public universities would jeopardize those schools by undercutting their enrollments. These educators feel that students and their parents might be unwilling to pay higher costs, even if they were able to do so. However, maintaining low public tuitions jeopardizes the viability of private institutions (pp. 122-123).

A number of experts have recommended increasing public tuitions to cover one-third of per-student instructional costs. For the present year, that would mean an increase from an average of $554 to an average of $775. In 1970, the Chandler Commission pointed out that tax support of Illinois public universities meant, in effect, that a subsidy of $1260 was being provided to every public university student, regardless of need, and that many students could be asked to bear a larger share of the costs of their education. Any increase in tuitions would have to be partially offset by increases in student financial aid (pp. 124-125).

One question on the IEFC student survey was intended to discover how students would respond to a substantial tuition increase. From these responses, students were divided into four groups, based on the likelihood that they would drop out of higher education rather than seek additional funds. Those who were least likely to drop out (53% of the sample) were found to include a relatively high percentage of high income students, students with fairly high grade averages, and students with clear career goals (pp. 125-126).

The second group (30% of the sample) were unlikely to drop out altogether but said they might drop out temporarily in order to earn enough money to return to school. While evidencing greater uncertainty about the likelihood of interrupting their educations if public university tuitions increased by $500, a relatively high percentage of students in Group 2 indicated a willingness to take on a greater self-help commitment through work and loan programs to cover the additional costs (pp. 126-127).

The third group (11% of the sample) were likely to drop out altogether but were also likely to drop out, earn more money and return. While these students were less likely to seek additional part-time employment (nearly 60% indicated they were already working during the school year), they expressed considerable interest in the cooperative education idea. Similarly, while only 19% indicated they were likely to seek a bank loan, 55% expressed interest in the income-contingent loan concept. They included a relatively high percentage of part-time students, married students, and students over 26 years old (pp. 127-128).

The fourth group (6% of the sample) were more likely to drop out altogether and were not interested in the "earn and return" option. At the same time, however, 55% responded positively to the cooperative education concept and 47% of the students expressed interest in the income-contingent loan concept. Students in Group 4 tended to have fairly high grade averages but were less likely to have specific career goals pp. 128-129).

It appears from this analysis that in the event of a sizeable tuition increase, demand for student work and loan programs would increase. For the 83% of students comprising Groups 1 and 2, an increased demand for employment and loan assistance would occur within the context of existing programs. For the students in Groups 3 and 4 (the two most marginal groups in terms of the likelihood of continuing with their educations), willingness to assume a larger self-help commitment would appear to require more innovative approaches to work and loan assistance (pp. 129-130).

The implications for nonrepayable assistance under a high tuition policy at public universities are also disucssed. In particular, additional NRA may be required to avoid serious differences in expected self-help commitments expected by students from different economic backgrounds (pp. 130-131).

Some states have established tuition charges differentiated by grade level to reflect actual instructional costs. That is, tuition for juniors and seniors is higher than for freshmen and sophomores, and graduate tuition is higher still. Differential tuition not only causes students to bear a fairer share of actual instructional costs but also provides initial access to higher education at relatively low cost to the student. Students responding to our survey split about evenly on whether they thought such a tuition structure would be desirable (p. 131).

Even with a continued policy of relatively low tuitions at public universities, there is still the need for action by the State regarding direct student financial assistance. The chapter concludes with a brief reiteration of the major points made in the report.

Appendices follow the text. Among them are a glossary of abbreviations used in the report, a description of the methodology of the survey of public university students, survey questionnaires and more extensive data from survey responses and documentary sources.

STUDENT FINANCIAL AID IN ILLINOIS

A PROGRAM EVALUATION

July 1974

Prepared by the staff of the Illinois Economic & Fiscal Commission

TABLE OF CONTENTS

I. PURPOSE AND SCOPE

This program review by the staff of the Illinois Economic and Fiscal Commission seeks to evaluate the impact and effectiveness of student financial aid programs in Illinois higher education. The report examines four types of programs which serve to reduce financial barriers: (1) nonrepayable assistance; (2) loan assistance; (3) work assistance; and (4) indirect assistance through tuition policy.

The focus of the study is on undergraduate students enrolled in Illinois colleges and universities. Where possible, comparisons are made across types of institutions (two and four year, public and nonprofit colleges and universities) regarding differences in costs to students and vailability of different types of assistance. However, in examining the specific impact of financial assistance on various groups of undergraduate students, the analysis is restricted to students currently enrolled in the public university system. Hence, conclusions drawn about how public university students are financing their educations and, correspondingly, the role of various financial assistance programs may not in all cases apply generally to students enrolled in other systems.

Information sources. Much of the previous analysis done in the area of student financial aid has been couched in an aggregative framework, examining differences in overall program size among types of institutions. However, the IEFC staff was able to generate a particularly detailed data base through various survey instruments, notably a student questionnaire distributed to 7811 public university students. Thus we were able to examine more specific program impacts--how particular types of students (identified by key characteristics such as parents' income and grade level) were being served by existing aid programs.

In addition to the survey of students, we conducted a mail survey of all campus financial aid officers, and of all budgeting and planning offices. The responses to these surveys provided valuable and previously unavailable information. Besides our own surveys, the IEFC staff drew from work already done in this field by groups within the state, such as the Illinois State Scholarship Commission, the Board of Higher Education and the Bureau of the Budget. Important reference material was also obtained from a number of national studies, especially the Carnegie Commission on Higher Education. Federal agencies and agencies in other states provided information about particular programs or variations which have been implemented elsewhere.

Discussions with experts both within and outside Illinois were held, and a number of college financial aid offices were visited. The IEFC staff greatly appreciates the cooperation we received from virtually everyone we contacted.

For the IEFC and its staff, this program review has been a welcome opportunity to serve both the legislature and the people of the state. Our statute speaks of the need "to establish program priorities and to coordinate available resources to the end that the maximum benefits be produced efficiently and economically." Therefore, our analyses of State-supported programs not only contain information about whether such programs are making economical and efficient use of available resources; they also focus on how effective programs are in serving the people for whom they are intended and whether they are achieving the objectives the General Assembly had in mind in creating them. We hope that these special studies will prove helpful to administrators and interested citizens as well as legislative decision-makers.

Criteria for evaluation. To a large extent, our examination of student financial aid programs centers around four principal types of objectives. These are:

1. The equity with which funds from need-based programs are distributed. This is measured relative to the student's economic background.

2. The adequacy of funds available from a given program.

3. The efficiency with which a program is administered.

4. The stability of a program's funding over time.

While the analysis of each program and type of aid will address all four objectives, the discussion in each chapter will tend to emphasize a particular objective. This may be due to an overriding concern about a single objective in the case of a certain program or because a particular objective appears to be poorly served. Hence, in Chapter III on nonrepayable assistance, much of the discussion is directed to the question of equity, while Chapter VII centers on the stability of loan financing as a source of student financial aid.

There is, of course, the more general objective of financial aid as a means of promoting access to higher education. This goal can be considered along several dimensions. Financial aid may be used to promote enrollment generally or to encourage selective patterns of enrollment among socioeconomic groups or in high-priority disciplines.

A system of financial aid can also be evaluated on the basis of its role in moderating fluctuations in participation rates. Changes in the cost to students of postsecondary education can cause extreme fluctuations, which would hamper the efficiency and effectiveness of higher education systems over time. A sensitive financial aid system should help to prevent this.

The validity of these objectives and the role of the public sector in achieving them pervades the literature on financial aid, and no effort to reconstruct the arguments will be made in this report. The importance of active participation in higher education by the citizens of Illinois and the role of the State in this regard is clearly enunciated in the Higher Education Student Assistance Law:

> Sec. 30-15.1. Purpose. The General Assembly has found and hereby declares that the provision of a higher education for all residents of this State who desire such an education and are properly qualified therefor is important to the welfare and security of this State and Nation, and consequently is an important public purpose; many qualified students are deterred by financial considerations from completing their education, with a consequent irreparable loss to the State and Nation of talents vital to welfare and security. The number of qualified persons who desire higher education is increasing rapidly, and the physical facilities, faculties, and staffs of the institutions of higher learning operated by the State will have to be expanded greatly to accommodate such persons, with an attendant sharp increase in the cost of educating such persons. A system of financial assistance of scholarships, grants, and guaranteed loans for qualified residents of college age will enable them to attend qualified institutions of their choice in the State, public or private. (1967)

Organization of the report. Chapter II provides a perspective on financial aid as a means of reducing financial barriers. It briefly describes existing financial barriers and discusses the ways in which students are presently overcoming these barriers, drawing from the student survey responses.

Chapters III-IX focus on individual aid programs (first nonrepayable assistance, then loans and work), analyzing each according to the evaluation criteria described above. Chapter X contains an examination of the opposing views on tuition policy and an analysis of the implications of tuition policy for financial aid programs.

II. FINANCIAL BARRIERS AND THE ROLE OF FINANCIAL AID.

Among the many kinds of barriers which confront a person wishing to obtain a postsecondary education, financial barriers are perhaps the most pervasive and are the subject of this chapter. The chapter is organized into three main parts: (1) a discussion of the nature of financial barriers, (2) an overview of how students are currently meeting their college costs, and (3) an examination of the role of financial aid officers in assisting students to overcome financial barriers.

Financial Barriers

This section discusses the financial barriers that exist for a person who is eligible for college and desires to attend. The principal financial burdens one incurs while attending college are: (1) tuition and fees, (2) living expenses, and (3) foregone earnings. Any one of the three may be the major barrier for a particular student. Each impacts differently on different groups of potential students.

Tuition and fees. Education is a labor intensive industry, and increases in productivity are difficult to achieve. Accordingly, the effects of inflation in recent years have been particularly felt by institutions of higher education. Because the growth in nontuition sources of revenue has not kept pace with instructional costs, colleges and universities have had to resort to tuition increases.

At the public senior institutions in Illinois the average tuition and mandatory fees have increased from $185 in the academic year 1964-65 to $562 in AY 1973-74--an increase of $377 over nine years. At the private seniors the average increase for the same period was from $947 to $1908--a jump of $961.

While tuitions have been increasing sharply over the past ten years, this has not been the only approach taken by institutions to meet rising financial pressures. The IEFC staff conducted a survey of budget and planning officials at all Illinois colleges and universities to collect information on how institutions were responding to rising costs. As shown in Table II-1, many means of cutting costs have been extensively used by all sectors, but increasing tuition has been resorted to more frequently than any other measure.

Privates have had to rely relatively more on tuition increases than the publics which depend to a much greater extent on State tax revenues to fund their operations. The widening tuition differential between the two sectors has had a direct impact on enrollment patterns. While enrollment in public institutions (mostly in community colleges) has increased 12.59% since AY 1968-69, enrollment in the privates has shown an overall decrease of 0.45% during the same period. The academic year

1973-74 is the fourth successive year of declining enrollments in Illinois private institutions.

Table II-1. Measures taken to reduce the gap between costs and revenues by type of institution (percent of respondents taking such action).

Type of Institution	Increased tuition	Increased student-faculty ratio	Delayed maintenance expenditures	"Across-the-board" cuts
Public Senior	90%	73%	82%	50%
Private Senior	100	61	71	39
Public Junior	71	85	42	38
Private Junior	83	33	66	17
All Institutions	87	66	60	40

Source: IEFC survey of budget and planning officials.

The public/private tuition differential leads to even greater financial pressure in the private sector because as tuitions increase to meet rising costs, more students choose to go to the less expensive public institutions. The fixed costs of the private institutions then must be spread over fewer students, resulting in a new need to increase tuitions again. This phenomenon is nationwide and has aroused considerable concern among both private institutions and public policymakers.

The National Commission on the Financing of Postsecondary Education, established by Congress in 1972, released a major report in January 1974 recommending that tuitions in the public sector increase and that increased grants be made available to assure access to needy students.

The Carnegie Commission has recommended increased public subsidies to private institutions as well as increased tuitions in the public sector as a means of narrowing tuition differences between the sectors. They argue that society benefits as much from a private college graduate as from a public college graduate and that diversity in higher education should be preserved. They advocate that subsidies should be made to the private institutions in ways which preserve their autonomy, encourage participation among low income students, and increase students' options to choose between the private and public sectors.

To some degree this is now being done in Illinois through the Illinois State Scholarship Commission (ISSC) and the Illinois Financial Assistance Act for Nonpublic Institutions of Higher Learning (P.A. 77-723, July 13, 1971). Through the ISSC, students with financial need who choose to attend a private institution in Illinois may receive up to $1300[1] toward their tuition costs. P.A. 77-273 provides that private colleges and universities receive $100 for each lower division student who is an ISSC Monetary Award recipient (must be Illinois resident with financial need) and $200 for each upper division student who is an Illinois resident. Since the passage of this Act, private institutions in Illinois have received approximately $6 million from the State each year.

In Illinois, the tuition and mandatory fees for a full-time student during AY 1973-74 range from as low as $15 at the State Community College at East St. Louis to more than $3,000 at Northwestern University, Knox College, and Lake Forest College. For the noncommuting student, tuition may comprise as little as 12% of his total college expenses at a public community college but as much as 50% at a private senior institution (see Table II-2).

Table II-2. Average annual resident student costs by type of institution.[1]

Type of Institution	Average Annual Tuition & Mandatory Fees	Average Annual College Cost Budgets[2]	Tuition & Fees as a % of College Costs
Public Community Colleges	$ 258	$2162	12%
Public Universities	562	2448	23
Private Junior Colleges	1341	3324	40
Private Senior Colleges & Universities	1915	3853	50

1. These institutional averages (not weighted by enrollment) were derived from the ISSC listing of Illinois College Costs for AY 1973-74.

2. The college cost budget is the sum of tuition, mandatory fees, and living expenses (see discussion below).

[1]For AY 1974-75, the Illinois Board of Higher Education (IBHE) has recommended an increase to $1350, and the Illinois State Scholarship Commission has recommended $1450. Governor Walker's FY 1975 budget recommendation included the $1350 maximum proposed by IBHE.

Living expenses. Noninstructional costs of higher education are generally referred to as subsistence or living expenses. These, when added to tuition and mandatory fees, comprise what the ISSC calls the "college cost budget." ISSC estimates living expenses for a resident student by adding $700 (for books, transportation, and other personal expenses) to the residence hall (room and board) charges at the campus he plans to attend. If the student's campus has no residence halls, an allowance of $1200 for off-campus room and board is made. According to these figures, living expenses for students in all sectors average just under $2,000 per year.

Foregone earnings. All students who are employable bear "opportunity costs" in the form of foregone earnings. The impact of these costs is likely to be greatest on those students who have been in the labor force and, in particular, those from low income and farm families which may be partially dependent on them for support. The student from a low income family must consider not only the out-of-pocket costs of attendance, but also the burden he may impose on his family as a result of foregone earnings he might have contributed if he were not in college.

Analysis of the opportunity costs of a higher education hinges on a comparison of (1) the potential student's current earning power, adjusted for foregone pay increases each year while in college and (2) his earning power after obtaining a college degree. Using the average earnings of 18-24 year-olds with no college, the Carnegie Commission[1] estimated the average foregone income for college students during the forty weeks of AY 1970-71 to be $2,676 (after deducting living expenses, which would have to be paid whether in school or not).

Of course, foregoing income while in college usually results in significantly greater earning capacity in later life. According to the U. S. Census Bureau, the mean annual income of male college graduates in 1972 was $16,200, while for high school graduates the figure was only $10,430. Based on these figures, the average lifetime income of male college graduates was estimated at $758,000, compared with $479,000 for males with no college.[2] Thus, by foregoing approximately $10,000-12,000 over the four years of college, an increase in lifetime earnings of at least $250,000 could reasonably be expected.

How Students Meet College Costs

Financial responsibility for college education has traditionally rested with the student and his parents. If the family could not afford it, the potential student in most cases would be unable to attend. With passage of the Land Grant College Act in 1862, federal policymakers made a major

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[1] Higher Education: Who Pays? Who Benefits? Who Should Pay? (1973)

[2] The Chronicle of Higher Education, April 8, 1974.

commitment to the importance of a college-educated populace to the nation's well-being. The creation of new education facilities and subsidized tuitions at state colleges and universities meant that many more students were able to attend college.

The next major policy change regarding financial access to higher education came after World War II with the passage of the G. I. Bill. Hundreds of thousands of veterans (unlikely to receive financial assistance from their parents), were paid to go back to school, partly to compensate them for their military service and partly to soften their absorption into the labor force.

In 1958 the launching of Sputnik and the onset of the space race resulted in the passage of the National Defense Education Act (NDEA). Title IV of this Act provided for millions of dollars to be spent in the training of scientists and college teachers and the development of research capabilities. While NDEA was geared primarily toward graduate student fellowships and traineeships (nonrepayable assistance, now being phased out), it also provided for the National Defense Student Loans (NDSL, renamed National "Direct" Student Loans in 1972).

The Higher Education Act of 1965 established the Educational Opportunity Grant (EOG) for low income students. This was the first major federal financial aid program which made awards to students (through the institutions they attended) on the basis of financial need. This program was modified by the Higher Education Amendments of 1972, which implemented the new Basic Educational Opportunity Grants and renamed EOG's "Supplemental Educational Opportunity Grants" (see Chapter V).

The Higher Education Amendments of 1972 reflected the Congressional attitude that a postsecondary education was the right of every American, regardless of his family circumstances. They implemented a major shift in federal policy on the financing of higher education. The Basic Educational Opportunity Grant (BEOG) program gives students substantially more choice in their decision of which institution to attend by issuing grants on the basis of financial need directly to students rather than indirectly through the institutions. Not only can recipients choose more freely among traditional higher education institutions, but they are also able to use their BEOG's at private vocational (proprietary) schools.

Thus, while parents and students have historically borne primary responsibility for college expenses, government has taken on an increasing share of financial responsibility for college costs, first by providing low-tuition public institutions and then through a variety of financial aid programs. Public nonrepayable assistance (NRA) programs have been developed to increase access for students otherwise unable to afford college, to provide job training consistent with the nation's manpower needs and to provide "fringe benefits" for certain categories of public service personnel.

In addition to NRA, subsidized work and loan programs have been developed which make it easier for the student to meet his share of college costs. The federal College Work-Study Program (see Chapter IX) provides incentives to nonprofit employers to hire low income students by paying 80% of their salaries. Federal and state loan programs have also increased financial access by enabling students to borrow against their future earnings at low interest rates (see Chapters VI, VII, VIII).

Table II-3 provides an overview of the distribution of financial aid by type of institution. These figures are drawn from a Board of Higher Education survey of Illinois colleges and universities representing 93% of the state's student enrollment. Financial resources negotiated directly by students, such as outside employment and veterans' and Social Security benefits, are not included in these figures. The latter two sources together account for an estimated additional $113 million per year. Therefore, while the figures in Table II-3 underestimate the total amount of aid received by students, they do show the distribution of aid for which financial aid officers are responsible, by type of institution.

Table II-3. Distribution of reported undergraduate student financial aid by type of institution, AY 1972-73.

	Undergraduate FTE, Fall '72	Percent of State FTE	Total Undergraduate Financial Aid[1]	Percent of Financial Aid Dollars	Dollars per Student
Public community colleges	106,576	34%	$ 19.8 million	8%	$ 186
Public universities	130,302	42	117.0 million	49	898
Total Public	236,878	76%	$136.8 million	58%[2]	$ 578
Private Sector[3]	73,699	24	100.5 million	42	1365
Grand Total	310,577	100%	$237.3 million	100%	$ 764

1. Scholarships, waivers, work, and loans monitored by institutions from federal, State, institutional, and other sources (excluding indirect tuition subsidies at public institutions).

2. Numbers do not total due to rounding.

3. Excluding proprietary (for-profit) schools.

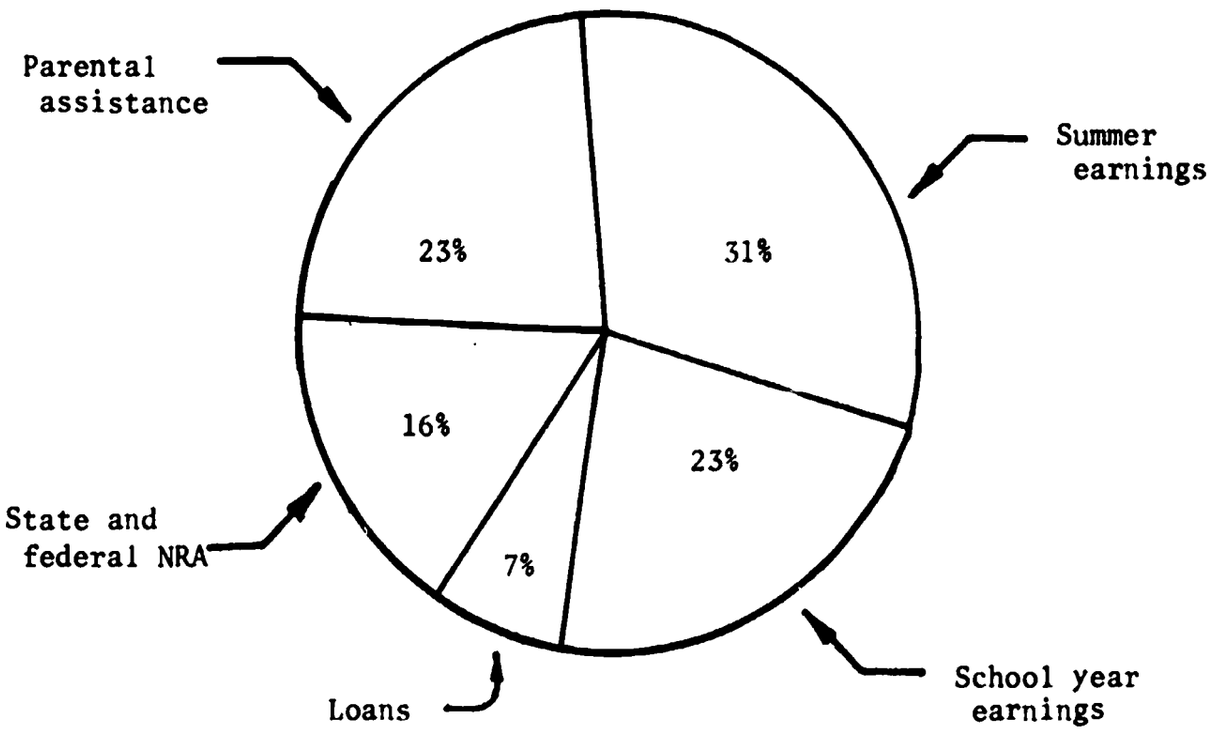
Sources: G. J. Froehlich, Enrollment in Institutions of Higher Learning in Illinois, 1973.

IBHE "Status Report of Student Financial Aid in Illinois," 1973.

Impact of student financial support. Substantial differences exist in the means by which students gain financial access to higher education. Detailed analysis on a variety of dimensions is presented in subsequent chapters. This section provides an overview of the relative importance of the five major sources of income (parental assistance, summer earnings, earnings during the school year, nonrepayable assistance, and loans).

To determine how public university students in Illinois are meeting college costs, the IEFC staff conducted a mail survey of a random sample of approximately 5% of the total headcount enrollment at the twelve public universities (excluding the University of Illinois Medical School). While analysis generally focused on the 2200 responses received from undergraduate Illinois resident students who were enrolled full-time, the data presented in this chapter includes part-time students as well. A copy of the survey instrument and details of the sampling technique are provided in Appendices II-1 and II-2.

Figure II-1. Average percent contribution from each source to undergraduate students' college costs.



SOURCE: IEFC survey of public university students.

These results are based on Question 8 of the survey which asked students to indicate the amount of financial assistance they received or expected to receive this year from each of the five major sources. The data presented here demonstrate the relative importance (percent contribution) of each source in meeting the "average" student budget. Averaging all undergraduate responses (see Figure II-1), summer earnings contributed 31%, parents' contribution to college expenses was 23% of the total, earnings during the school year also contributed 23%, nonrepayable assistance contributed 16%, and loans amounted to 7%.

Comparisons of total student budgets by parental income level. Table II-4 shows how the size of student budgets and the means by which they are financed vary with parental income. While the survey format did not permit direct measurement of actual dollar amounts contributed by each of the five major sources, it was possible to make relative comparisons of budgets across income levels. The last column in Table II-4 uses an index to show how total budget size varies by parental income. For purposes of comparison, the average budget of students whose parents' income is $10,000-14,999 is used as the reference budget. That is, the budget for each income level is shown as a percent of the budget of the average student from the $10,000-14,999 group. (For further explanation of the index, see Appendix II-3.)

As can be seen, the average college cost budget tends to vary with parental income. If it is assumed that the budget for the $10,000-14,999 group equals $2400,[1] then using the method described in Appendix II-3, the range in the budget size implied in Table II-4 is from $2376 for the lowest income group to $2472 for the highest income group.

Table II-4. Percent contribution of each source by parental income.

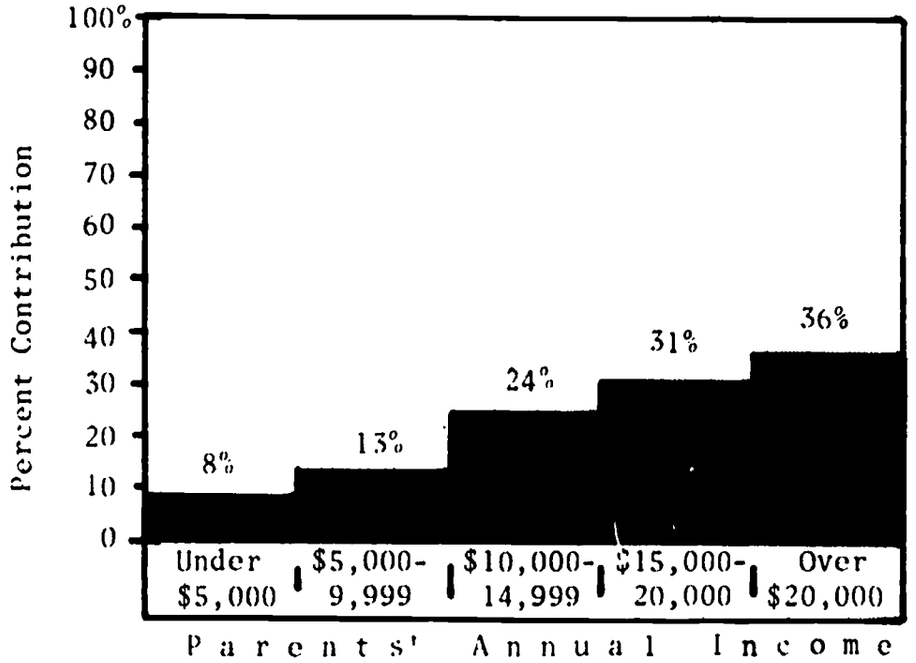
Parents' Annual Income	N	Parental Assistance	School Year Earnings	Summer Earnings	NRA	Loans	Index of Budget Size
Under $5000	235	8%	29%	27%	25%	10%	99
$5000-9999	429	13	24	30	24	10	101
$10,000-14,999	783	24	22	33	16	6	100
$15,000-20,000	504	31	22	31	11	6	102
Over $20,000	315	36	19	33	9	3	103
Average	2266	23%	23%	31%	16%	7%	

Source: IEFC survey of public university students.

[1]The average annual college cost budget of a resident public university student which appears in Table II-2 has been rounded down slightly because nearly 25% of survey respondents were living with parents and a commuting student budget is estimated to be about $350 less than a resident student.

For students from families with incomes of less than $5,000 (10% of respondents), parents contribute on the average about 8% of the students' costs, while for students from families earning more than $20,000, parents pay 36% of the students' expenses (see Figure II-2).

Figure II-2. Percent contribution from parents to undergraduate students' college costs by parents' income level.



Source: IEFC survey of public university students.

According to students surveyed, parents in the $10,000-15,000 income group (which comprised more than one-third of our respondents) contribute approximately one-quarter of the students' budget.

Nonrepayable assistance varies inversely with income as shown in Figure II-3. NRA amounts to one-quarter of educational costs for students from low income families and about 10% for students from families with incomes over $15,000.

The shaded area in Figure II-4 shows for each income group the sum of contributions from parents and NRA (total gift assistance) as a percent of college budgets. Even with the greater relative importance of NRA among low income students, it can be seen that these students are still receiving relatively less gift assistance than students from higher income groups. Gift assistance accounts for approximately 33% of student budgets in the lowest income group versus 45% for students in the highest income group.

Figure II-3. NRA as a percent of undergraduates' college cost budgets by parents' income level.

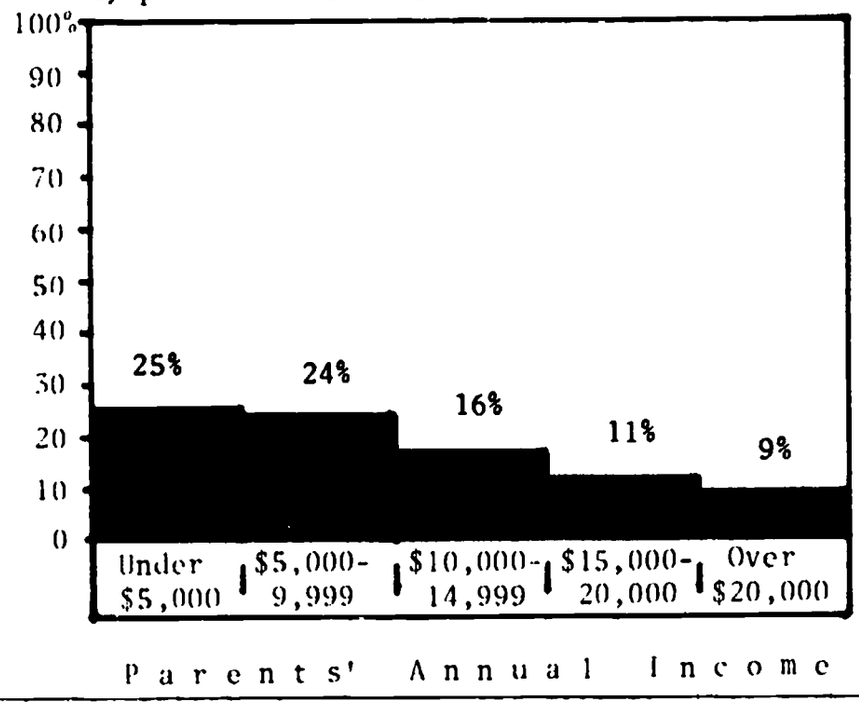
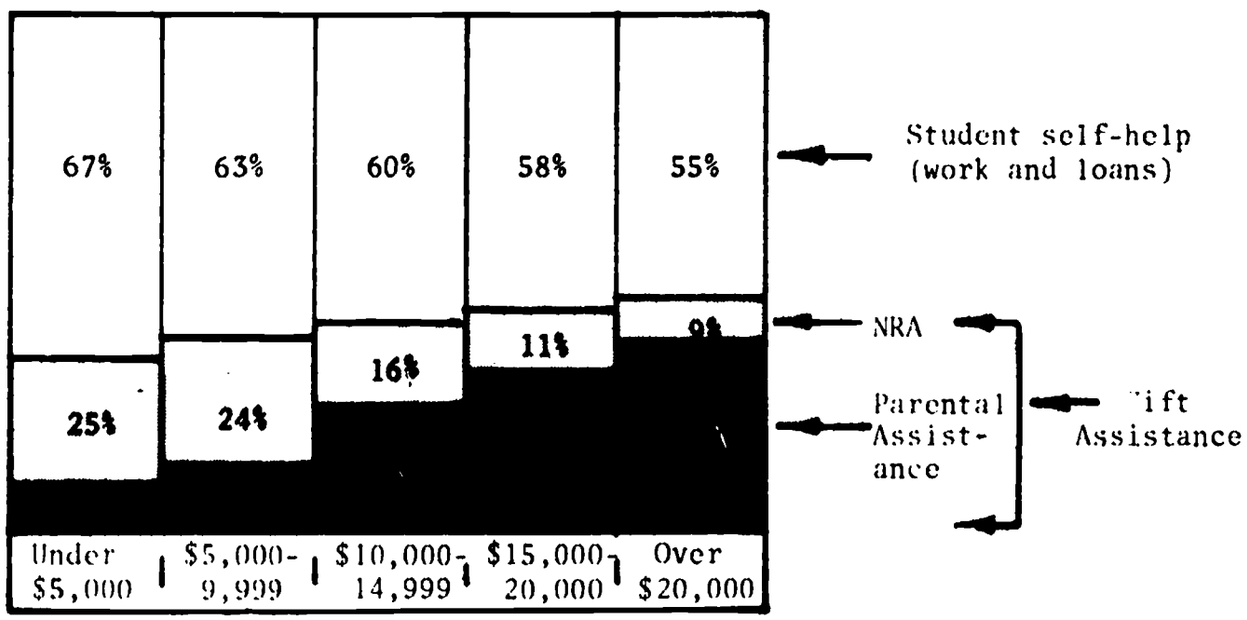


Figure II-4. Student self-help as a percent of college costs by parents' income level.

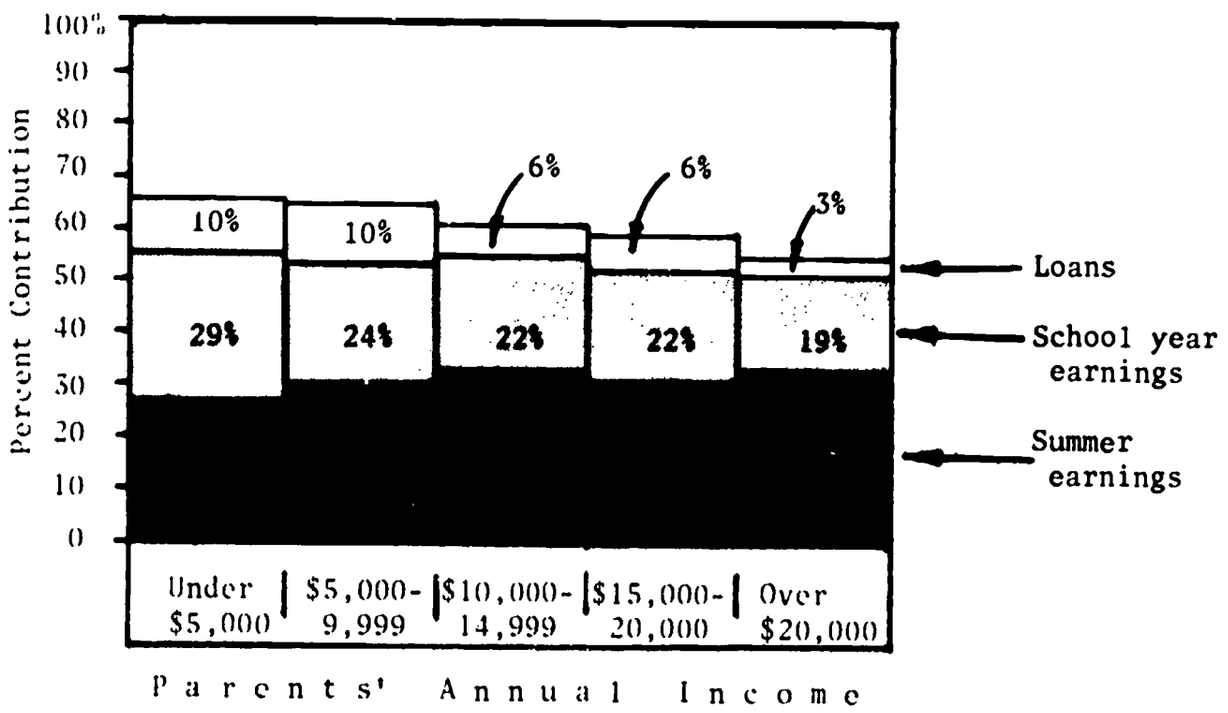


Source: IEFC survey of public university students.

Accordingly, contributions from self-help (the difference between the student's college costs and gift assistance) are significantly higher among students in the lowest income group. Earnings from employment and loan financing account for approximately 67% of the college cost budgets for students in the lowest income group versus 55% for students in the highest income group.[1]

Considerable variation exists in the means by which students of different parental income levels finance their self-help. Figure II-5 shows how the composition of student self-help varies among the three sources (earnings during the summer, earnings during the school year, and loans) by parental income level.

Figure II-5. How composition of student self-help varies by income level.



SOURCE: IEFC survey of public university students.

[1]It should be noted that these differences among income groups in the relative importance of gift assistance and self-help are to some extent affected by differences in student characteristics in the various income groups. For example, a significantly higher percent of students in the lowest income group are part-time students, which makes a higher percent of them ineligible for certain types of NRA. In addition, a higher percent are older students which would make them more financially independent of parents. In Chapter III the budgets of full-time undergraduates only will be examined. As will be seen, the differences in the roles of gift assistance and self-help across income groups will diminish considerably.

Reliance on summer earnings generally increases with parental income level, while contributions from school year employment decrease.[1] In addition to increased reliance on school year earnings, low income students also rely more heavily on loans than do middle and upper income students.

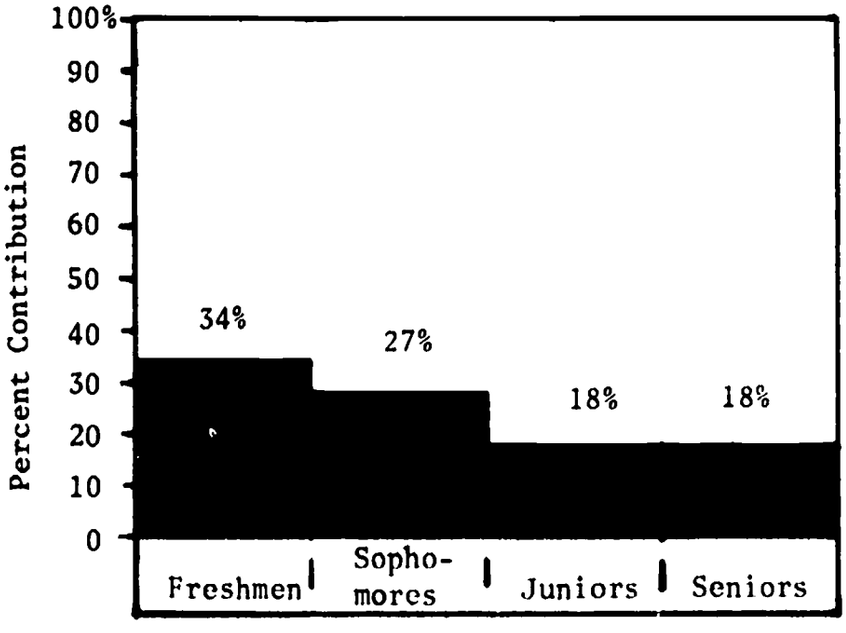
Table II-5. Percent of contribution from each source by grade level.

Students' Grade Level	N	Parental Assistance	School Year Earnings	Summer Earnings	NRA	Loans
Freshmen	483	34%	13%	30%	17%	5%
Sophomores	475	27	19	30	17	8
Juniors	757	18	27	33	16	6
Seniors	730	18	28	31	16	7
Average	2445	23%	23%	31%	16%	7%

Source: IEFC survey of public university students.

Differences by grade level. Table II-5 shows that important differences in funding patterns occur across grade level. Freshmen typically depend on their parents for 34% of their support, while for upper division students this diminishes to 18% (see Figure II-6).

Figure II-6. Parents' contribution to total college costs by grade level.

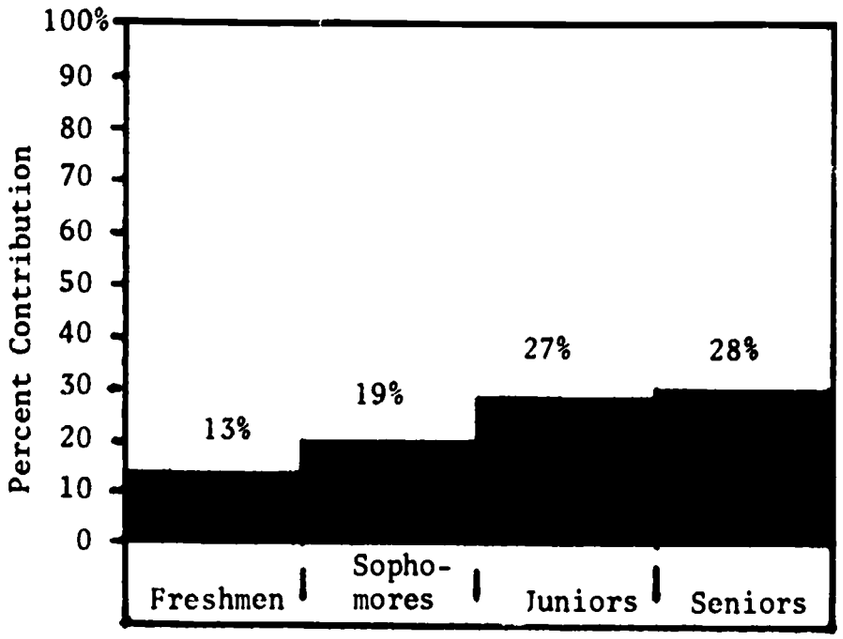


Source: IEFC survey of public university students.

[1] See Chapter IX for information on student unemployment rates by parental income level.

Earnings during the summer, NRA, and loans show only minor differences across grade level. The loss of parental support appears to be made up largely through earnings during the school year (Figure II-7).

Figure II-7. Reliance on earnings during school year varied by grade level.



Source: IEFC survey of public university students.

Only 13% of a freshman college cost budget typically comes from work during school, while about 28% of an upper division student's budget comes from this source.

Summary. Averaging over all undergraduates (full-time and part-time), parents contribute about one-quarter of students' college cost budgets. This contribution increases with income and decreases with grade level (Figures II-2 and II-6). School year earnings also account for about a quarter of students' college cost budgets and vary inversely with parental assistance, therefore decreasing as parental income increases and increasing with grade level (Figures II-5 and II-7).

NRA does not change significantly across grade levels, but it does vary directly with parental income level. As will be seen in Chapter III, when only full-time students are considered, NRA impacts even more effectively on low income students to offset a lack of parental support.

Campus Financial Aid Officers

The purpose of a campus financial aid office is to assist students in obtaining financial aid to meet college costs. Sources of assistance must be monitored and in cases where the institutions essentially compete for funds (particularly federal funds such as NDSL, SEOG, and CWSP), considerable effort must be made to insure that maximum amounts are available to their students. Beyond this, the financial aid officer is responsible for insuring that students are informed about available aid and that the type of assistance provided is appropriate both in terms of the student's needs and the guidelines attached to the various programs.

The first step for students in obtaining aid of any kind is to gather information about available opportunities. Financial aid officers are expected to provide accurate and up-to-date information on a wide variety of federal, State, institutional, and private programs and to assist students with application forms and procedures.

The IEFC survey of students asked them whether their university financial aid office had been a useful source of information. Over half said it had, with responses varying significantly by parental income level. Nearly two-thirds of students from families earning less than $10,000 said the financial aid office had been helpful, while only about 43% of students from families over $15,000 agreed. Students from the $10,000-15,000 range were evenly divided.[1] These figures appear to roughly correspond with the likelihood that students in those income ranges are receiving financial aid.

When campus financial aid officers were asked their opinions about the effectiveness of various financial aid information sources, 64% said they did not think "students and potential students with financial need are getting the information they need to make college decisions." All but one of the 114 respondents thought campus financial aid offices were effective in providing aid information to students, however. (See Appendix II-4 for a copy of the IEFC survey of Illinois financial aid officers).

The ISSC Office of Informational Services was also rated as an effective source of financial aid information by aid officers. After two top-rated sources, differences appear by type of institution. Among community college aid officers, 61% said high school counselors were effective sources of aid information, whereas at the public universities, only 25% agreed. The federal government, family, and friends were generally not regarded as good sources of information by aid officers (see Table II-6).

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[1]Students do, of course, obtain information about financial aid from sources other than campus financial aid offices. The IEFC survey of students asked them to express agreement or disagreement with the statement, "My high school guidance counselor was a useful source of financial aid information." Seventeen percent of the respondents had no opinion on this question. Of those expressing an opinion, 69% disagreed with the statement. No systematic differences were found among geographic or income groups.

Table II-6. Financial aid officers' attitudes toward the effectiveness of various information sources.

	Source is Effective[1]				Percent Who Agreed or Strongly Agreed[2]					
	SA	A	D	SD	PU	PCC	PrSr	PrJr	HSN	Avg.
High school counselors	8%	39%	40%	12%	25%	61%	46%	50%	38%	47%
College financial aid officers	37	62	1	0	100	100	97	100	100	99
ISSC Office of Informational Services	28	61	10	1	92	90	84	100	94	89
Federal government	5	28	51	17	17	33	26	67	47	33
Family & friends	4	26	47	24	25	50	8	50	27	30

1. SA - strongly agreed
   A - agreed
   D - disagreed
   SD - strongly disagreed

2. PU - Public Universities
   PCC - Public Community Colleges
   PrSr - Private Senior Colleges
   PrJr - Private Junior Colleges
   HSN - Hospital Schools of Nursing

Source: IEFC survey of campus financial aid officers.

Applications. The amounts and kinds of financial assistance students need vary immensely. Some students need only a part-time job of 10 to 20 hours per week to meet their costs, while others need a full financial aid package comprised of NRA, work, and a loan.

Obtaining the necessary financial assistance for a "maximum need" student is a time-consuming process, particularly for the student. Most campuses have their own financial aid application which students must fill out regardless of the type of aid they are seeking. In addition, public institutions generally require the American College Testing (ACT) need analysis form, while private institutions typically require the College Scholarship Service (CSS) need analysis form. After completing the family financial statements, the student must wait for several weeks while the forms are computer processed at the national ACT and CSS centers. At this point in the process, the student will know how much aid he is eligible to receive from institution-based sources.

However, before the institution actually offers any of its own funds, the "low income" student will likely be required to apply for a federal Basic Educational Opportunity Grant (for AY 1974-75 only full-time freshmen and sophomores will be eligible). Most institutions also require eligible financial aid applicants to apply to ISSC for a monetary award. If the student also applies for an Illinois Guaranteed Loan, he must use additional lengthy forms and complete a complicated application approval procedure involving at least one trip to a bank or other lending institution.

Each of these requires a separate application and a different need analysis form. If the student hasn't given up the whole idea of college yet, he can begin applying for part-time jobs. This will generally require a new series of applications and appointments.

Considerable criticism of student aid programs has focused on the maze of forms and procedures required, with financial aid officers themselves among the most vocal critics. Streamlining of the application process, which itself presents a type of barrier to college attendance, is long overdue.

While there is general frustration with financial aid application forms and procedures, 59% of the students responding to our survey who had applied for State nonrepayable assistance thought the ISSC Monetary Award application was relatively easy to complete. Two-thirds said the procedure for filing an application was clearly explained. Thus one logical step in improving the application process would be to require at least all public colleges and universities to use ISSC application information, thereby avoiding the use of additional need analysis forms.

This would probably mean that ISSC's computer program for analyzing financial need would have to be modified to handle students who are ineligible for ISSC awards (such as non-Illinois residents and graduate students). Once such a program is set up, it should not involve additional State expense. Students already pay several dollars for ACT and CSS need analyses, and similar fees could be applied to offset ISSC's additional expenses.[1]

Balanced packaging. As already noted, a combination of aid programs which may include grants, work, and loans may be required to meet the college cost budget of the moderate-to-high need student. There is unanimous agreement among financial aid officers that the appropriate package for each student is determined by his particular circumstances. While there is also agreement that aid packages must be balanced in some way to prevent unmanageable commitments to work or loans, there is no fixed formula for balancing a package nor agreement as to what the relative emphasis among types of aid should be. Some systematic differences exist in attitudes toward the optimum mix of aid between the private and public sectors (see Table II-7).

Aid officers also differ in the importance they attach to a student's grade level in financial aid packaging. For example, while nearly three-fourths of all aid officers agree that NRA is more important at the lower division level than at the junior or senior level, this view was unanimously held by public university aid officers, compared with 79% of the private senior aid officers.

[1]An agreement has recently been made among representatives from ACT, CSS, HEW and state aid administrators to work toward a single application for all need-based aid nationally, targeted for AY 1976-77. Even if delayed at the national level, such a change should be made for Illinois.

Table II-7. Financial aid officers' attitudes toward packaging aid.

	SA	A	D	SD[1]	Percent who Agreed and Strongly Agreed by type of institution PU	FCC	PrSr	PrJr	HSN	Avg.[2]
Every effort should be made to meet a student's financial need through nonrepayable assistance before loan assistance is used.	28%	40%	25%	8%	75%	48%	46%	83%	59%	68%
Every effort should be made to meet a student's financial need through nonrepayable assistance before work/study assistance is used.	4	23	49	25	100	18	26	67	29	27
Greater relative emphasis on nonrepayable assistance should occur at the lower division undergraduate level than at the upper division undergraduate level.	28	45	22	5	100	85	79	67	35	73
The proper balance in packaging financial assistance varies importantly according to the degree of student need.	41	55	4	1	100	92	97	100	94	96
The term "balanced packaging" (i.e., achieving a proper mix of nonrepayable assistance, work, study, and loans) is not a viable or operationally useful concept.	3	12	47	38	0	21	20	17	6	15

1. SA - strongly agreed
   A - agreed
   D - disagreed
   SD - strongly disagreed

2. PU - Public Universities
   PCC - Public Community Colleges
   PrSr - Private Senior Colleges
   PrJr - Private Junior Colleges
   HSN - Hospital Schools of Nursing

Source: IEFC survey of campus financial aid officers.

Strongest disagreement between types of institutions about aid packaging exists in the area of loan finance. Whereas aid officers at public institutions generally agree (92% at universities and 60% at community colleges) that loans are best suited for students at the upper division and graduate levels, private school aid officers generally disagree with this statement. Similarly, financial aid officers at public institutions tend to believe that loans should be used only as a last resort, while among the private schools there is a more positive attitude toward the appropriateness of loans as an integral part of an aid package.

In general, because of the much higher costs to students who attend private colleges and universities, the private sector seems to be less concerned about the "appropriateness" of specific forms of assistance than with the more fundamental problem of assuring adequacy of assistance.

Computer use. With all the aid programs, applications and regulations a financial aid officer must coordinate, one would expect to find wide use of computers in financial aid operations. We found, however, very little computer use beyond routine bookkeeping. In fact, only a third of the financial aid officers were using computers even for bookkeeping. Seventeen aid officers (mostly in the private senior institutions) were using computers for research purposes (for example, simulating the impact of changes in the availability of funds under various programs). Ten institutions, including four of the public universities, were using computers for routine letter writing. Only nine institutions (four of them public community colleges) were using computers to assist in the processing of applications. We were able to find only one institution, Illinois State University, which was really utilizing computer capabilities to assist in the packaging of financial aid awards.

Of the ten public institutions using computers for financial aid research or application processing, all but one said a computer permitted greater accuracy. The next most frequently cited benefit was that a computer permitted the freeing of professional staff time for counseling and other purposes. There was an even split in opinion as to whether computer use actually resulted in cost savings.

Lack of funds was the most frequently cited reason for not using a computer in financial aid operations. Among the smaller schools, many aid officers felt a computer was not needed by their operation. Ten schools said they were not using a computer because they didn't believe financial aid administration lent itself to electronic data processing.

Because of the complexities which confront financial aid officers--the diversity of student needs, the multiplicity of aid programs, and the frequency of changes in regulations and funding levels--it would seem that greater use of computers in financial aid administration would be appropriate.

It is clearly recognized that in many cases there is no substitute for individual counseling in determining how the financial needs of a student can best be met. At the same time, however, the results of the IEFC survey of financial aid officers, as well as field visits, provide evidence that the potential benefits from greater use of computers in assisting financial aid management have not been fully realized. The fact that Illinois State University, a recognized leader in computer-assisted financial aid management, has received numerous inquiries about its operation from around the country, suggests that many financial aid officers themselves should be receptive to the integration of such capabilities into their own operations.

It is recommended that IBHE and ISSC develop a plan for the use of computers in the management of financial aid resources at least at all public universities.[1] The plan should be developed, taking into account at least the following questions:

1. In what areas can automatic data processing be effectively and efficiently used (bookkeeping, research, aid packaging)?

2. Is automatic data processing appropriate to assist in financial aid packaging at all campuses or only some?

3. How should expanded use of computers in financial aid management be funded?

4. What is the most efficient way of providing skilled assistance to financial aid offices that now have limited computer expertise?

5. To what extent would consortia or other cooperative approaches be applicable in this area?

6. To what degree might computer-assisted management of financial aid resources also be applicable in the public community colleges and in private institutions?

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[1]Several public and private colleges and universities are already exchanging computer tape records with ISSC for purposes of monitoring monetary award payments. Routine checks are made on student eligibility in terms of full-time undergraduate status as well as additional NRA the student has received. For schools not using computers for financial aid management, the same verification procedure is done by hand from printed lists. Verification of student eligibility is required in all cases before ISSC makes payment to the school.

III. NONREPAYABLE ASSISTANCE

Nonrepayable assistance (NRA) includes all student financial aid which the student does not have to repay with either cash or service (employment). NRA may take the form of scholarships, fellowships, traineeships, grants, or--as is most common among Illinois programs--tuition payments or waivers. NRA is of two basic types: (1) need-based, awarded on the basis of financial need after a formal needs assessment procedure; and (2) non-need, awarded on the basis of other criteria without specific consideration of economic circumstance.

This is the first of three chapters which discuss nonrepayable assistance programs. This chapter provides an overview of NRA and how it impacts by type of institution and parental income. Then it focuses on the major State need-based program, the Illinois State Scholarship Commission's Monetary Award Program. This program is evaluated in terms of administrative efficiency, adequacy of funding, stability over time, and equity of award distribution. The analysis draws on survey responses from financial aid officers and public university students.

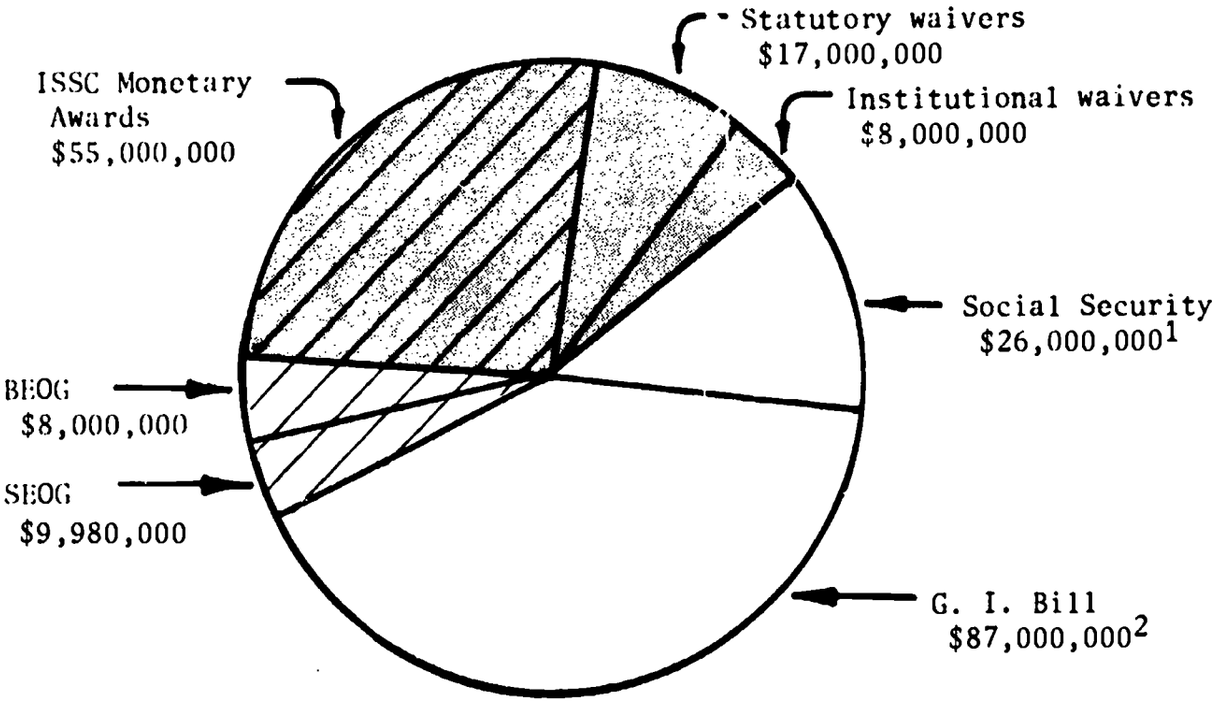
Survey responses are also used in considering priorities for change in the ISSC program, especially the eligibility requirements. In considering the question of equity, the method used by ISSC to evaluate income and assets is examined, with attention to students from middle income families and students whose parents own farms and small businesses.

Chapter IV describes State non-need NRA programs--statutory and institutional. Chapter V describes major federal NRA programs and examines their impacts in terms of number of students aided, funding levels and projected program changes--especially changes which could affect Illinois programs.

Need-based NRA. Need-based programs are basically designed to provide assistance that families are unable to give. Such programs require that parents and students complete a statement which evaluates the family's ability to meet the student's college costs. The parents' contribution and the student's self-help are subtracted from the college cost budget (see Chapter II for a discussion of college cost budgets), and the remainder is the total amount of NRA for which the student is eligible. This amount may be made up through a combination of federal, State, or private NRA programs.

Non-need NRA. Non-need or "categorical" NRA is generally one of three kinds. The first is NRA awarded as a "fringe benefit" or "compensation" to certain categories of public service personnel or their dependents (such as veterans, university civil service personnel, and the dependents of prisoners of war or of policemen and firemen killed in the line of duty). The second kind of non-need NRA takes the form of manpower training grants. These awards are intended as incentives to attract students to particular fields in which manpower shortages exist or are projected.

Figure III-1. An overview of publicly funded nonrepayable assistance to Illinois students.



1. This ISSC estimate was checked with officials of the Social Security Administration, who indicated they considered it reasonable.

2. This estimate was derived by ISSC from Veterans' Administration budget figures and Statistical Abstract enrollment data. On the basis of our analysis, it appears reasonable.

The third basic kind of non-need NRA is based on academic merit. Public programs do not exist in Illinois for merit-based NRA, but many other states (including California and New York) do have such programs.

Some NRA programs which are technically non-need, in that they do not require a formal needs analysis of the applicant, are distributed on the basis of some criterion which is closely related to need. For example, Social Security benefits are paid to certain students on the

basis of the retirement or death of an income producing parent because such students are likely to need additional money. While such programs are technically considered "non-need," or not need-based, it should be borne in mind that they probably provide more aid to needy students than to others.

Relative importance of programs. Figure III-1 shows the relative magnitude of various types of State and federal NRA programs. The bulk (87%) of the federal money is still available through programs which are technically non-need. However, of the explicitly need-based programs, BEOG will quadruple next year, while SEOG will remain about the same. It can also be noted that federal programs account for the majority (62%) of NRA available in the state--all Illinois-funded NRA combined amounts to less than federal G.I. Bill benefits. (The federal manpower training grants described in Chapter II have been excluded because they are awarded primarily to graduate students, whereas our focus is primarily on undergraduates.)

Distribution of NRA by type of institution. Table III-1 is based on a Fall 1972 IBHE survey of 123 institutions. Responses were received from institutions enrolling 93% of the state's college and university students. The dollar amounts represent institutional estimates of funds they monitor and do not include the estimated $113 million in direct student aid under the federal veterans' and Social Security programs.

Public community colleges, which enrolled 34% of the state's students in AY 1972-73, received only 10% of the reported NRA for that year. This is largely because lower tuition rates at those institutions as well as the lower living expenses of predominantly commuting students means that their college cost budgets are less than those of students in other types of institutions. As will be shown later in this chapter, need-based NRA is determined by the difference between what the family can contribute and the student's college cost budget. Students at community colleges with smaller cost budgets therefore qualify for less need-based NRA irrespective of their family incomes. In addition, all State non-need NRA--with the exception of veterans' tuition waivers--is restricted to senior institutions (see Chapter IV).

Students at private institutions received 47% of the NRA, even though the private sector enrolled only 24% of the state's students. College cost budgets, due primarily to differences in tuitions, are nearly twice as high in the private sector as at community colleges. Interestingly, the public universities enrolled 42% of the students and received exactly 42% of the reported NRA. (See Appendix III-1 for more detail.)

The NRA excluded from Table III-1 (notably federal veterans' and Social Security benefits) would be expected to impact so as to reduce the magnitude of the differences seen in Table III-1.

Table III-1. Distribution of reported NRA to undergraduates, from all sources, by type of institution, AY 1972-73.

	Percent of State FTE Fall 1972	Total NRA[1]	Percent of NRA	Dollars per Student[2]	Percent Need-Based
Public community colleges	34%	$10.68 million	10%	$100	83%
Public universities	42	41.87 million	42	321	71
Total public	76%	$52.55 million	53%	$222	--
Private sector (excluding proprietary)	24	46.99 million	47	638	87
Total	100%	$99.54 million	100%	$321	--

1. All reported scholarships, grants, and waivers (excludes federal G.I. Bill and Social Security.

2. Based on Fall 1972 FTE, see Table II-3.

Source: IBHE, "Status Report of Student Financial Aid in Illinois," 1973.

State Need-Based NRA: ISSC Monetary Awards

The Illinois State Scholarship Commission (ISSC), created in 1957, is composed of seven members appointed by the Governor for staggered six-year terms. These members include one representative each of the public institutions, the private institutions, and the public high schools and four members chosen from the state at large. The Superintendent of Public Instruction is an ex officio member.

Responsibilities. The Commission initiates and approves recommendations for legislative and budgetary needs, approves participating colleges and student winners, and appoints executive and administrative directors. The policies and procedures for the administration of its programs are supposed to be consistent with the provisions of the Higher Education Student Assistance Law.

ISSC is responsible for the administration of two major programs--the Monetary Award Program, and the Guaranteed Loan Program--as well as an increasing number of special scholarship programs (there are presently six).

Staff. The ISSC staff consists of an executive director and four administrative directors (Scholarships and Grants, Loan Program, Agency Operations, and Informational Services) and about 90 others. The main office is located in Deerfield, and an Office of Informational Services is housed in downtown Chicago.

Budget. ISSC's total budget for FY 1974, broken down by program, is displayed in Table III-2 below.

Table III-2. ISSC budget summary.

	FY 74 Appropriation	Governor's FY 75 Recommended Budget
Administration	$ 1,460,000	$ 1,705,000
Monetary Awards	55,352,500	63,220,000
Military Veterans' Scholarships	3,800,000	3,800,000
Bilingual Scholarships	250,000	300,000
Policeman/Fireman Descendents' Scholarships	25,000	25,000
Correctional Officers Dependents' Program	--	10,000
POW/MIA Dependents' Scholarships	12,500	25,000
Student-to-Student Matching Grants	200,000	200,000
Guaranteed Loan Program	4,000,000	4,500,000
Total	$65,100,000	$73,785,000

Source: Illinois Budget Appendix, Fiscal Year 1975.

Historical summary of Monetary Award and State Scholar Programs. ISSC was established in 1957 to administer a competitive scholarship program open to college freshmen only. High school seniors, admitted to approved Illinois institutions, were named State Scholars and awarded "Certificates of Merit" on the basis of superior test scores and high academic standing. They received monetary awards if they could demonstrate financial need.

State Scholars were eligible for subsequent renewals of their monetary awards during their sophomore, junior, and senior years, but students not named State Scholars as high school seniors were not eligible to apply.

Monetary awards are full or partial tuition and mandatory fee payments made directly to the school on behalf of eligible students. More than $3 million was awarded under this program from AY 1957-58 through AY 1960-61.

In 1961-62 the Monetary Award Program was broadened to include upperclassmen who were recommended by campus financial aid officers on the basis of substantial financial need and at least average academic standing. In the same year Certificates of Merit were extended to qualifying high school seniors who elected to attend unapproved or out-of-state institutions.

The Illinois Higher Education Student Assistance Law (School Code Section 30-15.1 through 30-15.13), passed in 1967, made all undergraduates eligible for monetary awards subject to the following restrictions. The applicant must:

*be a citizen or permanent resident of the United States;

*be a resident of the state of Illinois;

*be a person of good moral character;[1]

*be eligible to enroll as a full-time[2] undergraduate student (having completed less than 8 semesters or 12 quarters) and be in good academic standing in an ISSC approved college or university;[3] and

*be able to show that "his financial resources are such that, in the absence of scholarship aid, he will be deterred by financial considerations from completing his education at the qualified institution of his choice."

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[1]It is recommended that this requirement be dropped as it is not systematically used to evaluate students' eligibility. ISSC officials claim that only once or twice in the history of the program was this requirement used to deny a monetary award.

[2]IBHE and Governor Walker have recommended broadening eligibility to include half-time (or more) students and fifth year bachelor's degree students for AY 1974-75.

[3]In AY 1972-73 Hospital Schools of Nursing were added to the approved list, making a total of 175 institutions eligible.

Table III-3. Historical summary of ISSC monetary awards.

	Number of Awards	Total Dollars	Basic Eligibility Criteria
AY 1958-59 through 1960-61	7,558	$ 3,157,669	full-time freshmen, bas : on academic merit and need (renewable)
AY 1961-62 through 1966-67	35,086	18,770,067	same as above, plus campus initiated awards to full-time upperclassmen, based on financial need
AY 1967-68 through 1973-74	330,311	229,534,966	all full-time undergraduates, based on financial need
Total used (AY 1958-59 through 1973-74)	372,955	$251,462,702	
Total dollars appropriated for awards		$255,685,000	

Source: ISSC

Objectives of the Monetary Award Program. The basic objectives of the ISSC Monetary Award Program are:

(1) to enhance financial access to higher education for Illinois residents who might otherwise be deterred from attending, by providing full or partial tuition payments; and

(2) to decrease the importance of cost as a factor in the decision of which institution to attend.

The second objective--that of increasing freedom of choice--is a means of aiding both students and private institutions at a net savings to the State. It helps students because they are more free to make a choice of institution based on noncost factors such as program offerings, location, size of institution, and campus environment. It helps private institutions which are at a serious disadvantage in recruiting students and maintaining enrollments, when public tuition is less than one-third as much on the average as private tuition.

ISSC pays more than twice as much for a monetary award at a private school as at a public school (for AY 1973-74, the average award

to private was $1116; average award to public was $495), and IBHE pays up to $200[1] in a flat grant for an Illinois resident who attends a private school. Nevertheless, the total costs to the State for such a student are still less than for a student who attends a public university. The State currently spends about $1750 per public university undergraduate student per year[2] ($2300 if the student receives a full monetary award). On the other hand, if the student chooses a private institution, the State spends at most $1500 ($1300 for a full monetary award plus the $200 if he is a junior or senior). Of course, the extent of these "savings" to the State are affected by vacancies in the public sector--which may in some instances be the result of providing aid to private school students. The trade-offs between filling public university vacancies and assuring the continued viability of private institutions are discussed in more detail in Chapters II and X.

Table III-4 provides a breakdown of monetary awards by type of institution.

Table III-4 Summary by type of institution of monetary awards received for AY 1973-74.

Type of Institution	Number of Awards	Dollar Amount	Average Award	Percent of Awards	% of Dollars
Private 2-year	1,939	$2,167,400	$1,118	2.7%	4.0%
Private 4-year	26,349	30,082,795	1,142	36.5	55.6
Hospital Schools of Nursing	1,237	692,505	560	1.7	1.3
ALL PRIVATE	29,525	$32,943,040	$1,116	40.9%	60.9%
Public 2-year	10,083	2,624,015	260	13.9	4.9
Public 4-year	32,638	18,508,675	567	45.2	34.2
ALL PUBLIC	42,721	$21,132,690	$ 495	59.1%	39.1%
ALL	72,246	$54,075,730	$ 748	100.0%	100.0%

Source: ISSC

[1]IBHE pays eligible private institutions $100 for every lower division ISSC monetary award winner and $200 for every upper division Illinois resident.

[2]This estimate is based on data reported on the IEFC survey by public university budget officers and Froehlich's enrollment data. The IBHE staff was not able to make a current estimate but said $1750-1800 was reasonable.

Follow-up of nonacceptors and nonwinners. Total monetary award appropriations have consistently exceeded the total dollars used by students. Because not all announced winners use their awards, ISSC announces awards in excess of appropriated funds. Only in one year (AY 1971-72) since its inception, did ISSC's Monetary Award Program run short of funds. In every other year, funds have been lapsed at the end of the period. For AY 1973-74, for example, 90,224 awards were announced but only 72,246 were claimed by enrolled students. Thus, an estimated $54,075,000 (97.7%) of the $55,352,500 appropriated for monetary awards will be used.

This nonacceptance by approximately 20% of announced winners could be caused by a variety of factors, such as change in choice of institution (from private to public or out-of-state) or lack of sufficient funds to attend college in spite of a monetary award. ISSC has recently undertaken a study of the reasons behind nonacceptance. A study of both nonacceptors and nonwinners (to discover the effect on their educational plans) would provide important information on the adequacy of the Monetary Award Program in meeting its "financial access" objective. Such a study could yield significant evidence on the possible need for more aid to middle income students as well as for aid beyond tuition and fees for low income students.[1]

The current ISSC study should be expanded to include these considerations and be made available to the General Assembly in time for FY 1976 appropriation considerations. Furthermore, annual monitoring of nonacceptors and nonwinners should become an established part of ISSC procedure so that the adequacy of the program can be evaluated on a continuing basis.

Increases in maximum award. As tuitions have increased, the maximum awards for both public and private institutions have also increased. Until AY 1963-64, the maximum award was $600. By AY 1972-73, the maximum monetary award at private institutions had doubled to $1200; for AY 1973-74 it was raised to $1300; and for AY 1974-75, IBHE has recommended (and the Governor has approved) an increase to $1350.

Distribution philosophy. There are two basic philosophies of financial aid distribution: (1) provide large grants to a few students; or (2) provide smaller grants to a great many students. The advantage of the first approach is that financial access to postsecondary education may be virtually assured to aid recipients. The second approach has the effect of easing financial barriers somewhat to a larger number of students, but with the risk that some of them may not be able to meet their full costs.

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[1]Additional need-based aid is now available through the federal BEOG program, though to date this program has had little impact. If the program is fully funded, it would provide up to $1400 in cash benefits and alleviate the need for aid beyond tuition and fees for the low income students (see Chapters II and V). Recent changes in ISSC's need analysis procedure are expected to provide more aid to middle income students (see p. 45-46).

Through a number of its procedures and regulations, the ISSC Monetary Award Program appears to follow the second philosophy. The first provision which effectively spreads the money around is the use of $150 intervals for partial monetary awards. If a student does not qualify for the maximum award (full tuition and mandatory fees up to $1300), his award is rounded down to the next $150. That is, if he is eligible for $498, he is awarded $450. (In fact, he is awarded $450 even if he is eligible for $598.) This policy, which is not publicized by ISSC, enables more awards to be given. About 20% of winners do not qualify for maximum awards and are thus affected by the $150 rule.[1] For AY 1973-74 it would have cost ISSC an estimated $1,298,626 if it had paid the actual amount of partial awards.[2]

Another regulation which insures that the available money will be distributed broadly is the $1300 maximum award to students attending private institutions. If ISSC paid the full tuition for a student at, say, Northwestern, it would have to award that student $3180. For $3180 it could award 2½ waivers of $1300. This provision, then, serves the purpose of spreading the money among more students.

The eligibility period also contributes to this purpose. Students are presently eligible for only four years of ISSC awards. ISSC further defines eligibility in terms of credit hours--a student is not eligible if he has completed more than 150 semester hours or 225 quarter hours of "college level course work." Thus if a student completes the maximum number of credit hours but has not yet received a bachelor's degree (possibly because of remedial courses or because of credits earned at one institution but not accepted for transfer at another), he would become ineligible for further ISSC aid, and that money would be granted to someone else. Here again, ISSC regulations operate to insure that many students will get at least some aid.

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[1] ISSC officials say that the reason for the $150 blocks is that payment is made in each academic term. Since some schools are on a quarter system (requiring three payments in an ordinary academic year) and some are on semesters (requiring two payments), these officials say it is more convenient for ISSC to award amounts which are evenly divisible by both three and two. However, when a student qualifies for a full tuition waiver, ISSC pays the total amount whether or not it is evenly divisible by three and two. Further, it is not apparent that $150 is a more reasonable block size than $6 or $18 or any other number divisible by six. It is recommended that ISSC abandon the $150 blocks and pay each winner the exact amount for which he is eligible.

[2] This figure was obtained by multiplying the 72,246 winners by 20% to obtain the number of students who received partial awards in AY 73-74 (14,449). The number of partial awards was then multiplied by $74 (the mid-point between $1-149), yielding $1,069,226. To this figure was added $229,400 to cover the 3100 students who received nothing because their need was calculated to be between $1-149.

Many financial aid officers at community colleges and universities consider this a serious limitation to the program because educationally disadvantaged students, transfer students, and students in 5-year bachelor's programs are often cut off from aid in their senior year. The Board of Higher Education and the Governor have recommended extending ISSC entitlement to a fifth year for students who have not yet received a bachelor's degree. Our analysis supports this change, but we also recommend careful monitoring. Again computers could facilitate this greatly by checking whether students abuse the fifth year entitlement by effectively completing one year of graduate work while receiving a monetary award.

If ISSC is to pursue the policy of distributing relatively smaller grants to as many students as possible, it is imperative that the agency undertake research to discover whether the neediest students are getting enough assistance to attend college. As noted earlier, a study of students who were given awards but did not use them should be conducted, since one reason for nonacceptance could be that the students were unable to get enough aid from other sources. Similarly, follow-up studies of those whose eligibility expired before they received degrees would help to determine whether that criterion needed revision. We do not necessarily recommend that ISSC change its general distribution philosophy, but we do recommend that the agency ascertain more about the impacts of that philosophy and that the two changes in procedures noted in this section be implemented.

Mandatory fees. As already noted, an ISSC monetary award pays as a maximum the student's full tuition and mandatory fees or $1300, whichever is less. There is presently no legislative control over the amounts or the uses of mandatory fees at public institutions. These fees can be increased by campus administrations and, in some cases, by student vote. While with regard to tuitions at state universities nationally, Illinois ranks near the middle; when mandatory fees are included, it is near the 75th percentile.

A House Higher Education subcommittee on sex discrimination in athletics at public universities is currently examining the way in which mandatory student fees are used to support student athletes. For example, at Eastern Illinois University, of the annual mandatory fees totaling $179 per student, $15 goes for athletic "grants-in-aid." While there is reason to question any policy which requires one student to directly subsidize another, the point at issue here is that nearly $30,000 in ISSC monetary award payments at Eastern ended up underwriting athletic grants-in-aid in AY 1972-73.[1] On the basis of mandatory student fees earmarked

[1]In AY 1972-73 Eastern had 1979 monetary award winners which, when multiplied by $15 each, yields $29,685.

for financial assistance to athletes, it can be estimated that for AY 1973-74 as much as $277,000 in ISSC funds are being expended in this manner at six public university campuses.[1]

Fraudulent applications. All applications for monetary awards are currently checked by computer to determine whether financial information provided is self-consistent. In cases where too much tax is reported for a reported income (within tolerable limits) or other inconsistencies are found, the applications are returned to the families. They are required to recheck their figures and may resubmit the application.

In order to detect fraud, ISSC each year randomly selects 5% of monetary award applications for audit. About 3% of these are found to be fraudulent and another 5% contain substantial errors. Those found to be fraudulent are denied a monetary award for that year, but no notation is made of families who file fraudulent applications. This means that a student can be caught in a fraud and reapply the next year with only a 5% chance of being caught again. It is recommended that records be kept of applicants caught in fraud and that their subsequent applications be subject to 100% audit.

The capability presently exists for an audit of all applicants. The monetary award applicant's parents must sign a statement which says they believe the information provided to be correct and which gives ISSC permission to examine the parents' federal and State income tax returns. Since the Illinois Department of Revenue keeps such records by computer, it would be possible to routinely compare all applications with State tax returns. It is recommended that ISSC and the Department of Revenue devise a procedure for doing this and implement it in time for AY 1975-76 applications to be subject to a 100% audit. Until that time, the other audit procedures recommended in this section should be instituted.

Financial Need Determination

Independent students. The fundamental principle underlying most need analysis procedures is that, to the extent parents are reasonably able, they have the primary financial responsibility for the postsecondary education of their sons and daughters. Since the passage of the 18-year-old vote and the extension of adult rights to 18-year-olds in some 40

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[1]The six public university campuses are Southern Illinois University (Carbondale and Edwardsville) Northern Illinois, Illinois State, Eastern Illinois, and Western Illinois. This estimate was made by first multiplying the total expenditure from student fees for athletics ($1,263,371) by 88% to get the portion paid by undergraduates ($1,111,766). This amount was multiplied by 25% because approximately one-quarter of public university undergraduate FTE students are monetary award winners. The result is the figure reported above.

states, legal questions have been raised regarding "independent" students and the principle that parents' economic circumstances should largely determine eligibility for need-based NRA.

While no challenge of need-based aid has reached the courts, similar cases have been tested regarding residency requirements for in-state tuition at public institutions. The U. S. Supreme Court handed down a decision (Vlandis v. Kline) in June 1973 requiring that states allow out-of-state students to establish residency while attending college. Since that decision, changes have occurred in several states to relax the eligibility requirements for in-state tuition at public universities (see Appendix III-2 for a discussion of court cases affecting residency requirements).

If the courts were to declare all students financially independent of their parents at age 18, for example, nearly all students would qualify for need-based aid and the concept would be meaningless. Most student financial aid programs would have to be entirely restructured (see Chapter X).

Currently, for a student to be declared independent by ISSC, he must state that he has not lived with nor been claimed as a tax dependent by his parents for the previous year or current year, nor will he live with or be claimed by parents during the year for which the award is made. A 100% audit of federal income tax returns is made for all students under age 25 who claim to be independent students. In the past, ISSC has assumed all independent students to have incomes of $2500, which meant that virtually all independent students qualified for monetary awards. Beginning in AY 1974-75, each independent student will have to file a personal financial statement and will be evaluated in terms of his actual income and assets.

Need assessment procedure. One of the criteria by which financial aid can be evaluated is equity or fairness. This has two aspects--"horizontal" equity (Are people in the same economic circumstances treated the same?) and "vertical" equity (Are those in different economic circumstances treated appropriately differently?). Systematic financial needs determination procedures are intended to insure that the economic circumstances of students are correctly assessed.

Whether students are in the same or different "economic circumstances" is determined by their families' ability to pay the costs of a college education. There are two basic factors which determine ability to pay--current income and family assets. ISSC's needs analysis procedures are intended to estimate a reasonable expected family contribution from each of these sources.

Expected parental contribution from income. As of AY 1974-75 ISSC allows the following deductions from total family income:

*federal and State income taxes;

*maintenance allowance, (now $3,000 plus $750 per each tax dependent, or $6,000 for a family of four)[1];

*housekeeping allowance (if mother or widower works, 25% of the earnings to a maximum of $2000);

*sibling schooling (tuition to $500 maximum for each sibling in private elementary or secondary school);

*other dependents ($750 for any dependent other than own child, spouse, or self); and

*extraordinary expenses (the difference between 15% of total income and itemized deductions of federal income tax return to a maximum of 40% of taxable income).

The remainder after deductions is multiplied by a factor ranging from 26% (if the remainder is less than $5000) to 32% (if the remainder is greater than $10,000). The result is the expected parental contribution from income. However, if the family has another dependent child in college, the expected contribution is reduced by 25%, and if two or more other children are in college, it is reduced by 50%. (See Appendix III-3 for the Monetary Award Program application.) For AY 1973-74, three-fourths of all families applying to the Monetary Award Program were found able to contribute toward college costs from current income, and the average they were expected to contribute was $1329. Of those receiving a monetary award, 69% were found able to contribute from income an average of $981.

Expected contribution from assets. Family assets are defined as including equity in a home and other real estate, savings and investments, and student's assets if above $500.

While there has been considerable controversy over the valuation of assets, if fairness is important it is reasonable to take them into account. Otherwise, two similar families with the same income--differing only in that one family had very large assets (a home, savings, and securities) and the other family lived in a rented apartment and had

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[1]The basic maintenance allowance has been increased from $2200 and $650 per dependent ($4800 for a family of four) in AY 1973-74. This increase will reduce expected parental contribution from income and will impact most heavily on families earning more than $9000 because 97% of applicants below this income level are already receiving monetary awards.

virtually no assets--would be treated equally in the determination of financial need. The family with substantial assets is presumably better able to contribute to educational costs, either through liquidation of a portion of its assets or by borrowing against them, than is a family with no assets.

In order not to "penalize" families for saving, allowances are made for asset accumulation before any contribution is expected. For farmers and small businessmen a deduction of one-half of their equity in farms and businesses is made. An "emergency" allowance of $750 per tax dependent is deducted. A "thrift" or "retirement" allowance (ranging from $13,000 for a household head of age 40-44 to $23,000 for a household head aged 65 or over) is then deducted from the remaining asset value. A widow/widower allowance of $20,000 may also be deducted.

Next, a computation is made to determine what portion of the family's assets should be applied to college costs. This computation is based on the assumptions that: (1) each family member is entitled to some portion of total family assets; (2) each child's full portion of assets will be used to finance his college education; and (3) one-fourth of the student's portion will be used in each year of college. For computational convenience, then, each child is said to have four "shares" in the assets remaining after deductions. Each parent living in the household is assigned eight "shares." The total number of "shares" is therefore eight times the number of parents, plus four times the number of children. The value of one "share" (assets after deductions divided by the total number of "shares") is the expected contribution from assets for one year.

For AY 1973-74, ISSC computed no expectation from assets for 68% of applicants. For the 32% who were expected to contribute from assets, the average expectation was $622. For monetary award winners, only 24% were expected to contribute toward college costs from assets. For this 24%, the average expected contribution from assets was $360.

Total expected family contribution. The expectations from parents' assets and income are then added to an expectation of self-help from the student himself which is equal to one-quarter of his college cost budget (but not less than $500 nor more than $1000).[1] That sum is then deducted from the student's college cost budget, and the remainder is the total amount of NRA for which he is eligible. ISSC will pay as a maximum that amount up to full tuition and mandatory fees or $1300, whichever is less.

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[1]If family income is less than $6000 and there is no expectation from assets, a $500 minimum self-help contribution is expected regardless of college costs.

The remaining "unmet cost"[1] is the amount of additional NRA the student may receive from other sources (for example, BEOG, SEOG, private scholarships) without jeopardizing his ISSC award.

Since monetary awards are tuition payments made by the ISSC to the institution on behalf of student recipients, they duplicate any other form of tuition waiver a student might receive. One of them must therefore be refused. It is the student's responsibility to read and comply with the ISSC policies and regulations concerning monetary awards and to report any significant change in his economic situation including receipt of additional NRA. However, since relatively few students report additional NRA, a better monitoring system is needed.[2] If, as suggested in Chapter II, increased use were made of computers in financial aid management at the campus level and record tapes were exchanged between the campuses and ISSC, this problem would be substantially alleviated.

ISSC awards by parental income. Table III-5 shows data on monetary award applicants and winners by parental income level and sector. Ninety percent of monetary award applicants at public institutions whose parents

Table III-5. Number and percent of announced monetary award winners by parental income ranges and sector, AY 1973-74.

	Under $5000	$5000-9999	$10,000-14,999	$15,000-20,000	Over $20,000
All public					
Number of applicants	15,362	14,776	19,739	11,682	3,926
Number of winners	15,282	14,285	16,098	4,583	517
Percent of winners	99.5	96.7	81.6	39.2	13.2
All private					
Number of applicants	6,826	6,554	10,506	8,584	4,525
Number of winners	6,806	6,460	10,069	7,185	2,189
Percent of winners	99.7	98.6	95.8	83.7	48.3
All colleges					
Number of applicants	22,188	21,330	30,245	20,266	8,451
Number of winners	22,088	20,745	26,167	11,768	2,706
Percent of winners	99.5	97.3	86.5	58.1	32.0

Source: ISSC

[1]For AY 73-74 the mean "unmet cost" for all announced monetary award winners was $880 ($846 in public universities). Only one percent of monetary award winners had no remaining unmet cost.

[2]Only 6.5% of monetary award winners for AY 1973-74 reported additional NRA to ISSC. The average amount reported was $630.

earn $11,000-11,999 received awards in AY 1973-74 (see Appendix III-4 for awards by parental income in $1000 increments), and half of public institution applicants whose parents earn $15,000-15,999 receive awards. At private institutions, 90% of applicants in the $15,000 range and over half of the applicants in the $23,000 range receive awards. There is no specific income cutoff for eligibility--over 200 students from families earning over $26,000 are receiving ISSC monetary awards.

Need assessment and equity. If need assessment procedures are working properly, we should find that need-based NRA is being distributed equitably. Our survey data are limited to a sample of public university students (full-time undergraduates), include only income as a measure of ability to pay, and do not differentiate need-based from non-need NRA. Within those limitations, however, we can examine the overall equity of distribution.

Equity can be considered along two dimensions, vertical and horizontal. The principal question relating to vertical equity is whether NRA is being distributed so that amounts received vary inversely with parental income. In essence, as parental income increases, the ability of parents to provide assistance is expected to increase as well. Hence, students from upper income families should be receiving relatively less NRA than those from lower income families.

From the IEFC survey, it appears that the distribution of NRA among income groups follows the general pattern that would be expected if this criterion of vertical equity were being met. As Table III-6 demonstrates, NRA as a percentage of student budget declines from a high of 30% for full-time undergraduates in the lowest income group to 9% for students in the highest income group.

Table III-6. Percent contribution from each source for full-time undergraduates, by parental income level.

	Under $5000	$5000-9999	$10,000-14,999	$15,000-20,000	Over $20,000
Gift assistance	41%	40%	42%	44%	47%
Parental assistance	11	14	25	33	38
NRA	30	26	17	11	9
Self-help	59%	60%	58%	56%	53%
School year earnings	22	21	20	19	17
Summer earnings	24	28	32	31	33
Loans	13	11	6	6	3

Source: IEFC survey of public university students.

At the same time, parental assistance as a percent of student budget increases from a low of 11% for students in the lowest income group to 38% for students in the highest income group.

When parental assistance and NRA are combined, the total represents a measure of gift assistance. As can be seen from Table III-6, gift assistance as a percentage of budget does not appear to vary greatly among income groups. As a corollary to this, it can be seen that across income groups, students themselves appear to be making a relatively similar effort to finance their educations through self-help (work and loans).

While parental and nonrepayable assistance combine so that the role of gift assistance is approximately the same across income groups, it cannot be inferred that the relative importance of these two sources (parents and NRA) for each income group is necessarily appropriate. For example, is it reasonable to expect parents earning less than $5000 to contribute 11% of student budgets?

To focus more directly on the impact of NRA as it relates to the role of parental assistance, an estimate was made of parental effort in each income group. Parental effort was measured by taking the ratio of estimated parental contribution (in dollars) for each income group to annual parental income. The method used in making this estimate is described in Appendix III-5.

Before examining how parental effort varies across income groups, it should be carefully noted that this measure of effort is at best a crude one. In particular, the role of assets in determining ability to pay is not taken into account. Also, the distribution of parental income within each income group is not known and, therefore, must be assumed. Table III-7 summarizes the information concerning parental effort.

Table III-7. Estimates[1] of parental effort in providing assistance to students.

	Estimated Annual Parental Income				
	Under $5000	$5000 9999	$10,000- 14,999	$15,000- 20,000	Over $20,000
1. Estimated parental assistance	$252	$342	$600	$810	$954
2. Assumed average annual parental income	$2500	$7500	$12,500	$17,500	$22,500
3. Estimated parental effort (1 ÷ 2)	10.0%	4.6%	4.8%	4.6%	4.2%

1. For a discussion of how these various estimates are made, see Appendix III-5.

Source: IEFC survey of public university students.

The measure of parental effort shown for the lowest income group (10%) appears to be seriously out of line with that found in other income groups. It suggests that while students in this group are receiving significantly more NRA as a percent of college budget, parents are still making a substantially above average effort in providing assistance. However, it should be noted that only 36% of the students in this group reported receiving any assistance at all from parents (versus an average of 64% of the students in the other four income groups).[1] Hence, to generalize about parental effort in the lowest income group when only about one-third of these parents are providing any assistance may overstate the case as it typically applies. Nevertheless, for the 36% of students who are being assisted by parents, it seems that an unusually high effort is being made by their parents to provide such assistance.[2]

A somewhat below average effort is shown for parents in the highest income group. It should be noted that in computing the measure of effort for this group, an income figure of $22,500 is used. In fact, there is no defined upper limit on income for this group, and the $22,500 figure was chosen arbitrarily. To the extent that average income for this group tends to be greater than $22,500, the measure of effort will be even lower than the 4.2% shown in Table III-7.

For the middle three income groups (representing 77% of the sample), parents seem to be making very nearly the same effort out of current income. In effect, these parents are paying a tax (a user charge) just under 5% of their income to enable their sons and daughters to attend a public university.

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[1] Half of the students in the second income group reported they were receiving some amount of parental assistance, 65% in the third income group, 73% in the fourth income group, and 78% in the fifth income group.

[2] The fact that even 36% of the students in the under $5000 income range reported they were receiving parental assistance is somewhat surprising. When other information about the 36% who reported receiving parental assistance was examined, nothing was found to suggest that they differed in a way that would make inappropriate the measure of parental effort used in the analysis.

There is the possibility that a relatively high percentage of low income students receiving parental assistance have parents with accumulated savings from which assistance is being provided. This may be the case for some students whose parents are old enough to be in retirement. However, the IEFC survey did not provide information to determine the extent to which this may be occurring.

There is also the possibility that some students misstated parental income or the amount of parental assistance they are receiving. Because relatively few students in the lowest income group reported receiving parental assistance, such misinformation would exert a particularly distorting influence on the measure of parental effort for the group as a whole.

Whether or not this is viewed as equitable is a matter of judgment. One can view parental effort as a form of taxation. If one accepts a proportional tax structure as fair, then the current impact of NRA on the middle three income groups (ranging from $5000 to $20,000) may seem equitable insofar as no serious differences appear in the degree of effort being made by parents in those three groups.

Of course, the question of whether this effort--even though proportional--is more than should be expected is open to debate. The lowest of the middle three groups in the IEFC survey had an income of $5000-10,000. According to the U. S. Bureau of Labor Statistics (BLS), a "low" budget for a family of four in the Fall of 1972 living in Chicago, Champaign, and St. Louis was between $7300-7700. These figures assumed only about $100 per month for rent and about $40 per week for food. The family used in the BLS estimate included two children living at home, so household expenses may be somewhat less for the same family if one child were a college student living away from home. On the other hand, the national consumer price index has risen approximately 13% since the Fall of 1972, so the $7300-7700 will undoubtedly be adjusted upward in the next BLS report.

However, another view is that a progressive "tax" structure is fairer than a proportional one. In that case current distribution of NRA would be viewed as inequitable in its impact on the $5000-20,000 range, and additional assistance should be provided to middle as well as low income students.

Recent developments in various need-based NRA programs suggest that greater progressivity may occur in the near future. As the federal BEOG program is expanded, additional NRA will be provided to low income students. This should cause NRA to have a more progressive impact, or at least reduce the above average effort that is apparently now being made by some parents in the lowest income group. The more liberal family maintenance allowance and the changed procedure for valuation of home equity in ISSC's need assessment should also provide more assistance, particularly to students in the middle income group.[1] Middle income students may also be aided by the more liberal interpretation of financial need that is now allowed under the federal SEOG program.[2]

Three general conclusions can be drawn about the distribution of NRA as it relates to vertical equity. First, the relative importance of NRA in student budgets does decline significantly as parental income level increases. Second, the distribution of NRA appears to be impacting

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[1] See pp. 45-46 for a discussion of the maintenance allowance as a deduction from expected parental contribution from income and the change in valuation of home equity which will decrease expected parental contributions from assets.

[2] See Chapter V for a discussion of the BEOG and SEOG programs.

so that the relative importance of gift assistance (parental plus nonrepayable assistance) does not vary greatly across income groups. Accordingly, major differences do not appear to exist across income groups in terms of the effort which students themselves are making to finance their educations through self-help. Finally, for the middle three income groups (ranging from $5000 to $20,000), NRA seems to be impacting so that the average effort being made by parents in providing assistance is approximately the same when measured relative to current income. For families with incomes over $20,000, parental effort seems to be below average. In the lowest income group, it appears that some parents are making a significantly above average effort in providing assistance.

Particularly in view of the possibility that many lower income parents are currently making an exceptional effort to financially assist their children in college, IBHE, in conjunction with the individual institutions, should closely monitor the impact of the proposed changes in federal and State NRA programs for the 1974-75 academic year. Students should be sampled at each campus, and a comprehensive examination of their college budgets should be performed. Only by going beyond the aggregate statistics currently compiled by IBHE can the real impact of various NRA programs as well as changes in these programs be ascertained for different groups of students.

If such a study by IBHE reveals that significant numbers of students from lower income families (under $10,000) continue to depend on parents for assistance in financing their educations, then IBHE should recommend action by the State to alleviate the problem in time for action during the 1975 legislative session.

Horizontal equity. The principal question relating to horizontal equity is whether NRA is being distributed so that students with approximately the same economic background are receiving similar amounts of assistance. Table III-8 is directed to the question of horizontal equity.

Table III-8. Horizontal equity.

	Annual Parental Income Levels				
	Under $5000	$5000-9999	$10,000-14,999	$15,000-20,000	Over $20,000
Percent receiving NRA	79%	76%	53%	33%	23%
Percent who believe need assessment unfair[1]	54	47	66	76	74

1. Excluding those with no opinion.

Source: IEFC survey of public university students.

Table III-8 shows the percent of students in each income group who reported they were receiving some amount of NRA for the current year and the percent of students who agreed or strongly agreed with the statement, "Financial need assessments are unfair to students with my economic background." As can be seen, the percent of students receiving assistance declines as income level increases, and, correspondingly, dissatisfaction with need assessment procedures increases as income level increases.

Increased dissatisfaction with needs assessment procedures could be caused simply by the fact that higher income students are less likely to receive NRA, especially need-based NRA, and so feel that policies are unfair. However, it could also result from the fact that income is not the only determinant of financial situation. Factors such as assets, number of children and extraordinary expenses are also used in computing need. A student who was denied aid may know others from economic backgrounds he perceives as similar to his who received aid. If he is unaware of the factors used in the calculation or of the details of other families' financial situations, he may conclude that the needs assessment is unfair.

Hence, while even in the lowest income group considerable differences may exist in amounts of NRA received, an important consideration is that nearly 80% of these students reported that they were receiving some amount of NRA.[1] This contrasts sharply with the highest income group where only 23% are receiving some amount of NRA. Thus, as income increases, within-group differences in NRA received become much more apparent--the "haves" and "have-nots" come into sharper contrast. This may contribute significantly to the dissatisfaction with needs analysis procedures as reported by middle and upper income groups.

There are two principal factors which contribute to the greater within-group differences in NRA received at middle and upper income levels:

(1) non-need assistance, based on characteristics other than family financial situation, which may make horizontal equity difficult to achieve; and

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[1] While the large majority of students in the lowest income group reported they were receiving nonrepayable assistance, it is nevertheless surprising to find 21% reporting no assistance. An examination of the characteristics of these nonrecipients reveals that the majority did not seek assistance from either federal or state and university sources. In addition, a relatively high percentage were married with spouses who worked, and a significantly high percentage were over 26 years old. Hence, it appears many of these nonrecipients did not receive NRA because they did not apply for it, either out of ignorance about its availability, or because they had access to resources (such as savings or other assets) not accounted for in the IEFC student survey which would make them ineligible for assistance.

(2) the valuation of assets and other nonincome factors, which can lead to the placing of families with similar incomes into different economic groups for needs assessment purposes.

Middle income students. There has been considerable discussion of the need to increase financial aid available to middle income students. Responses to the IEFC student survey indicate that many middle income students feel that this kind of change is called for (see pp. 47-49). The next sections discuss adjustments which might be made in the computation of expected family contribution from income and from assets which would make middle income students eligible for more assistance.

Changes in expected contribution from income. One means of reducing the expected contribution from income would be to increase the maintenance allowance deduction. For AY 1973-74, ISSC allowed only $2,200 plus $650 per tax dependent for basic household expenses ($4800 for a family of four). For AY 1974-75, this has been increased to $3000 plus $750 per dependent ($6000 for a family of four).[1] If this schedule had been used for AY 1973-74, ISSC estimates the additional cost would have been $2 million.

If still more generous allowances of $4000 plus $1250 per tax dependent were used ($9000 for a family of four), ISSC estimates that the additional cost to the State would have been $9-10 million for AY 1973-74. This would include approximately $4.5 million more to current recipients, about $4 million to current applicants who were found to have no need under the existing criteria, and about $1 million to students who would be eligible under these criteria but had not applied for the current year.

Adjustments to expectation for assets. Another issue concerns the family contribution from assets. This is a highly complex problem, and there is no easy solution. Some experts have argued that relatively liquid assets, such as savings accounts, might be treated differently than illiquid assets, such as real estate. However, a more important distinction might be drawn between "necessity" assets and "luxury" assets. "Necessity" assets would include a home, income-producing assets which are the primary source of family support, and basic cash reserves. "Luxury" assets could include vacation homes, recreational vehicles, and extraordinary cash reserves. There would seem to be a case for including an assumption in ISSC's needs analysis that most families should not have to borrow against their necessity assets to pay college expenses. In the case of housing this might be accomplished by something like a "homestead exemption" of perhaps $20,000 in home equity.

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[1] According to the Bureau of Labor Statistics, a "low" budget for a family of four in Fall 1972 living in Chicago, Champaign, and St. Louis varied from $7300-7700. These figures, which have undoubtedly increased since then, include housing, food, transportation, clothing, personal care, medical, Social Security and disability payments, personal income taxes, and miscellaneous expenditures.

Asset computations have already been adjusted in a way which ISSC estimates will decrease the valuation of home equity for the 78% of applicants whose parents own a home--from the current average of $17,082 to about $13,000. Home equity will no longer be based on a current market value estimate provided by the parents. Instead, if the home was purchased prior to 1968, ISSC will apply a 1.2 multiplier to the remainder, which assumes a 20% appreciation in home value. If the home was purchased in 1968 or thereafter, no multiplier will be applied. The impact for the average sized applicant family will be a reduction of about $143 in expected contribution from assets. This change in valuation will mean increased awards to some 4000 applicants currently receiving partial awards. It will also mean that nonrecipients who were previously within about $143 of winning an award may receive a partial award.

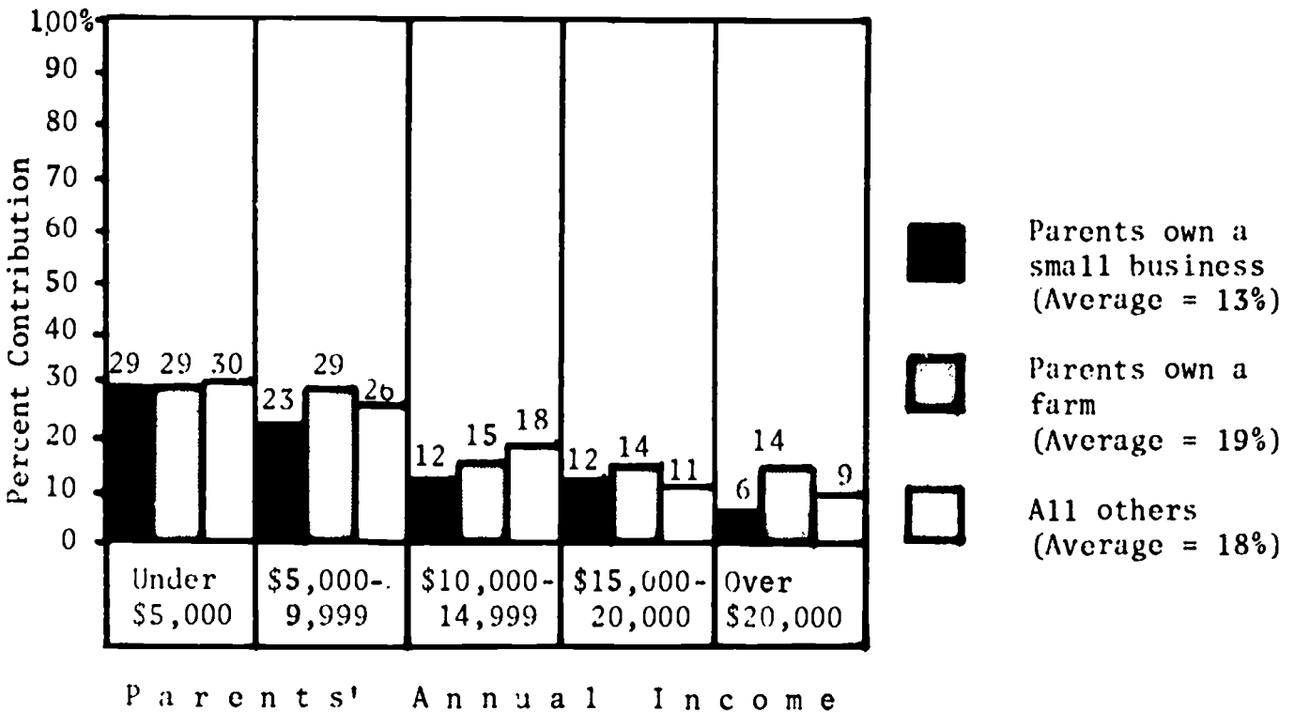
Another question, however, is whether ISSC's needs analysis procedure contains a reward for families which do not save. The family which chooses to take a trip to Europe or buy a new car instead of saving finds that its expected contribution from assets is reduced, and therefore the State will pay a correspondingly larger share of college expenses. On the other hand, the family which has invested the money may find that it is eligible for less financial assistance.

It is recommended, therefore, that ISSC consider setting a minimum expected contribution from assets. The minimum expectation could be based on an estimated "reasonable" saving pattern determined by such factors as the parents' age, income, and number of children. In order to avoid unfairness, the minimum should take effect only above a certain level of adjusted income.

Farm and small business families. A special problem in asset valuation of concern in recent years was the treatment of farm assets. Three years ago, ISSC made adjustments in its procedure for valuation of farm assets. Figure III-2 shows, for each income group, the percentage of full-time undergraduates from small business, farm, and other families who received some NRA from any source. NRA now accounts for 19% of the resources of students from farm families, compared with 18% for other students. It would thus appear that ISSC's changes have had the effect of overcoming this problem.

However, a similar problem appears to exist for students whose families own small businesses. It can be seen in Figure III-2 that these students appear to be receiving less NRA than others (13% of resources compared with 18%). Furthermore, the children of small business men in the second and third income groups ($5000-14,999) were less likely to receive NRA than other students in those groups. This strongly suggests that the valuation of family business assets is operating to deny NRA to these students. In response to the IEFC survey, students in this group were more likely than others to feel that needs assessments were unfair to them (see Appendix III-6). Because a small business on which a family is dependent for support can be considered a "necessity asset," some adjustment in ISSC's need analysis procedure should be made to correct this apparent inequity.

Figure III-2. NRA as a percent of full-time undergraduate student budgets for farm, small business and all other families, by parental income.



Source: IEFC survey of public university students.

Priorities for Change

To measure attitudes toward various changes which have been proposed in the ISSC Monetary Award Program, the following question was asked on the student survey:

> Which one of the following changes in the Illinois State Scholarship Commission Monetary Award Program do you think is most needed? (Circle only the one you think most needed.)

	Percent of full-time undergraduates choosing each as first priority.
Extend eligibility to a maximum of 5 years for completion of a bachelors degree. (Current maximum is 4 years.)	12%
Extend eligibility to students carrying at least a half-time course load. (Currently only full-time students are eligible.)	6%
Increase award to students who can show need for aid beyond tuition and fees (i.e., some portion of living costs).	26%
Change financial need requirements so that more middle income students qualify.	50%
Other	7%

Half the respondents to the IEFC student survey believe the most needed change in the ISSC Monetary Award Program is a change in financial need requirements so more middle income students can qualify. About a quarter of the respondents indicated the most needed change is extending ISSC aid to cover costs beyond tuition and fees.

Students who attend school only part-time picked support of part-time students as their top priority 4 or 5 times as frequently as full-time students. Married students also picked part-time eligibility as their top priority more often than unmarried students, although aiding more middle income students was still their top priority. There appeared to be few differences in priorities by grade level or by school that were not largely attributable to the effects of income.

Priorities by parental income level. As might be expected, the major variable affecting response to the priorities question was parental income. As shown in Table III-9, two-thirds of students whose parents earn between $15,000 and $20,000 ranked increased aid to middle income students highest, while for students from families earning less than $10,000, aid beyond tuition and fees was most important.

Table III-9. Percent of full-time undergraduates at public universities choosing each of the following as top priority for change in ISSC, by parental income level.

	Under $5000	$5000-9999	$10,000-14,999	$15,000-19,999	Over $20,000	Overall Average
More aid to middle income	25%	33%	54%	64%	59%	50%
Aid beyond tuition & fees	36	36	26	15	20	26
5th year entitlement	21	17	10	10	9	12
Half-time students	12	7	4	3	5	6
"Other"	6	7	6	8	8	7

Source: IEFC survey of public university students.

Priorities of financial aid officers. A similar question on priorities for change was included in the IEFC survey of financial aid officers. Priorities differed considerably by type of institution, with responses reflecting institutional interests. Thus, public community college aid officers ranked aid to part-time students as the most important change, while respondents from private institutions frequently wrote in the "other" category that they felt the award maximum should be increased. Among public university financial aid officers, the top priorities were aid beyond tuition and fees and fifth year entitlement. For FY 1975 the IBHE budget request--concurred in by the Governor--includes all of these changes except aid beyond tuition and fees.

Conclusion. Within the public university system, various NRA programs seem to be impacting so as to provide the greatest assistance to those students with the greatest financial need. When the composition of student budgets was examined, it was observed that the percent of budget from gift assistance (nonrepayable plus parental assistance) did not vary greatly across income groups. Accordingly, the extent of effort being made by students from self-help sources (work and loans) was not observed to vary substantially.

There is, however, some question about the impact of NRA as it relates to parental assistance. For students with parents in the $5000-20,000 income ranges, parental assistance as a percent of current income

appears to remain relatively similar at just under 5%. This amounts to a tax rate which is basically proportional within this income range.

Parents in the highest income group (over $20,000) are providing the highest amount of assistance. However, as a percent of income, the effort being made by these parents appears to be below average.

Despite the fact that students in the lowest income group are receiving relatively more NRA, the parents of these students appear to be making an above average effort in providing assistance. However, because only about one-third of the students in this lowest income group are receiving any assistance from parents, care must be taken in drawing any conclusions about this above average parental effort as it impacts typically within this income group.

Changes occurring in several key need-based NRA programs should provide a more progressive distribution of NRA next year. To some extent, these changes should reduce the effort currently being made by low and middle income parents in providing financial assistance.

The federal BEOG program, which began in AY 1973-74, provided benefits only to full-time low income freshmen--the average award being about $260. In AY 1974-75, full-time freshmen and sophomores will be eligible, and the average award is expected to increase to about $670. When fully funded, BEOG will provide up to $1400 in cash benefits to all low income undergraduates, both full-time and part-time.

Important changes in the State's Monetary Award Program have been made for next year which will make middle income students eligible for more assistance. Most notable are the increases in the family maintenance allowance, which will mean a smaller expectation from family income and the adjustment in the valuation of home equity. The increase in maintenance allowance will affect primarily those families with incomes over $9000. The adjustment in assessment of home equity will result in a decrease in the expected contribution from family assets and will primarily affect those students who are currently receiving partial awards and whose parents own a home.

In addition to the changes in ISSC's need analysis procedure, middle income students may receive SEOG funds under the new federal guidelines which provide for a more liberal interpretation of financial need.

To ascertain the real impact of these changes in State and federal NRA programs, it is recommended that IBHE closely monitor student budgets next year. Because it appears that many lower income parents may be making an exceptional effort in providing assistance, particular attention should be given to the impacts of these changes on parental assistance to students from the lower income groups (under $10,000).

In order to improve the State's Monetary Award Program, several recommendations have been made. A survey of nonwinners and nonacceptors of ISSC monetary awards should be made each year. Only in this way can the adequacy of the State's primary program of need-based assistance be regularly assessed to insure that residents are not being denied access to higher education because of financial considerations.

In the determination of financial need, asset valuation poses a difficult problem. From the IEFC survey of public university students, it appears that ISSC's procedures for valuing assets should be further reviewed, particularly as they affect students from middle income families who own small businesses.

ISSC should also try to insure better public understanding of the need assessment procedures. One constructive step in this direction was suggested in Chapter II--reducing the number of needs analysis forms that students and their families must fill out. People have a better chance of understanding the rationale underlying one form than of remembering all of of the components of a number of forms. Indeed, the very fact of having a multiplicity of different forms, all purporting to do the same thing, suggests that there is something arcane, subjective, and somewhat arbitrary about the procedure.

Another step would be more publicity about the factors considered and the results achieved by the need analysis procedure. The less people know about the procedure, the more likely they are to consider it unfair.

Also with regard to fairness, it is recommended that ISSC tighten up its procedure for auditing information provided in the monetary award application. At the very least, an automatic audit should be made of applications submitted by those who have previously submitted fraudulent information. Ultimately, a complete crosscheck with Illinois income tax data should be made on all ISSC monetary award applications to insure that information about income is being correctly reported.

IV. STATE "NON-NEED" NRA PROGRAMS

As described in Chapter III, non-need NRA is nonrepayable assistance which is awarded to students on the basis of some characteristic or criterion other than demonstrated financial need. Such programs typically are intended either as fringe benefits for various categories of public service personnel or to provide financial incentives for students to train for specific occupations. Some states, and a growing number of private colleges and universities, also award nonrepayable assistance on the basis of academic merit, but this is not done by the State of Illinois. (Students responding to the IEFC survey indicated that they would favor some merit-based aid as long as financial need continued to play a role in determining the amount received.)

With the exception of the General Assembly waivers and the nonstaff "institutional" waivers (see below) all Illinois non-need NRA programs fall into either the fringe benefit or the occupational training category. During the academic year 1972-73, approximately $25 million was awarded to Illinois students through non-need NRA programs.

Approximately $17 million was awarded under the various statutory programs, which typically provide for tuition waivers at public institutions. As will be discussed below, some statutory aid programs provide for stipends at public and private institutions. These are largely for the training of teachers in special education areas and for the dependents of certain types of disabled or deceased public service personnel.

In addition to the statutory programs, public universities in Illinois may offer "institutional" waivers to employees who enroll in courses part-time and to undergraduate and graduate students. Public universities waived tuition payments totaling nearly $8 million in AY 1972-73, less than half of which went to undergraduate students.

Statutory Programs--Tuition Waivers

Statutory tuition waivers provided for in the Illinois School Code must be used at public institutions. In AY 1972-73, a total of $13,013,872 in statutory tuition waivers were awarded to public university students under nine separate programs. In addition, another $3.3 million was awarded by ISSC to veterans at public community colleges. Table IV-1 shows the breakdown by program for AY 1972-73.

Table IV-1. Statutory tuition waivers to students in public institutions, AY 1972-73.

Type of Program and Statutory Reference	Number of Students	Dollars Waived
Military		
Veterans 122:30-5	24,155	$ 7,942,211
Children of Deceased or Disabled Veterans (U. of I.) 144:30	472	232,765
ROTC Scholarships 122:30-6	39	15,955
Subtotal, military	24,666	$ 8,190,931
Teachers		
Teacher Education 122:30-1(a) (repealed, eff. 1/1/72) 122:30-1.1 (repealed, eff. 10/1/73)	15,219	6,784,752
Special Education 120:30-1(b) (teachers of handicapped)	611	270,824
Subtotal, teachers	15,830	$ 7,055,576
Miscellaneous		
County Scholarships 122:30-6 (repealed, eff. 1/1/72)	440	214,192
Public Aid 122:30-14.1 (repealed, eff. 1/1/72)	15	5,928
Children and Family Services 23:5008	9	4,370
General Assembly Scholarships 122:30-9	1,788	842,875
Subtotal, miscellaneous	2,252	$ 1,067,365
Total	42,780	$16,313,872

Sources: IBHE, "Fall 1972 Public Senior Student Financial Aid Report," 1973.
Illinois State Scholarship Commission Report, 1973.

Military personnel. The largest single category of statutory tuition waivers is those awarded to military personnel and their dependents. A total of $8.2 million in public institution tuition waivers was awarded under these programs during AY 1972-73.

As shown in Table IV-1, the most important of these is the veterans' waiver program. Eligibility for veterans' tuition waivers at Illinois public colleges and universities extends to any person who:

(1) served in the armed forces during World War I or any time after September 16, 1940;

(2) at the time of entering the service was a resident of Illinois and returned to Illinois within six months after honorable discharge from the service, and;

(3) has resided in Illinois for at least one year immediately prior to application for benefits.

This is the only statutory tuition waiver program which is open to students at public community colleges. The Illinois State Scholarship Commission administers the funds for about 15,000 veterans at community colleges. Veterans are eligible for tuition waivers for the equivalent of four years of full-time college work. Military waivers at the public universities are administered by the institution.

In the community college system the amount of eligibility used is carefully monitored, but in the public university system, there is no uniform policy for monitoring use of military waivers. In some cases, a student may simply submit his discharge papers to receive a waiver, and no records are kept of the amount of eligibility he has already used. This means that veterans at some schools may receive only the four years to which they are entitled, while at other schools they may continue to receive waivers for an unlimited period of time.

The School Code Section 30-5, "Scholarships to Veterans," states that "The scholarships authorized by this Section shall be paid out of funds available to the State Scholarship Commission." However, no funds are appropriated specifically for military waivers at public universities. The universities simply provide a tuition "write-off" for veterans whom they identify as qualifying for a military waiver.

It is recommended that funds be appropriated through ISSC for military waivers at public universities, and that the same procedures used for verifying eligibility and monitoring use at community colleges be uniformly applied to veterans in public universities as well. The money for this appropriation could be realized through a reallocation of funds currently budgeted to the public universites. Such an appropriation would have amounted to approximately $4.6 million in FY 1973.

The IEFC survey of students provides some evidence as to how veterans are financing their education and, specifically, the role of NRA. Approximately 11% of the undergraduate respondents to the IEFC survey of public university students were veterans. In order to qualify for veterans' benefits through the federal program, students must meet the eligibility requirements described in Chapter V. Veterans who did not serve at least six months, or who served prior to 1955, or had already used their thirty-six months of eligibility would not receive G.I. Bill benefits. Under the Illinois program, veterans who did not meet the service, residency, or other requirements listed above would not be eligible for a statutory waiver.

Approximately 90% of the veterans responding to our survey who indicated that they had sought educational benefits under either or both federal and State veteran programs were successful in obtaining these benefits.

Figure IV-1 shows the differences in reliance on various types of funding between veterans and nonveterans. When NRA and parental assistance are combined, it can be seen that these two sources, collectively labeled "gift assistance," account for approximately 35% of the funds received by veterans from the five major sources, compared with 44% for nonveterans.

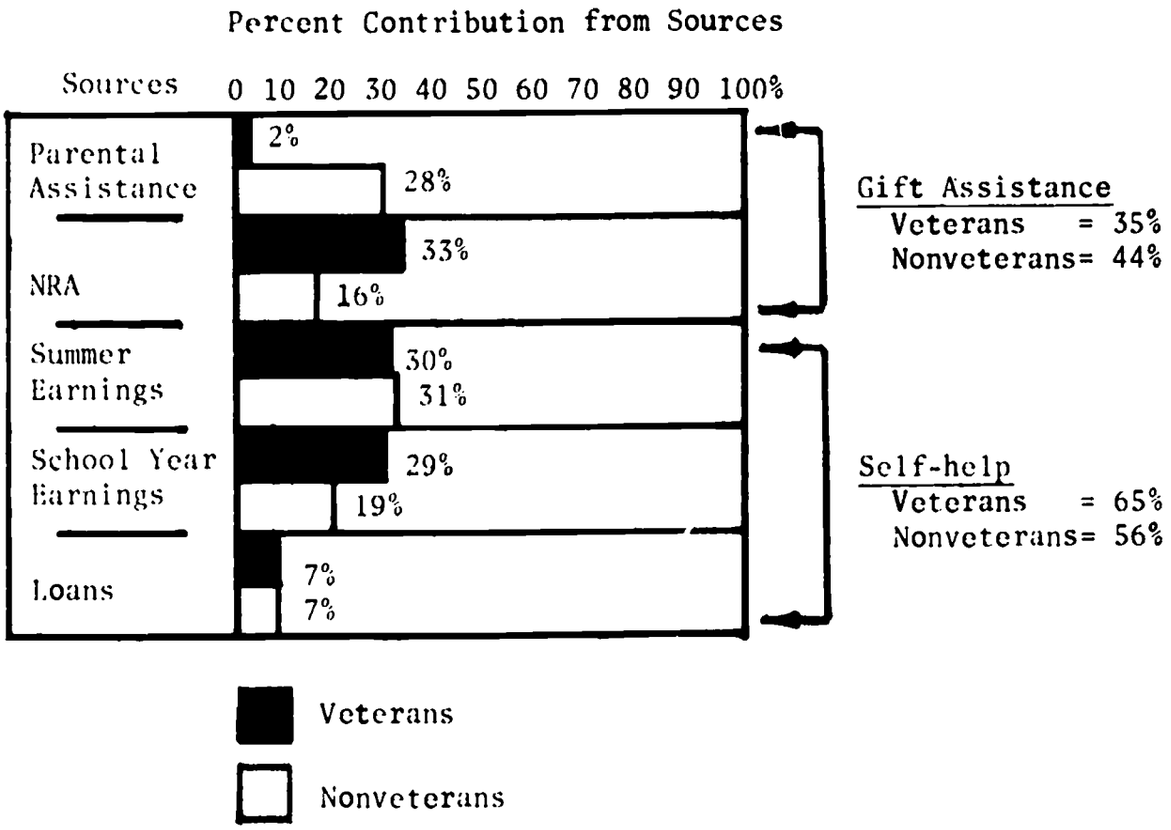
Because veterans are older and have been financially independent for an extended period of time, parental assistance plays a relatively minor role in meeting college costs for the typical veteran. As can be seen in Figure IV-1, parental assistance accounted for 2% on average of the total funds for veterans, versus 28% for nonveterans. At the same time, NRA plays a significantly greater role in the budgets of veterans, accounting for 33% of total funds. For nonveterans NRA accounts for about 16% of total funds received from the five major sources.

In terms of self-help (earnings from employment and loans), it can be seen that these combined sources play a greater role in the budgets of veterans, accounting for approximately 65% of their total budgets. For nonveterans, self-help accounts for approximately 56% of funds received from the five sources. While reliance on loans and summer earnings is about the same for both groups, a significant difference occurs in the case of earnings from school year employment. This source accounts for approximately 29% of total funds received by veterans, versus 19% for nonveterans.

It is interesting to note that 44% of the veterans who responded to the IEFC survey of students said they thought veterans' benefits should be based on financial need. (See pp. 61-62 for a further discussion of these survey results.) This issue has been debated for some time. In 1973, the House passed a bill which would replace Illinois veterans'

waivers with Veterans' Educational Opportunity Grants based on financial need. The thrust of such a move is related to concern that some veterans with high personal incomes are receiving tuition waivers from the State and a minimum of $220 per month from the federal government to go to college, while other students in Illinois cannot get enough aid to attend at all.

Figure IV-1. How full-time undergraduate veterans are meeting college costs.



Source: IEFC survey of public university students.

While there are extensive arguments which could be developed on both sides of this question, it will simply be noted that although veterans in Illinois currently receive an estimated $95 million a year in State and federal educational benefits, they also appear on average

to do more than other students in the way of self-help to pay for their education. Increases in federal veterans' benefits are currently under consideration in Congress (see Chapter V), but such increases are proposed to help offset increasing living costs and, unless a tuition assistance provision is added, would not affect the basic rationale for Illinois veterans' tuition waivers.

Given the high degree of support for need-based aid among student survey respondents (and the surprisingly high support among veteran respondents), it might be well for the General Assembly to consider further the addition of some financial need criterion. This would not necessarily mean that a high income veteran would receive no educational benefits. A plan could be devised, for example, whereby all veterans received a waiver for half of public institution tuition, and the other half was made contingent upon demonstration of financial need.

Teacher education waivers. The second major type of statutory tuition waivers was teacher education which provided $6.8 million for prospective teachers in public universities during AY 1972-73. This program, dating back to the early 1900's, provided strictly nonrepayable assistance until five years ago. In 1969 a teaching requirement was added for all students who subsequently received a tuition waiver under this program for any part of their education. After completing their training, participants were required to teach for two of the three subsequent years or to repay the amount waived plus 5% interest. This converted the program to something of a loan program repayable through either service or cash. In September 1973, new legislation was passed to extend the period from three years to five during which the two years of teaching obligation could be fulfilled. By December 1973, those for whom the grace period had expired or who had voluntarily decided to repay rather than meet the teaching obligation had repaid $108,000.

In 1970 the U.S. Department of Labor and the Bureau of the Census estimated that if we continued to produce teachers at the existing rate, by the end of the decade we could have three million more teachers nationally than the school system would need. Consequently, after 1971 the State of Illinois stopped granting waivers to new students under this program. The majority of those still in the program will graduate by June 1974.

Other statutory programs pertaining to the training of teachers are limited to special education fields, such as teachers of children who are handicapped, gifted, or bilingual. These funds can be used at private as well as public institutions and are described below.

Miscellaneous. Among the remaining kinds of non-need statutory tuition waivers (see Table IV-1), the General Assembly Scholarships is the only program of size which has not already been repealed.

This program enables each member of the General Assembly to designate each year two students--one to attend the University of Illinois, and the other to attend any other State university designated by the legislator. These students are exempt from tuition and certain fees for a period of one year but can be renamed recipients for subsequent years. If all of these waivers were awarded (currently 100 are unused) it would cost the State nearly $1 million per year. While legislation has been introduced several times over the past few years to repeal School Code section 30:9, so far none has passed.

Statutory Programs--Stipends.

In addition to the statutory waivers available for certain categories of students at public institutions only, several smaller statutory programs exist which provide stipends to students at public and private institutions. These statutory programs which together amounted to less than $1 million in AY 1973-74 are of several types. The first is comprised of programs which provide incentives to persons to enter areas of special education focusing on either (1) handicapped children, (2) gifted children, or (3) bilingual children. The Office of the Superintendent of Public Instruction (OSPI) administers the first two programs.

Handicapped. For AY 1972-73, OSPI awarded 233 traineeships and fellowships totaling $485,204 to students who planned to work with handicapped children. Upper division students are awarded traineeships up to $1500 per year, while graduate students are eligible for fellowships of up to $3000 per year. Participants are primarily training to work with children who are maladjusted or mentally handicapped. After completing their training they are required to work in a special education program for a half-year for each year that they received a grant. Otherwise they may be required to repay the amounts received, plus interest. According to OSPI, to date no participants have failed to meet their teaching obligation.

Twenty-four Illinois colleges and universities participate in this program, but half of the students are enrolled in four schools (University of Illinois, Illinois State University, Southern Illinois University, Carbondale, and Western Illinois University). The largest program at a private institution is Northwestern's with six fellows and trainees. Participating institutions receive $2500 per grantee per year to help defray the costs of special instruction.

Gifted. Until the current academic year, OSPI also administered special training grants for prospective teachers of "gifted" children. Up to sixty graduate fellowships per year of $2000 each were awarded. Recipients were expected to work in gifted children programs in Illinois for five years after completing their schooling. During the period 1968-1973, 323 trainees at three universities (Northeastern Illinois University, Southern Illinois University, Carbondale and Edwardsville) received $178,288 under this program.

Bilingual program. ISSC administers a program for bilingual students and teachers (which made about 300 awards) for tuition and mandatory fees (up to $1300 per year) in AY 1973-74. Eligibility is limited to (1) full-time undergraduate students who do not speak English as a primary language; and (2) teachers who do not speak English as a primary language, are enrolled full-time, and wish to qualify for Illinois teacher certification. Benefits may be used at public or private institutions.

Other Statutory Programs.

ISSC also administers a small program which provides educational benefits for dependents (spouse and children) of military personnel who were killed or permanently disabled (90-100%), declared prisoners of war, or missing in action after January 1, 1960. Benefits include tuition and mandatory fees for four years of full- or part-time undergraduate or graduate study at any Illinois nonprofit institution of higher learning. Currently budgeted at $12,500, this program enrolled only four participants for AY 1972-73.

Similarly, ISSC administers a program for dependents (age 25 or under) of Illinois policemen, firemen and Department of Corrections employees who were killed or permanently disabled in the line of duty. Currently budgeted at $25,000, this program provides tuition and fees up to $1300 per year for four years of full- or part-time undergraduate study at an approved Illinois institution.

Institutional Waivers.

Public universities in Illinois are authorized to issue tuition waivers to graduate and undergraduate students, and as fringe benefits to academic and nonacademic staff members. Forty-eight percent of the 13,867 institutional waivers awarded last year ($7.9 million) went to university employees in accordance with guidelines established by the Universities Civil Service Merit Board. Thirty percent or 4180 institutional waivers went to undergraduate students and the remaining 22% went to graduate students.

Specific categories of waivers such as talent (athletic, music, arts) and foreign students exist on some campuses. (For AY 73-74, a total of $702,578 in athletic waivers alone were awarded at eight public university campuses.)[1] The Board of Regents[2] has a

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[1]According to a report being prepared for the House Higher Education Committee, State funds are not being used for athletic waivers at the University of Illinois, Governors State University or Sangamon State University.

[2]Governing board for Illinois State University, Northern Illinois University, and Sangamon State University.

policy of awarding institutional waivers to undergraduates, not to exceed 3.5% of the fall undergraduate full-time equivalent (FTE) student enrollment, with consideration of financial need given top priority. The Board of Governors[1] places limits on the numbers of awards to be made for various categories of students (talent, foreign) but does not stress a financial need criterion in its official policy.

Institutional waivers have been widely challenged because there are no uniform criteria from campus to campus and because financial need is not always a factor. School officials have responded by claiming that aid officers need some latitude, such as institutional waivers, to help students who, for example, applied too late for other aid, or who would not be eligible on the basis of parents' income but are nevertheless needy because of extenuating financial circumstances. To date, each of the four governing boards has their own policy--sometimes rather loosely articulated--and no move toward statewide uniformity has been achieved. Some students complain that campuses have too much discretion and can deny waivers without giving reasons. We recommend that the Board of Higher Education study the institutional waiver policies and behavior of the four systems and establish a uniform policy to which all campuses must adhere.

Table IV-2. Undergraduate institutional tuition waivers (not including staff benefits), AY 1972-73.

Institution	Numbers of Waivers	Undergraduate FTE Enrollment	Percent of Enrollment
Chicago State College	401	3,422	11.2%
Eastern Illinois University	328	7,780	4.2
Governors State University	36	667	5.4
Illinois State University	326	15,717	2.1
Northeastern Illinois University	279	4,343	6.4
Northern Illinois University	380	16,006	2.4
Sangamon State University	13	1,053	1.2
Southern Illinois University	1,321	26,038	5.1
University of Illinois	735	43,354	1.7
Western Illinois University	361	12,922	2.8
Totals	4,180	131,302	3.2%

Source: IBHE "Fall 1972 Public Senior Student Financial Aid Report," 1973.

[1]Governing board for Governors State University, Eastern Illinois University, Chicago State University and Northeastern Illinois University.

The Board of Higher Education did adopt a policy in December 1970 that, effective in AY 1974-75, funds would be allocated for undergraduate institutional waivers not to exceed 2% of the fall undergraduate FTE at each university campus. Table IV-2 shows the number and percent of undergraduate institutional tuition waivers awarded for AY 1972-73 by institution. Institutions which choose to exceed the 2% figure adopted by the IBHE will, in the future, be required to fund the additional waivers through internal reallocation.

Attitudes Toward Non-Need NRA.

Our survey of students asked whether they thought State aid to veterans should be need-based. Surprisingly, 44% of the respondents who were veterans said it should. Among nonveteran students, 81% said they thought veterans' waivers should be based on financial need (see Table IV-3). This attitude did not vary significantly by family income level.

Table IV-3. Student attitudes toward non-need aid to veterans.

Survey statement: State NRA programs which provide aid to veterans should distribute aid on the basis of financial need.

Respondents	Strongly Agree	Agree	Disagree	Strongly Disagree	Strongly Agree and Agree
Veterans	21%	23%	17%	39%	44%
Nonveterans	30	51	13	6	81

The student survey also polled attitudes on the statement "State NRA programs which provide aid to students majoring in particular fields such as health should distribute aid on the basis of financial need." Seventy-one percent of the undergraduates responding to this question agreed or strongly agreed. Fifteen percent disagreed and 14% had no opinion. The student survey results appear to indicate rather clearly that most students feel that all NRA programs should have some measure of financial need included in the determination of eligibility.

Similar questions were asked of financial aid officers throughout the state. When asked to agree or disagree with the statement, "Public no-need aid programs are a good means of rewarding groups who have provided important public service (veterans,

children of policemen killed in the line of duty, etc.)," 72% of the aid officers surveyed strongly agreed or agreed with the statement. Similarly, more than half of the aid officers agreed that non-need programs are an important means of providing incentives for students to enter occupations where there is a shortage of qualified personnel.

In expressing their attitudes about the distribution of non-need versus need-based aid generally, there was a clear split between the public and private sectors. Nearly 76% of aid officers in the private sector thought non-need programs should be eliminated and the funds transferred to need-based programs. Sixty percent of the aid officers in the public sector disagreed with this position. The split by sector clearly reflects the vested interests of each. Out of a total of $25 million in State non-need awards all but $1 million are restricted in use to public institutions.

Among our survey respondents, support for non-need NRA programs was limited primarily to financial aid officers at public institutions, with students and private institution aid officers generally favoring some needs criteria. This suggests that proposals for new categorical NRA programs, or for changes in existing programs, probably should include a financial need component. Perhaps this could be achieved by giving a fixed minimum amount to each eligible student without regard to need, with additional amounts being determined on the basis of demonstrated financial need.

V. MAJOR FEDERAL NONREPAYABLE ASSISTANCE PROGRAMS

The federal government provides substantial nonrepayable assistance to students attending colleges and universities in Illinois. While it is difficult to be precise, estimates suggest that the federal government provides nearly twice as much NRA to students in Illinois as does the State. The State restricts its support to Illinois residents attending Illinois institutions, while federal programs apply to the broader population of U. S. citizens.

The Illinois State Scholarship Commission provided $51 million in need-based grants during AY 1972-73. In Chapter IV, we saw another $25 million provided through State statutory and institutional waiver programs. This total of $76 million is less than the estimated funds received through the G.I. Bill alone. Table V-1 provides an overview of the magnitude of the five major federal nonrepayable assistance programs, showing the approximate dollar amounts received by college and university students in Illinois during the latest year for which data are available.

Table V-1. Federal nonrepayable assistance to students in Illinois colleges and universities.

Type of Program	Latest year for which data are available	Estimated expenditures
Veterans benefits	AY 1973-74	$87,000,000
Social Security benefits	AY 1973-74	26,000,000
Manpower training grants	AY 1972-73	19,500,000
Basic Educational Opportunity Grants	AY 1973-74	8,000,000[1]
Supplemental Educational Opportunity Grants	AY 1973-74	9,400,000
		$149,900,000

1. Some small portion (probably less than 5%) of these funds went to students at proprietary schools.

As shown later in this chapter, the BEOG appropriation has nearly quadrupled for AY 1974-75, and SEOG funding has remained the same.

Non-need NRA

Veterans.[1] The Veterans Readjustment Benefits Act of 1966 (Vietnam GI Bill) provides education benefits for former armed service personnel who:

(1) served at least six months continuously on active duty after January 1, 1955;

(2) served less than six months if service was ended by a service-connected disability; and

(3) persons still in service, if they have had at least six months of active duty.

Benefits will be paid for a maximum of thirty-six months but must be used within eight years for those who were discharged after June 1, 1966. Monthly payments vary by the number of courses in which the veteran is enrolled and the number of dependents he claims. The stipend for a full-time student with no dependents is $220 per month, increasing to $261 for one dependent, $298 for two, and so on.

Already the largest single program of federal student financial aid, proposed increases in veterans' benefits are receiving major attention in the current session of Congress. The House Committee on Veterans' Affairs approved a recommendation from its Subcommittee on Education and Training to increase benefits 13.6% across the board and to extend the period of eligibility from eight to ten years. Unless the eligibility period is extended, benefits will begin to expire on June 1, 1974. The Senate Committee on Veterans' Affairs has asked for a 23% increase in benefits, while the Administration requested increases of only 8%. Hearings were held during March, and action is expected by May 1974.

Social Security. Unmarried, full-time students between the ages of 18 and 22 who are eligible for Social Security benefits due to the death, disability or retirement of a qualifying parent, may receive monthly checks to help them attend school. According to the Social Security Administration, more than 30,000 students in Illinois (including high school and proprietary school students) received an average of $1300 per year in Social Security benefits during calendar 1972. Students who have not received a bachelor's degree or reached age 22 may receive monthly payments throughout the school year--and during the summer if they plan to continue school during the next year. Actual payment amounts vary according to several criteria, including the student's earnings. Beginning in 1974, students will be allowed to earn $2400 a year before there is any decrease in their benefit checks.

Manpower training grants. The principal federal agencies which administer

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[1]Refer to Chapter IV for a discussion of State aid to veterans and IEFC survey data on how veterans meet college costs compared with non-veterans.

fellowships, traineeships, and other training grants for manpower development are: the Department of Health, Education, and Welfare (HEW), the National Science Foundation (NSF), the Environmental Protection Agency (EPA), and the Department of Transportation (DOT). HEW supplied about 88% of the FY 1972 fellowship and traineeship moneys, which went principally to graduate students in the life sciences. About half of HEW's grants went toward medical and health-related programs sponsored by the National Institutes of Health (NIH). Largely because of grants received at the University of Chicago, Northwestern University, the University of Illinois (Urbana and Medical Center), Illinois ranked fifth after New York, California, Massachusetts, and Pennsylvania. Nationally, $388 million was spent in training grants in FY 1972, approximately $19.5 million of which was spent in Illinois (see Table V-2).

Table V-2. Federal obligations to universities in Illinois for fellowships, traineeships, and training grants, FY 1972. (Dollars in thousands.)

	HEW	NSF	EPA	DOT	AEC[1]	Total
University of Chicago	$ 6,491	$ 450	$ 0	$ 0	$ 3	$ 6,944
Northwestern University	2,984	305	201	178	3	3,671
University of Illinois						
(Urbana-Champaign)	2,511	532	73	82	74	3,272
(Medical Center)	1,905	6	0	0	0	1,911
Other institutions	3,312	346	0	0	0	3,658
All Illinois institutions	$13,891	$1,293	$274	$260	$80	$19,456

1. Atomic Energy Commission

Source: National Science Foundation.

Need-based NRA

Current federal need-based NRA programs include the Basic Educational Opportunity Grants (BEOG) and the Supplemental Educational Opportunity Grants (SEOG). Under the Higher Education Amendments of 1972, a new program (BEOG) was established to make awards directly to students. The Educational Opportunity Grants, which had been distributed according to state allotment on the basis of applications from institutions and in turn awarded to low income students by the institutions, were renamed Supplemental Educational Opportunity Grants.

BEOG. This program is intended to provide a floor for all other financial aid programs, federal, State, institutional, and private. (See Appendix V-1 for BEOG application form.) Aimed at very low income students attending at least half-time, the effective cut-off level is approximately $9,000 adjusted gross income for a family of four. BEOG is not only intended to provide support for those who need it most, but also to allow a freer choice of institution because students are not dependent on the institution for awards. Unlike Illinois NRA awards, many federal programs, including Basic Educational Opportunity Grants, can be used at private vocational (proprietary) schools. Illinois students probably received between six and seven percent (nearly $8 million) of the FY 1974 national allocation ($122 million).

Problems. Confusion and insufficient information about the BEOG program during its first year of operation, resulted in far fewer applications than were anticipated by the February 1, 1974 application deadline for AY 1973-74. In fact, by February only an estimated $80-85 million (about 70% of the appropriation) had been awarded, and the deadline was extended to April 1. (Congress is expected to allow approximately $40 million in unspent funds to carry over to AY 1974-75.) Undersubscription in the BEOG program is blamed largely on its late start. Application forms and procedures for the current year awards were not available until late last summer.

Further, the test of financial need used this year was relatively stringent. Fifty-five percent of all applications nationally were rejected. Unlike ISSC, BEOG took into account all parents' assets which were individually valued at $500 or more (cars, boats, jewelry, cameras, televisions, etc.). Adjustments are being made in the need test for AY 1974-75, and the valuation of "luxury assets" has already been eliminated. In addition, pressure is being brought to bear by financial aid officer organizations and the National Student Lobby to streamline the application process by reducing the number and complexity of the forms students and their families are required to submit.

Survey. The IEFC survey of financial aid officers at Illinois institutions of higher education asked several attitudinal questions about BEOG. Table V-3 shows specific responses from aid officers at all institutions and the percent who "agreed" or "strongly agreed" with each statement by type of institution. Overall, the survey revealed a general pessimism about the BEOG program. This may be due to a disagreement with the principles underlying the program or to frustration with poor administration of the program during its start-up phase.

Table V-3. Responses of financial aid officers in Illinois to statements about the BEOG program.

	Overall responses in percentages				Percent who "Agreed" or "Strongly Agreed" by Type of Institution					
	SA[1]	A	D	SD	PU[2] (N=12)	PCC (N=40)	PrSr (N=39)	PrJr (N=6)	HSN (N=17)	Avg. (N=114)
The shift toward student rather than campus-based aid, inherent in the BEOG program, is better for students	7%	45%	30%	19%	25%	53%	46%	83%	71%	52%
The BEOG program will make planning at the campus level more difficult.	35	39	26	0	75	77	94	17	39	74
The BEOG program is likely to be fully funded within a year or two.	2	13	41	44	0	18	6	20	50	15
The net impact of the BEOG program is likely to be a reduction in federal aid to students in higher education.	37	37	24	1	67	69	73	67	83	74

[1]SA = Strongly agree
A = Agree
D = Disagree
SD = Strongly disagree

[2]PU = public universities
PCC = public community colleges
PrSr = private senior colleges and universities
PrJr = private junior colleges
HSN = hospital schools of nursing

Source: IEFC survey of campus financial aid officers.

In any event, nearly half of the financial aid officers surveyed disagreed that the shift toward direct aid to students--rather than through institutions--is better for students. Nearly three-fourths of the aid officers thought the BEOG program will make campus planning more difficult. At the time of the survey (October 1973), only 15% of the aid officers statewide thought the BEOG program was likely to be fully funded within a year or two. Three-fourths of the aid officers thought the net impact of the program would be a reduction in federal aid to students in higher education.

SEOG. The Supplemental Educational Opportunity Grant program was designed to provide grants to students of exceptional financial need through the institutions they attend. Needy students, attending at least half-time, may receive grants up to $1500 per year but not more than $4000 for four academic years, or $5000 if a fifth year is required. USOE guidelines for this program have been somewhat liberalized this year to allow more middle income students who can demonstrate need to receive SEOG assistance. In Illinois for the academic year 1973-74, it is estimated that about 14,360 students at 123 institutions[1] (including proprietary schools) will receive a total of $9,982,350[2] under the SEOG program. In terms of total dollars received and number of students aided by the SEOG program, Illinois ranks third after California and New York. A summary by institutional type is presented in Table V-4.

Table V-4. Supplemental Educational Opportunity Grants in Illinois for AY 1973-74 by type of institution.

	Number of Institutions	Number of Students (est.)	Amount	Average Award (est.)	Percent of Dollars
Public Senior	13	4,548	$3,152,054	$693	31.6%
Private Senior	49	3,838	2,673,100	696	26.8
Public CC Districts	38	4,309	2,996,656	695	30.0
Private Junior	4	821	569,341	693	5.7
Private Vocational	19	843	591,197	701	5.9
Total	123	14,359	$9,982,348	$695	100.0

Note: All of the senior institutions and all of the public community college districts are receiving federal aid under this program.

Source: U. S. Office of Education, Region V Office, Chicago.

[1]Community college districts are counted as "institutions" by the U. S. Office of Education (USOE).

[2]Original requests from Illinois institutions for SEOG funds totaled $26.7 million. The USOE panel which reviews institutional applications for student aid approved $24,742,017 for SEOG in Illinois. Nationally, only 45% of the panel-approved funds were available (appropriated by Congress), which resulted in an across-the-board reduction to just under $10 million.

Outlook for federal funding. With the inception of the BEOG program, a tug of war has developed over funding levels for the various federally supported student assistance programs. The Administration has placed its primary backing behind the student-based BEOG program. Congress, partly in response to the higher education lobby, has backed the longer standing campus-based assistance programs (SEOG, NDSL, and College Work-Study). In terms of actual funding for AY 1973-74, Congress appears to have exerted the greater influence, with BEOG funded at $122 million compared to $622 requested by the Administration. Funding for the other three established programs remained relatively unchanged from the previous year's level. As a result of the limited funding of BEOG for this year, awards have been limited to full-time freshmen, with the maximum award being $452 compared to the statutory maximum of $1400.

The BEOG appropriation for AY 1974-75 has nearly quadrupled to $475 million. With the increased funding, both full-time freshmen and sophomores will be eligible, with the maximum award expected to be about $1050. (The average award is expected to be about $670 compared to $260 currently.)

The tug of war between student- and campus-based programs can be expected to continue. In its latest budget message to Congress, the Administration has proposed that the BEOG program be fully funded for AY 1975-76. (This would require a FY 1975 appropriation by Congress of $1.3 billion for expenditures in AY 1975-76.) Corresponding to the increase in BEOG funding, the Administration proposes to eliminate the campus-based SEOG and NDSL programs and to cut College Work-Study funds by approximately $20 million to a level of $250 million. While BEOG funding may be expected to increase for AY 1975-76, it seems unlikely that Congress would be willing to approve the elimination of the SEOG and NDSL programs.

VI. FEDERAL AND STATE STUDENT LOAN PROGRAMS

Over the past ten years, loans have become increasingly important in financing a student's education. Publicly supported programs provided approximately $50 million to students enrolled in two- and four-year Illinois colleges during AY 1972-73. (This does not include borrowing by Illinois residents attending proprietary schools or schools outside the state, or borrowing outside of public loan programs.) With its growth in importance, student borrowing has been scrutinized both in terms of its general suitability as a source of student funding and in terms of the effectiveness of specific loan programs.

Critics often view borrowing a poor second cousin to other funding sources, best used as a last resort. Specifically, loans are felt to be unsuitable because of inequities that result when some students are required to accumulate a sizeable debt while in college. It is argued that these students are at a distinct disadvantage after college, having less freedom of choice in choosing among vocations and living standards because of the repayment obligations they assumed while in college. Because students from low income families depend more heavily on loan financing, this additional burden is viewed as having an undesirably regressive impact. On the other hand, proponents of loan programs argue that loan financing provides the means of financial access for some students and enhances their freedom of choice in the higher education "market place."

Specific loan programs are often critized on the grounds that they provide inadequate funds. Many students who would otherwise borrow are unable to do so because of insufficient student loan money. As will be seen below, this shortfall particularly affects students from middle and upper income families. Default rates are also a source of much criticism. To the extent that future obligations attached to student loans are not strictly enforced, it is argued that student borrowing will be subject to considerable misuse at the expense of public tax dollars.

In the analysis which follows, attention will focus particularly on the operation of the two public loan programs, the federal National Direct Student Loan program and the Illinois Guaranteed Loan Program. Both programs will be discussed in detail in order to provide an understanding of how they are funded, how they are administered, what the eligibility criteria are, and what the default experiences have been in these programs. Using the results of the IEFC student survey, Chapter VII then examines the current role of loan financing in terms of how it impacts on different groups within the public senior university system.

Given the possibility that over time students will be increasingly called upon to finance a greater share of their college costs, the role of loan financing in providing students with the ability to meet an expanded obligation is likely to become increasingly important. Accordingly, Chapter VIII considers various ways by which loan financing can be made a more viable source of assistance. It examines ways in which a more adequate and stable supply of student loan money can be achieved, as well as methods for promoting use of loan financing among students.

The National Direct Student Loan (NDSL) Program.

The NDSL program was created under the National Defense Education Act of 1958 to provide low interest loans to students with demonstrated financial need and carrying at least a half-time course load. The program is campus-based, with loans administered directly by the college financial aid office.

Funding for the program is provided primarily by the federal government, with the amount of new federal capital each year being determined by appropriation. For the past three fiscal years, the level of national funding has remained unchanged at $286 million. Of the total annual appropriation, 90% is allocated among the states on the basis of the ratio of higher education enrollment within the state to total U. S. enrollment. The remaining 10% is distributed so that no state will receive less than its FY 1972 allotment.

The state allotment is in turn distributed among participating institutions primarily on the basis of relative need as demonstrated by information provided to the federal government. For the current year, the Illinois allotment is being distributed among 110 institutions.

All of the public and private senior institutions and about half of the public and private two-year colleges are participating in the program. Table VI-1 illustrates the distribution of new federal NDSL money among Illinois institutions for AY 1973-74.

It should be noted that the amount of new federal NDSL money for Illinois in AY 1973-74 falls considerably short of that recommended by the U. S. Office of Education (USOE) panel which reviews the requests. For the current year, Illinois institutions requested nearly $40 million in NDSL contributions. The USOE panel recommended that approximately $30 million be provided, but only $13.5 million was actually made available.

Table VI-1. 1973-74 NDSL funding for Illinois (new federal capital contributions).

Type of Institution	Dollar Amounts (000's)	Number of Institutions	Number of Students (estimated)
Public Senior	$ 4,784.8	13	10,626
Private Senior	6,424.2	48	14,253
Public Junior	1,365.3	26	3,020
Private Junior	159.7	4	353
Other	779.7	19	1,720
Total	$13,513.7	110	29,974

Source: USOE

Evidence of inadequate NDSL money was provided from the IEFC survey of college financial aid officers (FAO's). In response to the statement, "Adequate loan funds have historically been available through the NDSL program," over 80% of the public and private senior FAO's and 60% of the two-year FAO's disagreed or strongly disagreed with the statement.

Participating institutions are required to provide matching funds equal to 1/9th of federal contributions. In addition to new federal capital, institutions are able to recycle money received from repayments of past NDSL loans. It is estimated that nationally $150-200 million is currently being recycled in the NDSL program. Approximately 100 institutions in the country have converted their NDSL programs completely into revolving fund operations. For the past several years, the Nixon administration has tried unsuccessfully to shift the entire NDSL program into a revolving fund status.

As noted above, the NDSL program was designed to provide loans to students who could demonstrate financial need. Institutions must use an approved procedure to analyze each student's need, and in the analysis family income counts heavily. A student may borrow up to $10,000 over the period of his undergraduate and graduate education. According to the latest regulations, a student may borrow up to $2,500 during his first two undergraduate years and a total of $5,000 over the time it takes him to complete a bachelor's degree. The amount borrowed in any one year cannot exceed the amount of financial need demonstrated for that year.

NDSL loans carry a three percent simple interest charge and are repayable over a ten-year period. An individual accrues no interest on his loan while in school and is not obligated to begin repayment until nine months after finishing school. Under certain conditions loan repayment may be deferred (for example, while in the armed forces or VISTA), and part or all of the loan may be canceled if the individu engages in certain specialized areas of teaching.

NDSL delinquency. It is widely believed that loan delinquencies in the NDSL program are a serious problem. However, because very little information on defaults is made public by USOE, it is difficult to be specific about the extent of the problem.

We were able to obtain a copy of a 1969 USOE report on NDSL collections and delinquencies for the period 1958-68 (see Appendix VI-1). According to the report, the NDSL delinquency rate in 1968 was 8.9%. When only accounts past due for more than 120 days were counted as delinquent, the delinquency rate for 1968 dropped to 5.9%.

It appears that USOE chose the "best" possible method from their point of view for calculating the rate of delinquency in the NDSL program. The method involves the following steps for computing the NDSL delinquency rate for FY 1968:

1. Determine the value of delinquent payments in FY 1968 (payments that became delinquent in FY 1968 plus payments which became delinquent in past years and continue to be delinquent). For FY 1968 delinquent payments equaled $21,000,000.

2. Add to FY 1968 delinquent payments:

   (a) the total of NDSL payments received from the beginning of the program (FY 1959) through FY 1968 ($143,060,000);

   (b) the total of NDSL cancellations for FY 1959 through FY 1968 ($61,806,200); and

   (c) the value of payments that were deferred in FY 1968 ($10,623,000).

3. Divide 1 by 2 to determine the NDSL delinquency rate as of FY 1968 ($21,000,000 divided by $236,594,200 or 8.9%).

Because delinquent payments in a given year are made relative to tota' payments received from the beginning of the program through that year, the method seems questionable

An alternative method, and one which seems more reasonable, would relate delinquent payments in a given year to payments received in that year. For example, in 1968 $72.8 million in NDSL payments were due. Of that amount $25.1 million were received as cash collections, $16.9 million were "received" as teacher cancellations, and $10.6 million were "received" as deferred payments (these last two items represent payments in service rather than cash). The balance of $21.1 million represented delinquent payments not accounted for by cash collections, cancellations or deferrals.

When the ratio of delinquent payments ($21.1 million) to total payments due ($72.8 million) is calculated, the rate of delinquency which results is 29%. When only those payments past due for over 120 days are included in the calculation, the delinquency rate drops to about 21%.

A variation on this method would relate the number of 1968 accounts which were delinquent to total NDSL accounts which were in a repayment status. Computed on this basis, the delinquency rate in 1968 is estimated to be 22% (or 14% if only accounts past due for 120 days are included). The fact that the delinquency rate is lower when computed on the basis of number of accounts as opposed to dollar value of payments suggests that delinquency may be greater among borrowers most heavily in debt to the NDSL program.

This alternative method may, to some extent, overstate the actual rate of delinquency in 1968 because some of the delinquent payments and accounts may represent legitimate but unreported deferrals and cancellations. However, it seems reasonable to conclude that the problem of delinquency is much more serious than shown by the USOE calculations. Moreover, the fact that more recent information on NDSL delinquency has not been made available by USOE suggests that the situation has not improved since 1968.

Some of the factors which have been identified as contributing to the serious default problem in the NDSL program are: (a) inadequate federal enforcement efforts, (b) the lengthy repayment period attached to NDSL loans, and (c) insufficient emphasis on repayment obligations when loans are made by the institutions.

The Illinois Guaranteed Loan Program (IGLP).

This program is the other major source of loan money available to Illinois residents. It was instituted in 1965 in response to the federal Higher Education Act of that year. Under this Act, various kinds of federal support were provided to insure that adequate student loan funds would be available through private lenders. Because low income students were already being served by NDSL, the guaranteed loan

programs affected by the 1965 Act were targeted primarily on students from middle and upper income families.

There are several variations in the way these programs operate at the state level. In Illinois, the program is called the Illinois Guaranteed Loan Program (IGLP) and is administered directly by the State through ISSC.

To be eligible for an IGLP loan, an individual must:

*be a U. S. citizen and an Illinois resident;

*be enrolled as a full-time student (as of June 1, 1974 ISSC will extend eligibility to half-time students);

*be enrolled at an approved college, university, or vocational school (as determined by either USOE criteria or a recognized accrediting agency) either within or outside Illinois; and

*be pursuing a program leading directly to a degree or certificate.

The program limits borrowing to $1,000 for the freshman year, $1,500 for the sophomore year, and $2,500 each academic year thereafter including graduate study. A student is allowed to borrow a total of $10,000 over his academic career, and borrowing in any one year cannot exceed the amount of educational expenses incurred in that year, minus amounts received from other financial assistance programs.

The student borrower must pay 7% simple interest on his IGLP loan and must begin repayment within nine months after he ends his full-time student status. Except where deferrals are allowed (for example, while he is in military service), the loan must usually be repaid within five years, with minimum monthly payments of $30.[1]

Table VI-2 shows IGLP loan activity for calendar years 1969 through 1972. From August 1966 through December 1972, nearly 130,000 students made IGLP loans totaling over $232 million. Table VI-3 shows how these loans were distributed among institutions.

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[1]Prior to 1972, lenders were required by ISSC to limit the maximum repayment period to 5 years (excluding time allowed under certain deferrals such as military service). In October 1972, ISSC notified lenders that, subject to lender discretion, all new loans could have a ten year maximum repayment period. However, lenders have not acted to lengthen the repayment period on most loans because according to ISSC's 1974-75 Program Information Manual, "the usual repayment period [on IGLP loans] will be approximately 60 months (5 years)."

Table VI-2. IGLP loans for 1969 through 1972

Calendar Year	Students	Dollars
1969	37,672	$39,551,040
1970	36,412	40,620,533
1971	38,316	42,273,051
1972	34,329	38,084,010

Source: ISSC Report, April 1973

Table VI-3. IGLP loans distribution by institutions

Type of Institutions	Students*	Dollars
Public Senior	65,547	$121,075,095
Private Senior	37,804	73,576,300
Public Junior	4,028	4,344,196
Private Junior	1,996	2,536,954
Vocational	8,522	9,275,622
Not Known	11,622	21,357,390

*Number of students who borrowed at least once under the IGL Program
Source: ISSC Report, April 1973

Approximately 89% of the loans made over this period were to undergraduate students, and about 74% of all borrowers were attending schools located in Illinois. Slightly over half of the dollars loaned between August 1966 and December 1972 went to students whose families had adjusted annual incomes greater than $7500.[1] The balance went to either independent students or those with lower family incomes.

[1]Adjusted family income is equal to total pre-tax income minus a 10% deduction and an exemption allowance for each family dependent equal to that allowed in computing the individual family income tax. Hence, for AY 1973-74, a family of four with an adjusted income equal to $7500 would have an unadjusted income equal to $11,667.

The Illinois Guaranteed Loan Program depends entirely on private lenders to provide loan funds. There are currently nearly 1,000 private lending agencies participating in the program. Around three-fourths of these are banks, and the rest are savings and loan associations and credit unions.

Loans made by private lenders under the program are "guaranteed" by the State and federal governments. By the terms of the guarantee, a lender is reimbursed by the State for the outstanding principal and interest on a loan which has gone into default if: (1) the loan has been in default for over 120 days; and (2) the lender has shown "due diligence" in attempting to secure payment during the 120 days. Due diligence is evidenced by the lender's having sent at least two letters and made at least one telephone call during the period. Under the Illinois program, the federal government reimburses the State for 80% of the principal on defaulted loans.

The federal contribution to the program also includes a "special allowance" to lenders, which amounts to an add-on to the 7% interest rate charged to student. The add-on has averaged 1½% since 1969, and over the past several quarters it has been 2½%.

The federal government has also attempted to promote private participation in the program by sponsoring the Student Loan Marketing Association (known as "Sallie Mae"). A quasi-private corporation, Sallie Mae is intended to provide greater liquidity in the guaranteed loan market. Sallie Mae is currently operating as a "warehouse" for guaranteed student loans. Lenders who make guaranteed student loans can borrow from Sallie Mae, using their student loan holdings as collateral. This arrangement allows lenders to largely offset the loss in liquidity that results from making guaranteed loans. Because Sallie Mae only began operating in the Fall of 1973, its impact on the guaranteed loan program is still uncertain.

State role. In addition to its commitment to guarantee defaulted loans, the State's role in the guaranteed loan program includes monitoring the program to insure that loans are being made according to the State and federal guidelines. Every IGLP loan is subject to final review and approval by the ISSC Loan Division. For the past several years, this review process has involved nearly 35,000 applications annually.

Because financial planning by students and their families requires rather precise knowledge about the availability of funds from various sources, it is important that requests for IGLP loans be processed as quickly as possible. Conversion to a new computer service and the imposition of new federal regulations this year seriously affected the efficiency with which loan applications were processed at the beginning of this school year. The ISSC Loan Division reports that

these problems have been resolved and that turn-around on applications it receives (the time from receipt of the application to notification by mail of approval, rejection, or need for additional information) currently takes about a week to ten days.

The ISSC Loan Division is also responsible for informing lenders about changes in IGLP guidelines. Each Spring, the staff of the Loan Division conducts seminars for lenders in 15 to 17 cities within the state. The ISSC staff estimates that half of the lenders who participate in the IGL Program are contacted through these annual seminars. Beyond this, little regular and systematic contact is made with participating lenders. At one time a monthly news letter was distributed to lenders but it has been discontinued. Because uncertainty among lenders about IGLP is generally recognized as a serious deterrent to their participation, it would seem that communications between ISSC and the lending community should be conducted on a more frequent and regular basis. Revival of the monthly news letter would seem desirable. Beyond this, serious consideration should be given to a permanent field representative as part of the Loan Division's staff. Without regular personal contact with lenders, it would seem at best difficult to know precisely what information lenders lack and, more importantly, the extent to which they are acting on misinformation about the program.

The third major responsibility of the ISSC Loan Division involves loans that have matured to a repayment status. Much of the Division's time and effort is directed at this phase of the operation. Out of a nonclerical staff of fourteen, ten are primarily involved in default and collection activities. Of course, the primary concern in this phase of the operation is to insure that loans subject to repayment are in fact repaid. Table VI-4 shows the extent of actual defaults through 1972.

According to a 1972 ISSC report, lack of financial means to make payments is the least serious cause of defaults. The report notes that in most instances, the borrower's repayment schedule can be rearranged (either by the lender or by ISSC when the lender files a default claim) to fit the ability of the student to fulfill his obligation. The report contends that student attitude and ignorance about loan obligations are the primary causes of default. In this regard, it is significant that nearly one-half of loan defaults are due to students not signing the required pay-out note, once their status as full-time students has ended. Without this pay-out note, the loan cannot be converted to a repayment status and it goes into default.

ISSC efforts to minimize defaults can be characterized as both preventive and corrective. By way of prevention, ISSC assists lenders in keeping current information on the status of past borrowers. Each Spring a questionnaire is sent to past borrowers who have not sought additional funds and whose loans are not yet in a repayment status. (A copy of the questionnaire can be found in Appendix VI-2.)

Table VI-4. IGLP defaults through 1972.

	Number of Loans[1]	Number of Matured Loans[2]	Number of Defaulted Loans[3]	Default Rate[4]
Entire Program	129,519	60,196	3,342	5.56%
Illinois 4-Year Colleges:				
Public	55,954	26,083	980	3.76%
Private	23,925	10,387	463	4.46%
Illinois 2-Year Colleges:				
Public	6,467	2,393	256	10.70%
Private	1,343	686	171	24.93%[5]
Illinois Vocational Schools	5,784	3,457	847	24.70%[6]
Hospital schools of nursing and allied health schools	1,098	467	9	1.93%
Out-of-state schools	34,949	16,796	717	4.27%

1. Number of loans is equivalent to number of students who borrowed one or more times through the IGL Program.

2. Number of student loans repaid or subject to repayment.

3. Number of student loans subject to repayment and against which a default claim has been paid (claims resulting from disability and death not included).

4. The ratio of number of defaults to number of matured loans.

5. Eighty-five percent of defaults were from one school (Central YMCA). When this school is excluded from the computation, the 2-year private default rate drops to 6.19%.

6. Fifty-eight percent of defaults were from one school (Chicago School of Dental Assisting). When this school is excluded from the computation, the vocational school default rate drops to 12.7%.

Source: ISSC summary of default statistics (January 1, 1973).

Because default is likely to increase significantly when an extended gap occurs in communications between a lender and borrower, this effort by ISSC has been an important factor in minimizing IGLP defaults.

Also by way of preventing defaults, ISSC attempts to minimize students' misunderstanding about their obligations in making a guaranteed loan. In the past, many defaults resulted from differences between borrowers and lenders in interpreting these obligations. ISSC has prepared a "Statement of Responsibilities" which in simple language explains to the student the conditions attached to the loan. ISSC explains the purpose of the statement (which is signed by the borrower and lender) as an "attempt by the agency staff to 'quality control' the interview at the lending institution and reduce the number of defaults which are caused by substantive student/lender disagreements." A copy of the statement can be found in Appendix VI-3.

As another preventive measure, ISSC offers a pre-claim service under which a lender notifies ISSC when a payment is 60 days past due. ISSC then provides assistance to the lender in attempting to secure payment. ISSC reports that the pre-claim service has been about 50% successful in preventing potential defaults from proceeding to an actual default status subject to a lender's claim for reimbursement.

When a default does occur and a lender requests reimbursement on the outstanding principal, ISSC first checks to insure that the lender has shown due diligence in pursuing payments on the loan. Total claims paid by the State on defaulted loans from FY 1968 through FY 1973 amounted to approximately $6.5 million. Of that amount, $3.8 million was reimbursed by the federal government,[1] leaving a net cost to the State of $2.7 million.

Once a claim has been approved, the Collections Division of ISSC attempts to renegotiate payments on the defaulted debt. Among the fifty states, Illinois' is the only large guaranteed loan program which does not use the services of private collection agencies in attempting to secure repayment on defaulted loans. Although directly comparable data are not available, IGLP's collections performance does not appear to be out of line with other state programs.

For defaults other than those caused by death or disability, the actions taken by the ISSC collections staff include regular phone calls and letters to the borrower, his family, past and present employers, and the school he attended. If the borrower persists in default, credit bureaus are advised of the individual's default status,

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[1]The reimbursement agreement with the federal government became effective in August 1969. As noted earlier, by this agreement the federal government reimburses the state for 80% of the principal on defaulted loans (100% for claims resulting from death and disability).

and in cases where there is clear evidence that the individual is capable of repaying his loan, litigation is pursued through the Attorney General's office. ISSC reports that of fifteen legal judgments made on IGLP defaults, all have been decided in favor of ISSC. There are currently 40 to 60 default cases against which legal action is being taken.

ISSC indicates that they are successful in making contact with about 50% of individuals who have defaulted on their loans. For those cases where contact is made, they estimate a 35% success rate in negotiating repayments on defaulted loans. When repayments are received on defaulted loans, 80% of the collections are returned to the federal government to cover its share of the reimbursement, and the state retains 20%.

VII. BORROWING BY PUBLIC UNIVERSITY STUDENTS

While very general information is available on the extent to which loan financing is being used by various groups within the higher education community, there has been relatively little analysis by ISSC or others about why the use of loans varies among students. More specifically, there has been no systematic inquiry about how demand and supply factors affect different types of students. From the IEFC student survey, it is possible to gain some insight about these phenomena and their impact on students within the public university system for the current school year.

Comparison of borrowers and nonborrowers. In order to determine how borrowing relates to assistance received from nonloan sources, the full-time undergraduates in our sample were separated into two groups--those who indicated they had borrowed for the current school year and those who indicated they had not. There were 450 students in the borrower group and 1655 in the nonborrower group.

For both groups the information on amounts received from the five major sources (parental assistance, nonrepayable assistance, earnings during the school year, earnings during the summer, and loans) was examined to determine the average amount received per student from each source. Table VII-1 summarizes this information for the two groups. For purposes of illustration, it has been assumed that the average nonborrowing student receives a total of $2400 from the five sources.[1] Using this total, the estimated amounts received from each source have been computed for nonborrowers and borrowers. A detailed explanation of the method used in this analysis is provided in Appendix VII-1.

Parental Assistance and NRA. For the typical student in the borrower group, it can be observed that assistance received from parents was about one half of that received by nonborrowers. Because of the high correlation between parental assistance and parental income, it follows that a higher percentage of students in the borrower group came

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[1]The format in which the student survey information was provided did not allow direct estimates of actual dollar amounts. The typical college cost budget for resident students in Illinois public universities is estimated by ISSC and campus financial aid officers to be about $2500. For commuters the typical budget is estimated at about $2100. Using these figures, a weighted average college cost budget for the full-time undergraduates in our sample (approximately 75% resident and 25% commuter) has been computed at about $2400.

from low income families. However, the typical borrower receives over one and a half times as much NRA as the nonborrower, and this largely neutralizes the effect of the difference in parental assistance on the need to seek funds from other sources. (The possible effect of the difference in parental assistance on the perceived need to borrow will be discussed below.) On balance, total assistance from parents and nonrepayable programs received by the typical borrower amounted to 94% of the assistance received from these two sources by the nonborrower.

Table VII-1. Sources of assistance for borrowers and nonborrowers.

	Average amount received by nonborrowers[1]	Average amount received by borrowers[2]	Ratio of amounts received by borrowers to nonborrowers[3]
Parental assistance	$ 696	$ 376	.54
Nonrepayable assistance	384	630	1.64
Earnings during school year	528	470	.89
Earnings during summer	792	689	.87
Total of nonloan sources	2400	2165	.90
Loan assistance	0	883	--
Total of all sources	$2400	$3048	1.27

1. Based on IEFC student survey information and an assumed total of $2400 from all sources (see Appendix VII-1 for more detail).

2. Product of columns 1 and 3.

3. Based on IEFC student survey information (see Appendix VII-1 for more detail).

Source: IEFC survey of public university students.

Employment. The typical borrower receives less from both school year and summer employment. Expected school year earnings for borrowers equaled about 89% of earnings expected by nonborrowers. While approximately the same percentage of students from both groups indicated they had part-time jobs, a higher percentage of nonborrowers indicated they were working over 20 hours per week (44% versus 31% of

borrowers). To some degree, then, the decision to borrow appears to depend on the extent to which students are willing to work during the school year. It should also be noted, however, that while 79% of the nonborrowing students who sought part-time jobs were successful in obtaining employment, only 73% of the borrowing students who sought employment were successful. Hence, the trade-off between school-year earnings and borrowing was not voluntary in all cases.

Differences in earnings from summer employment were even more significant. A typical borrower's summer earnings equaled only 87% of the typical nonborrower's. It appears that this difference can be largely explained by the higher summer unemployment rates experienced by borrowers. While nearly the same percentage of students in both groups indicated they sought summer work, only 74% of the borrowers who sought work were successful in obtaining it, compared to 91% of the nonborrowing group. Thus, for some students the inability to obtain summer employment appears to contribute to their need to borrow.

All nonloan sources. When borrowers and nonborrowers were compared in terms of total assistance received from the four nonloan sources, the total for borrowers amounted to 90% of that for nonborrowers. It appears, therefore, that the use of loan financing does relate directly to assistance received from other sources. Furthermore, it seems that while in some cases the trade-off between borrowing and other sources may be voluntary, there are also cases where the need to borrow is caused by an inability to raise adequate funds from nonloan sources.

Excessive borrowing. While in general the case can be made that the need to borrow stems from a lack of adequate nonloan assistance, the student survey data also suggests that the extent of actual borrowing exceeds this real need. As was just noted, the total of nonloan funds for the typical borrower amounted to only 90 percent of the average amount received by a nonborrower. However, when funds from borrowing are included, the typical borrower's budget from the five sources exceeds that of the nonborrower by about 27 percent. Using the example in Table VII-1, the typical borrower's budget is approximately $600 greater than that of the nonborrower. In effect, the amount borrowed is about $600 more than required to equalize the average budgets of the two groups.

The survey information was examined to determine whether borrowers as a group might have some characteristics which would suggest a greater real need for funds. No significant differences were observed between the two groups regarding such variables as living with parents, marital status, children, or spouse's income. Thus, it does not seem likely that borrowers actually have a 27% greater need for funds than do nonborrowers.

There are several alternative explanations for the observed differences in the two budgets. Since the typical borrower receives significantly less assistance from parents and summer employment, he must depend more heavily on NRA, school year employment and loans. In terms of financial planning, NRA and school year employment may be characterized as more uncertain sources of funding than summer employment and parental assistance. Whereas prior to the beginning of a school year, a student can be fairly certain about assistance that will be provided by parents and summer employment, amounts received from NRA and school year employment may not be known until after the school year begins. Accordingly, the typical borrower, who is more dependent on the uncertain sources, may hedge against the possibility of receiving less than is needed from them by negotiating a loan which ultimately proves larger than necessary.

Of course, it is also possible that some students are consciously overstating their need to borrow money for reasons unrelated to uncertainty about other sources. These students may simply be attempting to use the student loan market as a source of credit, providing funds for expenses not related to their education. Checks against this type of abuse have been incorporated into the loan application procedure. In order for a loan to be approved, the student's school must estimate the student's actual need for loan financing. In making this estimate, the school compares expenses that the student will incur during the school year to funds received from all nonloan sources. Again however, because funds received from nonloan sources must often be estimated when the loan is being negotiated, the school may estimate nonloan assistance conservatively to insure that students seeking loans for legitimate purposes are not forced out of school for lack of funds.

One solution to the problem of overborrowing related to uncertainty would be to parcel out loans over the course of the school year rather than in a lump sum at the beginning of the year. Under a system of multiple disbursements, the student's actual need for loan money could be monitored during the year, and if his need diminished, disbursements could be reduced accordingly.

NDSL loans are currently subject to multiple disbursements, usually at the beginning of each semester or quarter. However, the student's need for loan money is not generally monitored in a systematic manner to determine if disbursements should be adjusted in response to changes in need. In most cases, it is left to the student to report changes in his budget. While it may be reasonable to expect students to voluntarily report changes which evidence <u>greater</u> need, it seems unlikely that they will report changes which indicated a <u>reduced</u> need for NDSL money. Only in the extreme case where a student leaves school are disbursements automatically adjusted downward (to zero).

In the IGL Program, loans are disbursed in a lump sum at the beginning of the school year. Once a loan has been approved by ISSC, the lender sends a check for the total amount of the loan to the school, which in turn presents it to the student once he is officially enrolled. It is not possible to make subsequent adjustments to loans, even if the student leaves school during the year.[1]

Because IGLP loans are a private arrangement between student and lender, there is a question whether the school or the state has the legal right to regulate the disbursement of approved loans. Furthermore, because of the additional administrative costs, it is very doubtful that lenders would be willing to make adjustments to loans based on changes in a student's budgetary needs, or to originate loans on a quarterly rather than yearly basis. As will be discussed later, one possible solution to the problem of excessive borrowing is to have the State assume the role of direct lender.

Loan Use by Family Income Level

As noted earlier, the use of loan financing is much greater among students from low income families than among students from middle and upper income families. Column 1 of Table VII-2 shows the percentage of students in each income group who borrowed for this school year. The percentage drops from 36% of the students from the lowest income group to 8% of those in the highest income group. Correspondingly, it was observed that loan financing accounts for approximately 13% of the funds received from the five major sources for students in the lowest income group, but only 3% for the average student in the highest income group. Column 2 indicates that demand, as measured by the percent of students who indicated they sought a loan for this year, was significantly greater among students in the lowest income group.

It was found that, for all income levels, borrowers were receiving less from the four nonloan sources than were nonborrowers. However, the extent of the differences and the reasons for them appear to vary significantly by income level.

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[1] ISSC has recently initiated a pilot program at Southern Illinois University at Carbondale in which some "high risk" students are negotiating loans on a quarterly basis. Effectively, this amounts to a system of multiple disbursements designed primarily to avoid excessive borrowing in its most extreme form. Preliminary results are not yet available.

Table VII-2. Percentage of borrowers by parental income group.

Estimated Parental Income	Students obtaining a loan	Students seeking a loan	Ratio of number obtaining to number seeking a loan
Under $5,000 (N = 175)	36%	37%	.97
$5,000-9,999 (N = 357)	30%	37%	.81
$10,000-14,999 (N = 698)	18%	27%	.67
$15,000-20,000 (N = 437)	17%	25%	.68
Over $20,000 (N = 281)	8%	15%	.53

Source: IEFC survey of public university students.

Borrowing by low income students. Among students from the two lowest income levels, borrowers indicated they were receiving less parental assistance than nonborrowing students. However, the role of parental assistance was so small among low income students generally that this difference probably did not significantly affect the decision or need to borrow. Moreover, because borrowers received somewhat more non-repayable assistance, differences in parental assistance between the two groups were largely neutralized. The use of loan financing by low income students seems to depend primarily on differences in earnings from employment. A higher percentage of low income borrowers sought school year employment than nonborrowers, but as a group they were less successful in obtaining work. Only 67% of those who sought part-time work were successful in obtaining a job, versus 76% of low income nonborrowers. Hence for some low income students, borrowing is apparently related to inability to obtain school-year employment.

However, it was also observed that only 23% of low income borrowers who had part-time jobs were working over twenty hours per week compared to 55% of the low income nonborrowers. For all full-time undergraduates in our sample, approximately 37% of those working during the school year indicated they worked over twenty hours per week. Hence, the decision to borrow among low income students also appears to relate directly to the degree to which these students are willing or able to work during the school year, with low income borrowers as a group making a below average effort, and nonborrowers making a significantly above average effort.

In terms of summer employment, it appears that many low income borrowers were simply unable to secure summer jobs. While for low income nonborrowers the success rate in obtaining summer work was about 91%, only about 80% of the low income borrowers who sought summer work were successful in obtaining it. Hence, lack of summer employment opportunities among some low income students appears to contribute directly to a need to borrow.

Borrowing by middle and upper income students. For the three upper income groups, differences in parental assistance, rather than earnings from employment, seem to distinguish borrowers from nonborrowers. While 71% of the nonborrowing students in these income groups indicated they were receiving parental assistance, only 57% of the borrowing students indicated they were receiving assistance from parents. Moreover, of those receiving assistance, 74% of the nonborrowing students indicated receipt of over $500, versus only 44% of the comparable borrowing students.

For students in the middle income group ($10,000-15,000) the difference in parental assistance was largely offset by differences in NRA. Hence, with no significant differences in earnings from employment between the two groups, the total funds received from the four nonloan sources were not significantly different for borrowers and nonborrowers. In general, therefore, the use of loan financing by middle income borrowers may be largely explained by uncertainties about whether adequate funds will be obtained from other sources to compensate for the lesser amounts of parental assistance being received.

For the two highest income levels, borrowers received slightly more NRA than nonborrowers. However, the amount received by students in these income groups was generally so low that the slightly higher amounts received by borrowers were not adequate to compensate for the significantly lower amounts of parental assistance they received.

Because higher income families are generally better able to provide assistance, it appears that borrowing by these students depends primarily on the willingness of parents to provide assistance and, to some extent, on the decision of the students to seek parental assistance. Borrowing by upper income groups can thus be characterized as a discretionary means of financing an education (that is, the family has chosen to borrow rather than to pay college expenses out of current income), whereas at the lower income levels borrowing appears to be an actual or perceived necessity.

Access to loan money. Column 3 of Table VII-2 indicates that students from low income families were much more successful than middle and upper income students in obtaining loans for this year. While students in the lowest income group who sought a loan were nearly 100% successful in obtaining one, students in the highest income group were only slightly more than 50% successful. Hence, the observed differences in the extent of loan use among income groups were determined not only by demand factors but also by supply factors, or access to student loan money.

For many middle and upper income students, borrowing would have played a larger role in financing their education if they had been able to get loans. It is very likely that for many of these students, greater assistance from parents was necessary to compensate for the lack of loan money.

To understand why middle and upper income students were less successful in obtaining loans, it is necessary to consider the operation of the two public loan programs. It was noted earlier that the NDSL program was created specifically for students from

Table VII-3. Access to NDSL loan money by income group.

	Under $5000	$5000-9999	$10,000-15,000	$15,000-20,000	Over $20,000
Success rate*	84%	74%	56%	28%	30%
NDSL loans as a % of all loans	68%	50%	32%	13%	12%

*Ratio of students who obtained an NDSL loan to students who sought an NDSL loan.

Source: IEFC student survey

low income families. To be eligible for an NDSL loan, financial need must be demonstrated, and family income counts heavily in assessing need. Since the chances of obtaining an NDSL loan are much greater among students from low income families, much of the borrowing among these students originates through the NDSL program. This is shown in Table VII-3, where row 1 indicates, for each income group, the success rates in obtaining NDSL loans. Row 2 indicates the percent of total loans originating from the NDSL program for each income group.

In the earlier discussion of the Illinois Guaranteed Loan Program, it was noted that the intent of the program was to insure that all students who needed to borrow had access to loan money. In particular, because no public loan program existed to meet the needs of middle and upper income students, IGLP program was intended to fill this void. Table VII-4 shows by income level how successful students in the IEFC survey were in obtaining IGLP loans for this year.

Row 2 of the table indicates that IGLP loans were a relatively more important source of loan money for middle and upper income students. However, when the success rates shown in row 1 are considered, it appears that significant numbers of middle and upper income students are being denied access to IGLP as well as NDSL loans.

Table VII-4. Access to IGLP loan money by income group.

	Under $5000	$5000-9999	$10,000-15,000	$15,000-20,000	Over $20,000
Success rate*	58%	67%	51%	58%	46%
IGLP loans as a % of all loans	24%	34%	46%	56%	42%

*Ratio of number of students who obtained a loan to the number who sought a loan.

Source: IEFC student survey.

IGLP decline. There are no comparable data to determine if the situation depicted in Table VII-4 is consistent with past years. However, IGLP loan activity dropped sharply in 1973, suggesting that the program was particularly ineffective last year. Table VII-5 shows the extent of that drop in terms of the number of loans originated in 1973 and the total dollar volume of loans made.

Table VII-5. IGLP loan activity.

	1971	1972	1973	% change 1971-73
Number of loans	35,865	33,147	24,801	-31%
Dollar volume of loans (000s)	$41,830	$39,071	$31,707	-24%

Source: ISSC reports

The decline in guaranteed loan activity in 1973 corresponds to a decline which was experienced nationally and stems primarily from changes in federal guidelines. The Education Amendments of 1972 changed the eligibility criteria for federal interest subsidies on guaranteed loans. Previously, any student from a family with an adjusted gross income of $15,000 or less[1] was eligible to have the interest on his IGLP loan paid by the federal government during the period he maintained his status as a student. As of March 1, 1973, however, all applicant must undergo a needs analysis to determine eligibility for the interest benefits. The procedure for assessing need is essentially that used in federal programs which are aimed specifically at students from low income families. The result has been that most middle and upper income students do not qualify for interest subsidies.

It should be noted that only eligibility criteria for the interest benefits were changed, not criteria for the guaranteed loans themselves. However, there is widespread agreement that the precipitous decline in guaranteed loan activity relates directly to the

[1]As noted earlier, an adjusted family income of $15,000 for a family of four corresponds to an unadjusted income of around $20,000.

new interest subsidy provision.[1] While no systematic analysis is available, it appears that the new interest provisions have affected both student and lender attitudes about guaranteed loan programs.

It is argued that because the procedure for obtaining a loan is now more complicated, many students are discouraged from even applying. To qualify for the interest benefit, students and their families must now provide a detailed accounting of their financial situation (see Appendix VII-3 for a typical needs assessment form). Moreover, because many middle and upper income students are not eligible for the interest benefits, their cost of borrowing is considerably higher than it would have been under the old provisions. For example, a student who borrowed $1,000 for each of four academic years must now pay a total of $700 in interest costs while in school if he is not eligible for a federal interest subsidy.

While students may be discouraged from participating due to the more complicated procedure and the higher interest costs, the impact of the new provision on the willingness of lenders to participate is considered by some to be an even more serious problem. Because the new procedures are more involved, the lenders' administrative costs have increased so as to reduce the profitability of IGLP loans. There are more factors to be considered in determining the terms of the loan, and, in the case of unsubsidized loans, there are additional costs involved since these students must be individually billed for interest while they are in school (as opposed to bulk billing to the federal government in the case of subsidized loans).

While ISSC reports a substantial increase in the percentage of unsubsidized loans made in 1973, the majority of these unsubsidized loans went to students who had borrowed in the past. Apparently, the lending community feels some obligation to make such loans to past customers, but is reluctant to initiate unsubsidized loans to new customers.

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[1]The new interest benefit provisions were briefly implemented in 1972, from July 1 to August 18. There was a dramatic decline during that period in guaranteed loan activity nationally. In Illinois, volume dropped to a level of about $2 million in July and August of 1972 compared to a level of about $10 million during the same period in 1970 and 1971. Final implementation was subsequently delayed until March 1, 1973 in the hope that more lead time would avoid any major disruption in the program.

A more important deterrent to lender participation has been confusion about the new provisions. Under the current procedure, the student's institution makes a recommendation to the lender about the amount of the IGLP loan which it feels should be subject to federal interest benefit. On the IGLP application form (see Appendix VII-2), the space for the school recommendation (Item 77) is identified as "school recommendation for guaranteed loan." In fact, however, Item 77 is supposed to indicate, not the amount of the total loan, but the amount that should be considered for interest benefits. For many middle and upper income students the amount indicated in Item 77 will be zero. That is, the school recommends on the basis of the needs analysis that no part of the loan be made eligible for the federal interest subsidy. The school is not recommending that the loan be denied.

Many lenders, unaware of the exact nature of the new federal guidelines, have apparently interpreted Item 77 literally and have refused to make the loan. If the lending community fully understood the new guidelines, they would understand both that the school's recommendation applies only to the interest benefits to be attached to the loan and that they even have the right to override the schools' recommendation about the interest benefits. If the lender felt that the student's financial conditions warranted it, they could apply full interest benefit even if the school recommended none.

ISSC was aware of the potential confusion that Item 77 would create. However, because the wording originated directly from the specific legislation in the Education Amendments of 1972, USOE would not allow State agencies to alter the obviously misleading wording.

ISSC has attempted to correct the situation by holding emergency seminars for bankers in a number of cities and by mailing special followup instructions to all lenders. However, the misunderstanding has seriously hurt the program.

Lender tolerance for changes in IGLP policies may be further tested this year. Congress has passed a bill which would effectively reinstate the old interest subsidy provisions. However, the bill has not yet been signed by the President. While a return to the old provisions may restore the willingness of students to participate, it is not clear that lenders will return to the program. According to ISSC, many lenders feel that their participation this year has had a negative effect on their relations with bank customers. Certainly a bank that denies a loan (either because of misinformation or unwillingness to incur the increased administrative costs) or provides a loan without federal interest benefit does little to strengthen its relations with customers. Hence, even if these conditions are changed through legislation, lenders have become wary of the program and may limit their future participation in order to avoid similar problems in the future.

Summary of loan use analysis. Several major conclusions have evolved from this analysis of loan use by full-time undergraduates in the public university system. First, those students who were able to borrow for this school year appear to be receiving less total assistance from nonloan sources than is the case for nonborrowers. Hence, borrowing seems to be a response to inadequate funds from other sources. In some instances this trade-off between loan and nonloan sources is probably voluntary. But for some students borrowing appears to be necessary to compensate for an inability to raise sufficient funds from other sources.

While the findings suggest that a real trade-off does exist between the use of loan financing and funds provided from nonloan sources, they also suggest that the extent of borrowing significantly exceeds that which is required to compensate for deficiencies in funds provided from other sources. One explanation for this apparent overborrowing is that borrowers are more dependent on sources such as earnings during the school year and nonrepayable assistance. With respect to financial planning, these latter sources can be characterized as more uncertain than parental assistance and earnings from summer employment. Accordingly, to avoid the risk of having less money than is needed to cover their college expenses, students who borrow may negotiate loans which eventually prove larger than necessary.

Somewhat paradoxically, at the same time that overborrowing is occurring, there appears to be a lack of adequate loan money available from current loan programs. In particular, many middle and upper income students who are not eligible for NDSL loans, are also being denied access to IGLP loans. Students from the city of Chicago and from rural areas were particularly unsuccessful in obtaining loans this year. Of those who indicated they sought an IGLP loan, only 36% of the students from Chicago and 40% from rural areas indicated they were successful in obtaining loans. Students from other regions (Chicago suburbs, other cities, and towns over 5,000) were between 50% and 60% successful in negotiating IGLP loans.

The principal factor in explaining the 31 percent drop in the number of IGLP loans between 1971 and 1973 was the imposition of new federal guidelines governing student eligibility for federal interest subsidy benefits. These new regulations have served to discourage students from seeking IGLP loans and, more importantly, they have served to discourage participation by private lenders in the program.

VIII. IMPROVING STUDENT LOAN PROGRAMS

Chapters VI & VII identified a number of problems with existing student loan programs. These include overborrowing by some students and inadequate access for others. In addition, the serious decline in IGLP volume this year raises important questions about the viability of the existing State loan program. This chapter analyzes various possible responses to these problems.

Overborrowing. In terms of the current Illinois Guaranteed Loan Program, it would seem that ISSC could make a greater effort to insure that overborrowing is kept to a minimum. In this regard, the information provided by students and their financial aid officers should be more carefully scrutinized to be sure not only that the information is complete, but also that the estimates of educational costs and assistance from nonloan sources are realistic.

As noted earlier, the timing of loan applications often precludes knowledge about funds which will be provided from nonloan sources. However, ISSC is in a somewhat better position than schools to estimate available nonloan funds. For example, the Scholarships and Grants Division of ISSC, which administers the monetary award program, has information about whether the loan applicant has also applied for a monetary award. It would seem reasonable for ISSC's Loan Division to act on this information in assessing a loan request and, in cases where a decision on the monetary award application has not been made, to delay acting on the loan until the monetary award decision has been made.

It would also seem advisable for ISSC to establish criteria for identifying what may be excessive borrowing. In establishing criteria for evaluating the reasonableness of loan requests, it is possible to use statistical techniques to establish norms for individuals having similar characteristics. Such techniques are used by the Internal Revenue Service to establish criteria for identifying over-deductions on individuals' income tax returns. Any request which exceeds the statistically determined norm could be identified for closer examination. While it may be unreasonable to expect any review process to completely eliminate overborrowing, such a process can be expected to significantly reduce the extent of overborrowing.

Promoting lender participation. Any solution to the problem of inadequate loan money depends critically on decisions which are made in Washington about the interest benefit provisions. Congress has sent to the President a bill that would effectively reestablish the old interest benefit provisions.[1] However, the Administration has reportedly taken

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[1]The compromise measure which has been approved by Congress would allow students from families with adjusted annual incomes of up to $15,000 to obtain loans up to $2000 without undergoing a needs test to qualify for interest benefits while in school.

a rather negative attitude about the interest benefit provisions and in recent hearings has even proposed their elimination. Hence, it is not clear that the principal cause of the 1973 decline in IGLP volume will be eliminated.

Moreover, as noted earlier in Chapter VII, the effect of the current interest benefit provisions on the lenders' attitudes may persist even if the old provisions are reinstated. It would seem, therefore, that a concentrated effort is called for on the part of the State to promote lender participation in IGLP. Such an effort requires most importantly that lenders have a complete and accurate understanding of the program.

It is widely recognized that any funding source, whether it provides credit or direct grants, operates most effectively when uncertainties are kept to a minimum. Accordingly, IGLP lenders should be kept regularly informed about specific regulations governing the program, and also about various aspects of the program's performance (for example, the impact of the program on Illinois students, the default experience of the program in terms of claims honored, and ISSC efforts to minimize defaults).

The most obvious source of such information is ISSC's Loan Division. It would appear that a regular newsletter from ISSC to IGLP lenders, plus a capability for maintaining regular personal contact with lenders, would be essential in fulfilling this need. In its budget request for FY 1975, ISSC has requested two new professional staff positions to be "assigned to lender relations to motivate participation in IGLP program and respond to processing/regulation question." It is recommended that this budget request be approved.

Cost allowances for lenders? To the extent that increasing administrative costs are serving to discourage lender participation in IGLP, it may be necessary for the State to help defray these costs. ISSC has the authority created by the Illinois Higher Education Student Assistance Law (Section 30-15.10 Par. 9) to provide such assistance. Specifically, the law states that the Commission, in furtherance of a guarantee program, has the power "to pay to eligible lenders an administrative cost allowance in such amounts, at such times, and in such manner as may be prescribed by the Commission." ISSC has exercised this power only once, in FY 1970, when $995,639 in special allowances were distributed among lenders. Since FY 1970, no additional special allowances have been made by the Commission, and it has requested no funds for this purpose for FY 1975. While ISSC reports that there are serious problems involved in determining an equitable distribution of such allowances (e.g., large lenders can achieve considerably greater economies in administering student loans and therefore have less justification for such allowances), the possibility of renewing the special allowance as a means of promoting lender participation should be explored.

Use of State deposits? Another area in which the State can act to encourage lender participation is through deposits of State funds in Illinois banks. The State Treasurer's office currently allocates State funds to be held as time deposits in Illinois banks (excluding the five major Chicago banks) on the bases of the interest rate offered and the extent of a bank's participation in making "public service" loans. (See Appendix VIII-1 for a list of public service loans.) According to the State Treasurer's office, student loans receive the greatest weight among the various public service type loans in determining the distribution of State funds among banks. However, no analysis has been done to determine the extent to which a bank's participation in the student loan market affects the amount of State deposits it is awarded. Only when such a determination is made can the potential of this policy variable in encouraging greater bank participation be assessed. It is recommended that the Treasurer's office undertake such analysis.

Direct State lending? The preceding discussion focused on ways in which the current loan program, operating directly through private lenders, could be strengthened. There are several possible alternatives to the current loan program which would allow the State to act more directly in assuring a viable student loan program. Direct State lending is one such alternative.

Under a system of direct State lending, the State could raise sufficient funds through its bonding power to insure that the supply of student loan money was at all times adequate to meet the need for student loans. Moreover, under a direct State loan program, the use of loan money could be more carefully monitored to limit the problem of overborrowing. The State could decide to absorb the additional administrative cost associated with such monitoring (e.g., by distributing loans in multiple disbursements or by negotiating loans on a quarterly or semi-annual basis) in order to eliminate costly abuses.

Even under a system of direct State lending, the funds would ultimately be provided through the private capital market. However, because the administrative cost of raising funds through State bonds would be much lower than the sum of the costs associated with negotiating individual student loans under the current system, the State is in a position to raise funds more economically.[1] Hence, the State could attract a larger market from which to borrow and raise the the necessary funds at a cost below that currently being paid by

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[1]In this respect, the concept of direct State lending to students is similar to bond banks which operate in some states. Under a bond bank operation, a state government raises capital through the bond market and in turn loans it to local governments. One of the advantages of such a system is that the administrative costs of borrowing are significantly reduced for local governments because each locality does not have to originate its own series of bonds.

students who borrow individually through IGLP. In turn, the difference between the cost of borrowing to the State and the interest charged to students could be used to defray the State's administrative costs.

A system of direct State lending could operate under the federal reinsurance program and be subject to the same federal reinsurance commitment as the current IGLP. The interest benefit subsidies would also be available under a direct State lending program. In administering such a program, it would probably be necessary to have a loan representative located on each eligible campus. Presumably, a member of the financial aid staff at the campus could serve in this capacity. Central authority for administering a direct State program should probably be placed under the auspices of the ISSC.[1]

A number of states have moved or intend to move toward direct State lending. Texas has operated such a program since 1966. Michigan and Minnesota are in the process of creating such programs, which are being viewed currently as a supplement and not a substitute for their current loan programs.

ISSC has proposed to do a feasibility study of direct State lending. The findings of the IEFC staff suggest that such a study is in order and that it should consider:

*how such a program should be funded (revenue or general obligation bonds);

*potential conflicts with federal guidelines governing the guaranteed loan program;[2]

*the net operating costs of such a program to the State, comparing them to the costs of the current program;

*how student loans could be best administered under such a program; and

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1There is of course, the possibility of making the schools themselves direct lenders. A number of private universities, including Northwestern University, are currently operating as direct lenders. The University Finance Corporation of the First National Bank of Chicago has been active in making wholesale loans to these schools which in turn lend to individual students.

2For example, OMB circular A-70 of September 1972, which seeks to eliminate federal guarantees of state and local government obligations, apparently is intended to apply to federal guarantees of state direct lending programs. However, implementation of circular A-70 would require action by the Congress.

*whether it should replace or supplement the current system.

If ISSC should recommend against direct State lending or for only a supplementary program, ISSC should explain how the current IGLP system can provide adequate loan funds over the next five to ten years. This would require ISSC to: (1) project student demand for loans over this period and (2) justify the expectation that the private lending community will supply enough loan money to meet this demand.

The need for such a study is clearly evidenced in this IEFC staff report. Many middle and upper income students are currently being denied access to IGLP loans. Furthermore, while it appears that the need for loan financing among low income students is currently being met particularly through the NDSL program, that program has remained relatively static over the past several years, and efforts continue to be made to cut back on the federal commitment to it. Hence, there is a distinct possibility that the State loan program may be called on to serve a larger clientele in the near future.

Beyond these immediate needs, it seems clear that as the cost of obtaining an education continues to increase, and with real limits on the extent to which student assistance can be provided from parents, work, and nonrepayable programs, loan financing will become an increasingly important means of financial access for many students. Accordingly, it is essential for the State to act now to determine whether its guaranteed loan program will be able to fulfill this expanded role.

The need to promote the use of loan financing. The discussion thus far has focused on problems associated with the supply of student loan money. Consideration must also be given to issues relating to student demand for loan money. As the costs of obtaining a higher education increase over time and students are expected to finance a larger share of the costs through self-help, the role of loan financing in meeting an expanded self-help responsibility is going to increase. But even if the State is successful in insuring an adequate supply of loan money, it is not certain that students will automatically turn to borrowing as a means of financing their education.

Our survey reveals that the majority of students prefer to meet their self-help commitment through work rather than loans. For example, it was observed that students typically assume a greater self-help commitment after the freshman year.[1] The tendency to work

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[1]Parental assistance drops from 36% of the funds received from the five major sources in the freshman year to approximately 20% in the senior year. Meanwhile, the role of nonrepayable assistance remains unchanged between the freshman and senior years. This indicates that students are assuming a greater self-help commitment as they become upper classmen.

rather than borrow is indicated by the fact that the importance of loan financing remains relatively unchanged across grade levels, but the earnings from school year employment increase from 12% of college cost budget for freshmen to 26% for juniors and seniors.

The preference for school year employment over borrowing as the means of meeting an expanding self-help commitment was further evidenced in the responses to Question 16 of the survey. That question (which is examined in greater detail in Chapter X) asked the students what the likelihood was that they would take certain actions if tuition at public universities were increased by $500 next year. (The choices they were offered included dropping out of school, transferring to another school, and seeking additional assistance from parents.) In response to "I would seek a bank loan to cover the additional costs," 38% of the full-time freshmen, sophomores and juniors, indicated that they were likely or very likely to take this action. However, 78% of these students indicated that it was likely or very likely they "would try to earn the additional money through part-time employment."

While answers to such a hypothetical question are only suggestive, the responses to Question 16 do reinforce the notion that, as a group, students prefer work over borrowing as a means of financing their education. While these observations suggest that every effort should be made to maximize financial assistance available through work programs, it must be recognized that there are limits to the amount of assistance that can be provided through such programs (see Chapter IX). Hence, as students are confronted with a greater self-help responsibility over time, efforts also must be made to promote the use of loan financing among students.

Expanded information effort? There are several means by which that can be done. First, a greater effort could be made to inform students about the existing State guaranteed loan program. While the literature which is provided by ISSC describing its programs includes a description of the IGL program, ISSC's overall public information effort appears to place primary emphasis on its Monetary Award Program.

Because most young people will not have had any first-hand experience with borrowing prior to becoming students, a special effort to educate them about loans as a means of financing an education seems necessary--especially if the role of borrowing is to be significantly expanded. Just as in the case of lenders, uncertainty among students about the IGL program may be expected to deter their participation in the program. In this regard, it is significant that while only 38% of the full-time freshmen, sophomores and juniors in the IEFC sample indicated they would be likely to seek a loan if confronted with a $500 tuition increase, approximately 55% of those who had used loans indicated they would seek an additional loan. This substantial

difference in response patterns suggests that the likelihood of using loan financing is directly related to students' understanding of or experience with borrowing.

Lengthen repayment period? It is also possible to promote borrowing by making the terms of loans more appealing. The fact that a number of high cost private institutions have already moved in this direction may indicate that these schools have reached the point where vigorous promotion of loan financing has become necessary for their survival.

Lengthening the repayment period on student loans is one means that has been suggested for making loans more attractive to students. The proponents of this approach argue that the shorter the repayment period, the greater the burden the student must bear during his early years after college. Moreover, because the student just out of college will not have reached his full earning potential, the burden of the loan measured as a percentage of income may be especially high during this period.

Hence, even though the total interest costs to the student would be greater, proponents argue that a longer repayment period would encourage greater loan use because the burden would be spread over more years, avoiding an excessive burden in any one year. As a variation on this, installment payments could be designed to increase over the life of the loan in accordance with expected growth in earnings.

Others argue that greater loan use would not necessarily be encouraged by extending the repayment period. The arguments given are that while a student's income may be at its lowest level right after college, so are his expenditure needs. The trend toward delaying new family formations lends support to this argument. Furthermore, it is argued that as the repayment period is extended, collection efforts on defaults are likely to become more difficult and, hence, administrative costs will rise.

If a definite need to promote greater use of loan financing were perceived, it may be necessary for the State to encourage lenders to offer ten-year repayments rather than the usual five-year period. However, if the program continued to be funded directly through private lenders, longer repayment periods could have a deleterious effect on lender willingness to participate. While it is true that lenders would earn additional interest under a ten-year repayment period, they would also incur additional administrative costs. Moreover, because of the unpredictability of interest rates over time and of USOE's special allowance to lenders, uncertainties about the profitability from student loans will increase as the length of the repayment period is extended. Hence, longer repayment periods on Illinois guaranteed loans as a means of encouraging greater use of loans may only be feasible under a system of direct State lending.

The Income Contingent Alternative?

A more dramatic restructuring of the terms attached to student loans as a means of encouraging student borrowing involves the conditions attached to the repayment liability itself. Several private universities have adopted an income contingent loan (ICL) approach. Under an ICL program, the liability for repayment of the loan varies directly with the income which a student realizes after college. The greater a student's income, the greater his repayment liability, and conversely, the less he earns, the smaller his liability.

The income contingent approach addresses directly one of the constraints that may deter students from using loan financing, namely the assumption of a fixed repayment liability under conditions of uncertainty about future earnings. Presumably, if future repayment obligations depend on future income, the student will be less fearful of being unable to meet the repayments or of being forced into otherwise undesirable jobs which provide sufficient income to make the repayments. Thus, he will be less reluctant to borrow.

There have been numerous variations offered on the ICL concept. Basically, the ICL approach contrasts with the conventional loan program as follows:

Under a conventional loan program, the student's total repayment obligation is determined by:

a) a fixed rate of interest;

b) a fixed period over which total repayments will be made; and

c) a fixed amortization schedule which determines what the repayment will be per payment period.

Under an income contingent loan program, the student's total repayment obligation is determined by:

a) a repayment rate which specifies the percent of income per $1000 borrowed that is to be repaid each year. (For example, a student may be required to pay .4% of his yearly income for each $1000 borrowed. If his income in a given year is $12,000 and he has borrowed $3000, his repayment obligation in that year would be $144);

b) a maximum repayment period at the end of which all repayment obligations cease (regardless of how much the student has to pay on his loan); and

c) an upper limit on accumulated repayments (for example, 150 percent of the original debt) which allows high earners to end their repayment obligation before the end of the maximum repayment period.

Depending on his future earnings, the total repayment obligation for a student under an ICL program could be less than, equal to, or more than that under a conventional loan program. Similarly, total repayments from all students under an ICL program could vary. If high earners were required to pay a rather high premium to offset the below-cost payments of low earners, then an ICL program would tend to "break even" as compared to a conventional loan program. Such premiums can be regulated through the upper limit on total individual repayments noted above. The greater the upper limit, the greater the premium paid by high earners.

However, if that upper limit, and the corresponding premiums paid by high earners, is set low, then total repayments under an ICL program may fall short of the break-even point. This would require some outside agency such as the State to make up the difference.

Adverse selectivity. Precisely because of its income contingent features, students who expect to earn low incomes or are very uncertain about their future earnings may be particularly attracted to an ICL program. However, students with high earning expectations may be less enthusiastic about participating. Especially if high earners are required to pay high premiums to compensate or subsidize low earners, the former may perceive the ICL alternative as more costly than conventional loans. If significant numbers of high earners decided against participating, then the viability of an ICL program would probably require substantial subsidization from some outside source.

A similar need to subsidize could arise if the premiums for high earners are set relatively low by establishing a low upper limit to total individual repayments. While this may encourage more high earners to participate, the extent of "internal" subsidization may be less than necessary. In that case only by establishing relatively high repayment rates for all borrowers will the need for outside subsidization be reduced. However, to do so obviates the intent of the ICL alternative.

Federal participation. The commitment now made by the federal government to reinsure defaults and provide student interest benefits to guaranteed loan programs (operating through either private lenders or through direct State lending) would be lost in the case of an ICL program. Eligibility for these benefits requires programs to be structured so that repayments occur within a ten-year period, in equal or delining installments. Federal backing would not be available to a program which provided either a longer repayment period or installments which varied with income.

It has been suggested that student loans could be originated under conventional terms and renegotiated upon graduation under the provisions of an ICL program. Presumably this would satisfy the conditions for student interest benefits and federal reinsurance on any loans which defaulted prior to renegotiation. However, for those loans that are converted, a second loan (from the State, for example) would be necessary to meet the provisions of equal installment payments. Essentially, a conventional loan would have to be piggybacked onto the ICL loan. The problem of adverse selectivity would likely increase under this arrangement because at graduation most students would be better able to assess their potential earnings. Furthermore, defaults, which occur after the ten-year repayment period would not be subject to federal reinsurance.

Administration. Repayments would occur over a longer period under a meaningful ICL program[1] and the costs of administering such a program would increase accordingly. In addition, higher administrative costs would be incurred in monitoring an ICL program (for example, checking income tax returns to insure that incomes are being reported correctly in determining repayments). Moreover, problems associated with nonpayment (not related to insufficient income) and subsequent collection efforts are likely to become more difficult as the repayment period is extended.

Source of funds. The complexities of administration coupled with uncertainties about the nature of the repayment obligation all but preclude direct participation by private lenders in an ICL program. Hence, a public or private nonprofit group would be required to fund such an operation.

Student attitudes. There is finally the question of whether an ICL alternative would, in fact, create greater borrowing among students. Question 14 of the IEFC survey (see Appendix II-1) asked students if they might participate in a loan program which made repayments dependent on future income. Of the 2425 undergraduates who responded

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[1] A relatively short repayment period would necessitate high repayment rates (the percent of income obligated per $1000 borrowed), and the advantages of an ICL program over conventional programs would all but disappear.

to the question, approximately 45% indicated they might participate in such a program. Other surveys of student attitudes about income contingent loans have found that about one-third to one-half of the students surveyed might be interested in participating in such a program.

When responses to the survey were examined in terms of various student characteristics, the following observations were made:

*between 65 and 70% of the students who indicated they had borrowed in past years or who sought NDSL or IGLP loans for this year indicated they might participate in an ICL loan program, but only 40% of nonborrowers indicated interest in participating;

*54% of the lowest income students (parents earning under $5000) and 48% of the middle income students ($10,000-15,000) indicated they might participate, versus 35% of the higher income students (over $20,000). (Current use of loan financing is also greatest among low and middle income students.);

*approximately 46% of sophomores, juniors and seniors indicated they might participate, versus 40% of freshmen;

*the higher a student's formal educational goal, the greater the interest in the ICL alternative (42% of those seeking bachelors, 48% of masters, and 57% of doctorates);

*the greater the number of hours worked per week during the school year the greater the interest in the ICL alternative. For full-time students working 10 or less hours per week, 38% indicated they might participate, versus 42% of those working between 20 and 30 hours per week and 53% of those working over 30 hours per week;

*59% of the students who indicated they would very likely drop out, earn and return if tuitions were increased by $500 in the public university system, indicated interest in the ICL alternative, versus 50% of the likelies, 43% of the unlikelies, and 33% of the very unlikelies;[1]

*62% of those who indicated they would very likely seek a loan if tuition is increased by $500, indicated they might participate in an ICL program, versus 56% of the likelies, 42% of the unlikelies, and 32% of the very unlikelies:

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[1]The format of the "likelihood" question (number 16 on the student survey) can be found in Appendix X-1.

*54% of the students who are over 26 years of age indicated they might participate, versus 50% of those between 21 and 26, and 41% of those under 21.

While the responses to the IEFC question are only suggestive of how students might actually respond to an ICL program if one were offered, the fact that 45 percent of the undergraduates surveyed responded positively to the idea, suggests that the ICL alternative may be a viable means for promoting student borrowing. However, administrative and other problems noted above, caution against moving hastily in this direction. Moreover, the findings of the study suggest that the first priority of the State in promoting a viable student loan market should be to insure that an adequate supply of student loan money is available.

Efforts to promote student borrowing appear to be of a more immediate concern for private institutions than for public institutions, and in some instances, private institutions are already making individual efforts in this area. For the time being, it would seem advisable for the State to limit its promotional efforts to insuring that all students are fully aware of the possibilities for borrowing that are available through the IGL Program. If the State eventually decides to assume the role of direct lender, then it could move further in the direction of promoting borrowing by extending the usual repayment period from five to ten years.

The feasibility of an ICL alternative depends to a great extent on decisions which are made in Washington. If the federal government were to endorse the idea and provide backing to such programs, then it would become a more feasible alternative from the fiscal perspective of the State. In addition, the problems associated with monitoring such a program tend to indicate that the administrative feasibility of the concept would be significantly increased if an ICL program were to be administered at the federal level.

IX. EARNINGS FROM EMPLOYMENT

As noted in Chapter II, the IEFC survey of public university students indicates that, on the average, approximately 54% of the funds derived by students from the five major sources (parental assistance, NRA, loans, school year employment, and summer employment) are accounted for by the two categories of employment. Earnings from summer employment account for 31% of the total from the five sources, while earnings from school year employment account for 23%.

According to the 1973 IBHE "Status Report of Student Financial Aid in Illinois," approximately 18% of total student financial aid from all formal programs (excluding veterans' benefits from the G.I. Bill) is provided through various employment programs, and most of this is employment during the school year. Moreover, in terms of undergraduate assistance provided by the institutions themselves, employment assistance ranks first among the various categories (scholarships, waivers, loans, and employment) in total dollar volume--approximately $20 million in FY 1973. This represents 47% of reported assistance from all institutional student aid programs.

Despite the very significant role that earnings play in financing students' education, relatively little attention has been focused on this source in state or national studies of student financial aid. Using the information provided from the IEFC student survey, it is possible to bring into sharper focus the role played by earnings from employment and, specifically, how that role varies among different types of students.

The first part of this chapter considers earnings from school year employment. The importance of this source among public university undergraduates is evaluated with respect to its impact by income level and grade level. The role of the federal College Work-Study Program is examined in this section. The second part of the chapter analyzes the importance of summer earnings. The chapter concludes with a discussion of the "cooperative education" concept, under which students alternate between periods of full-time study and full-time employment. The experience of a number of schools in Illinois which have such programs is considered, as is the potential for further expansion in this direction.

Employment During the School Year

Responses from approximately 2,000 full-time undergraduates in our survey indicated that approximately 48% had obtained jobs for the current school year. Based on our survey, the actual student "labor force" (those who sought jobs for the year) is estimated to be about

62% of full-time undergraduates. Hence, with 62% seeking school year employment and only 48% successful in obtaining it, the school year unemployment rate among full-time undergraduates is computed to be about 23%.[1]

Because there is some turnover in employment during the school year, somewhat more than 48% of the students are likely to be employed at some time during the school year. Accordingly, the 23% unemployment rate somewhat overstates the severity of unemployment. Nevertheless, it seems reasonable to conclude that during any given period, a significant percentage of students who would prefer to work cannot because of insufficient employment opportunities.

Hours worked. Of those students who indicated they had jobs, 17% indicated they were working less than 10 hours per week; 43% averaged between 10 and 19 hours per week; 28% between 20 and 30 hours per week; and 12% over 30 hours per week. Based on this data, it is estimated that, on the average, a student who has a school year job works approximately 18.5 hours per week.[2]

Because of the potential conflict between work and study, students were asked whether their studies have suffered as a result of their jobs. Approximately 52% of employed students responded affirmatively. Table IX-1 shows affirmative responses varied directly with number of hours worked per week. The most significant jump in the percentage who perceive their studies suffered occurs between the group working 10-19 hours per week and the group working 20-30 hours.

The percent of students in each group with grade averages of A or B is shown in Column 2 as a rough indicator of the actual extent to which studies are affected by time spent working. Only for the group working over 30 hours per week does any significant difference in academic performance occur. Only 61% of the respondents within this group indicated they had averages of A or B versus between 72 and 75% for the other three groups. Interestingly enough, the percent of students with A or B averages among those working less than 30 hours is slightly above the 70% with A or B grade averages in the nonworking group.

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[1]The unemployment rate is calculated by the following formula:

$$\text{Unemployment rate} = \frac{\%\text{ who sought} - \%\text{ who obtained}}{\%\text{ who sought}} = \frac{62\% - 48\%}{62\%} = 23\%$$

[2]No differences were observed between men and women, either in terms of the percent who sought employment or the percent who were successful in obtaining it. For women, the average work week is estimated to be approximately 17 hours, while for men the average work week is estimated to be approximately 20 hours.

Table IX-1. Average hours worked per week and effect on studies.

Average hours worked per week	% who indicated their studies have suffered	% with grade averages of A or B*
Less than 10	22%	73%
10-19	44	75
20-30	70	72
Over 30	79	61
Not working	--	70

*Students who indicated they did not have grade averages were excluded from the calculations.

Source: IEFC survey of public university students.

Role of school year employment by income group. Table IX-2 summarizes the information from the student survey relating school year employment and family income level.

In terms of the percentage of students who obtained school year employment, no significant differences exist between income groups except that the percentage drops to 42% in the highest income group. But when the components underlying this measure of actual employment are examined, several noteworthy differences appear. Row 2 shows the percent of students who said they sought employment (the school year labor force within each income group). The percentage drops significantly after the third income group. This indicates that a higher percentage of low and middle income students sought to finance part of their educational expenses through school year employment.

It can be seen from Row 3 that the percent of students who sought but were unsuccessful in obtaining a job is significantly higher among low and middle income students, with the highest unemployment rate occurring in the lowest income group. Hence, while differences among income groups in the percent of students actually employed during the year do not appear significant, a much higher percentage of low and middle income students would have been employed if sufficient job opportunities were available.

Table IX-2. School year employment by parental income.

	Estimated Annual Parental Income				
	Under $5000	$5000-$9999	$10,000-$14,999	$15,000-$20,000	Over $20,000
(1) % working during the school year	47%	51%	50%	46%	42%
(2) % who sought employment for this school year	69%	67%	65%	55%	43%
(3) School year unemployment rate* [(2-1)/2]	32%	24%	25%	16%	21%
(4) Average hours worked per week	20	20	18	17	19

*Percent of those students who sought employment who were unsuccessful in obtaining it.

Source: IEFC survey of public university students.

For many students who are unable to obtain school year employment, a greater dependence on parental assistance, nonrepayable assistance, and loan financing is necessary to finance their educations. For example, full-time undergraduates in the lowest income group who sought but were unable to obtain a job reported receiving 31% more parental assistance than the overall average for this income group. Students in the second and third income groups who sought but were unable to obtain a job indicated receiving 11 to 12% more parental assistance than undergraduates generally in those two income groups. In addition, students in the second lowest income group who were unsuccessful in obtaining school year employment reported borrowing 18% more than was the case generally for students in that income group.

Even with these compensating amounts from other sources, total funds available to the average full-time undergraduates in the

three lowest income groups who sought but failed to get school year employment were estimated to be 14 to 18% below the total available to all such students in those groups.

The fact that the school year unemployment rate tends to be higher among low income students is in some ways surprising. For one thing, the federally supported College Work-Study Program, which will be discussed in detail later in this chapter, involves a standardized needs assessment to determine student eligibility for the program. Because family income counts heavily in assessing need, most of the Work-Study funds do, in fact, go to students from low income families. However, College Work-Study moneys account for only about 20% of the total sum of student aid funds provided through employment within the public university system. The remaining 80% is provided directly from institutional funds from either the institutions' appropriations or auxiliary enterprises. Hence, approximately four-fifths of the employment assistance provided within the public university system is distributed according to criteria established by the schools themselves. The findings from the IEFC student survey, showing higher unemployment rates among low income students, suggest that while these funds may be distributed on the general basis of financial need, the schools are not necessarily giving parental income as such its usual weight in assessing need.

The IEFC survey of financial aid officers provides evidence that financial aid officers desire greater flexibility in assessing financial need for work assistance than is provided in standard needs analysis procedures. When asked whether the State should provide its own work assistance program and whether such a program should differ from the federal Work-Study program, many aid officers commented that such a program should have less rigid eligibility criteria than the federal program. It is possible, therefore, that FAO's do in fact apply considerable flexibility in assessing need for their own work assistance funds. Moreover, because many middle and upper income students are denied access to other forms of assistance, college FAO's may give preference to these students in distributing work assistance funds. Hence, while low income students have a federally supported work assistance program targeted specifically on them, they may somewhat paradoxically be at a disadvantage in the school year employment market if employment opportunities available to them are largely limited to funds provided through the federal program.

The role of school year employment by grade level. In Chapter II it was observed that the relative importance of earnings from school year employment increases significantly between the freshman and senior years. To a large extent, the increased importance of school year earnings appears to be in response to a corresponding decline in parental assistance between the freshman and senior years. Table IX-3 summarizes various measures of employment by grade level for full-time undergraduates.

Table IX-3. School year employment by grade level.

	Grade Level			
	Freshman	Sophomore	Junior	Senior
(1) % working during the school year	29%	53%	54%	61%
(2) % who sought employment for this school year	48%	69%	69%	70%
(3) School year unemployment rate* [(2-1)/2]	40%	16%	15%	9%
(4) Average hours worked per week	16	16	20	20

*Percent of those students who sought employment who were unsuccessful in obtaining it.

Source: IEFC survey of public university students.

As can be seen in Row 1, a significantly higher percentage of sophomores, juniors, and seniors are employed during the school year. To a large extent this is explained by the fact that a significantly smaller percentage of freshmen actually seek school year employment. Between the freshman and sophomore years this percentage increases from 48 to 69% and remains at about that level through the senior year. Freshmen also appear to be relatively less successful in obtaining school year employment. Approximately 40% of full-time freshman students who sought employment this year were unable to obtain it, versus only 9% of full-time seniors. Presumably, age, experience, and greater familiarity with the school year employment market among upper classmen explain much of this difference.

As Row 4 indicates, a significant increase in the average hours worked per week appears to occur between the sophomore and junior year. Among students who reported they had jobs, approximately 50%

of juniors and seniors indicated they were working over 20 hours per week, versus about 27% of freshmen and sophomores.[1] In response to the question of whether their studies have suffered as a result of school year employment, between 42 and 47% of working freshmen and sophomores indicated they had, versus approximately 57% of juniors and seniors.

Sources of employment. The two principal sources of public funds for student employment assistance are the federally supported College Work-Study Program and the direct allocation of institutional funds for student employment. However, a significant portion of the school year employment market is accounted for by job opportunities within the private sector. While the IEFC student survey did not differentiate public and private sources of employment, the off-campus job market is probably greater than the one on campus. Information provided by various public university campuses indicates that during any given pay period, around 15 to 20% of the undergraduate student population is employed on campus. That percentage can be expected to increase somewhat if only full-time undergraduates are included. As noted earlier, approximately 50% of the full-time undergraduate respondents to the IEFC student survey indicated they were employed at the time of the survey. This suggests that at the public universities between 60 and 70% of those full-time undergraduates who are employed have jobs located off campus.

Significant differences were revealed between institutions in the extent of off-campus employment--particularly between institutions in rural and urban locations. Table IX-4 provides evidence of the influence of campus location on school year employment rates. The table shows that the highest percentage of students employed occurs among Chicago area universities, with considerably lower percentages among universities located in other SMSA's. The percentages of students employed are lower still among the four universities located in rural areas. This can be accounted for in terms of both the percent of students who sought employment and the unemployment rates by location of campus. The fact that the percentage of students seeking employment is highest among Chicago schools and lowest among rural schools suggests that the strength of the off-campus employment market to some extent determines how actively students seek employment during the school year. Despite the differences in overall participation rates (percent seeking jobs), school year unemployment rates are also generally lowest among Chicago schools and highest among rural campuses.

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[1]The increase in time spent working between the lower and upper division undergraduate levels is even more significant in view of the fact that the percentage of part-time students increases significantly between the lower and upper divisions. Approximately 7% of freshmen and sophomores in our sample were enrolled as part-time students, versus 20% of juniors and seniors. Hence, it would appear that for some upper division students, the increased time spent working during the school year requires a decrease in time spent with studies.

Table IX-4. School year employment by location.

	% of Full-time Undergraduates Employed	% Who Sought Employment	Unemployment Rate
Chicago area			
Chicago State U.	67%	84%	20%
Governors State U.	78	90	13
Northeastern Illinois U.	75	85	12
U. of I., Chicago Circle	63	74	15
Other SMSA			
Illinois State U.	46	60	24
Sangamon State U.	73	85	13
SIU, Edwardsville	56	72	22
U. of I., Urbana	37	46	21
Rural			
Eastern Illinois U.	42	57	25
Northern Illinois U.	28	51	26
SIU, Carbondale	36	53	33
Western Illinois U.	35	49	29

Source: IEFC survey of public university students.

Approximately 30% of public funds for student employment at Illinois colleges and universities is provided by the federal government, primarily through the College Work-Study Program.[1] The remaining 70% is institutional funds. There are significant differences in this mix when viewed by type of institution. For example, the federal/institutional mix within the public university system is about 20-80, while for community colleges it is about 60-40. Part of this difference is explained by the fact that there are fewer auxiliary enterprises (especially dormitory facilities) within the community college system, and this limits the amount of student jobs available in such operations. Among private institutions, approximately 23% of work assistance is provided by the federal government, with 77% accounted for by institutional funds.

[1]Based on IBHE's 1973 Status Report of Student Financial Aid in Illinois.

The College Work-Study Program. The federal College Work-Study Program was created under the Higher Education Act of 1965. The program was targeted specifically on students with demonstrated financial need. The program is administered directly by the individual participating institutions. Under current federal guidelines, a student with demonstrated financial need as determined by an approved needs assessment procedure is eligible if he is carrying at least a half-time course load. He may work up to 40 hours per week, with the total number of hours he may work during the year being determined on the basis of financial need. A student in the program cannot earn less than the minimum hourly wage but may earn up to $3.50 per hour for highly specialized types of jobs. Areas of employment are restricted to public or nonprofit organizations, and the majority of jobs are usually on campus. The legislation creating the program states specifically that job placement "will not result in the displacement of employed workers or impaid existing contracts for services."

Under the College Work-Study Program, the federal government pays 80% of the student's earnings with the participating institution or nonprofit agency paying the rest. The federal appropriation to the program for AY 1973-74 is $270 million, the same as for 1972-73. Of that total, approximately $13 million has been allocated to 129 institutions of higher education in Illinois. The allocation to individual states is determined on the basis of: (1) the number of students in higher education in the state compared to the national total, (2) the number of high school graduates in the state, and (3) the number of families with incomes under $3,000 in the state. It is estimated that approximately 28,000 (or 8%) of students in Illinois will be receiving assistance through this program in 1973-74.[1]

Table IX-5 shows the distribution of 1973-74 federal Work-Study funds among various types of Illinois institutions. The amounts indicated in the table are in turn allocated among institutions on the basis of relative need as evidenced by information provided by the schools to the U. S. Office of Education (USOE). It should be noted that the amount of federal Work-Study funds allocated to all Illinois institutions in 1973-74 is considerably below that recommended by the USOE panel which reviews the schools' requests. For the current year, Illinois institutions requested approximately $31.3 million, nearly all of which ($30.3 million) was recommended for approval by the USOE panel. However, on the basis of proposed spending on the Work-Study program by the President and final appropriations by Congress, only $13.1 million was finally made available to Illinois.

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[1]Estimated Fall 1973 headcount as reported in Enrollment in Institutions of Higher Learning in Illinois 1973 by G. J. Froehlich.

Table IX-5. Distribution of 1973-74 federal College Work-Study funds in Illinois

Type of Institution	Dollar Amounts (000's)	No. of Institutions	No. of Students (estimated)
Public Senior	$3,648.4	13	7,876
Private Senior	2,405.1	48	5,157
Public Junior	5,035.4	39	10,834
Private Junior	1,526.6	5	3,289
Other	507.0	24	1,064
Totals	$13,122.5	129	28,220

Source: USOE

Evidence of the inadequacy of College Work-Study money was provided by the IEFC survey of college financial aid officers. Over 93% of the FAO's strongly agreed or agreed with the statement, "The federal College Work-Study Program should be expanded with increased funding."

In its proposed budget for FY 1975, the Administration has requested approximately $250 million for the College Work-Study Program, or $20 million below estimated spending for the current year. Most of this decline can be explained by the Administration's increased emphasis on the newly created BEOG program. While the actual amount of funds will depend on final appropriations by Congress, it is unlikely that the Work-Study appropriation will vary significantly from the current year's level. Hence, with the cost of an education continuing to increase, the adequacy of this source of employment assistance will continue to decline.

Earnings from Summer Employment

Earnings from summer employment represents the single largest source of funds available to students in financing their educations. As noted earlier, the IEFC student survey found that 31% of the typical undergraduate's budget[1] is financed from summer earnings. The two thousand responses from full-time undergraduates to the IEFC survey show that approximately 85% of those students were employed last summer. With approximately 93% of the students indicating they had sought work last

[1]As defined by the five major sources: parental assistance, earnings during the summer, earnings from school year employment, NRA, and loans.

summer, the summer unemployment rate among undergraduate students was estimated to be 9%.

A somewhat higher percentage of men indicated they worked last summer (90% versus 79% of the women). Most of this difference is explained by the fact that 97% of the male respondents indicated they sought summer employment, versus 88% of the female respondents. The summer unemployment rate among women was only slightly higher than that for men, 10% versus 8%.

Summer earnings and parents' income. The student survey responses indicated that access to and earnings from summer jobs varied directly with income. Table IX-6 provides a breakdown of various measures of summer employment by income group.

Table IX-6. Summer employment by parental income.

	Estimated Annual Parental Income				
	Under $5000	$5000-$9999	$10,000-$14,999	$15,000-$20,000	Over $20,000
(1) % employed last summer	72%	80%	90%	86%	87%
(2) % who sought employment	82	91	97	93	92
(3) Summer unemployment rate* [(2-1)/2]	14	14	8	8	6

*Percent of those students who sought employment last summer who were unsuccessful in obtaining it.

Source: IEFC survey of public university students.

As can be seen from Row 1, a significantly higher percentage of middle and upper income students were employed last summer. The lower rates of summer employment among low income students can be accounted for by the fact that a smaller percentage actually sought summer employment (especially in the lowest income group), and that of those who did seek employment, a significantly higher percentage were unable to find jobs. To some extent, these two factors may reinforce one another. That is, the high unemployment rate among low income students may discourage such students from even seeking summer jobs.

It seems reasonable to conclude that students from middle and upper income groups have a definite advantage in obtaining employment during the summer. Owing to their parents' job status or connections, many of these students may have greater knowledge about and access to summer job opportunities. It was partly because of this discrepancy in summer job opportunities that the federal College Work-Study Program was created to provide students from low income families with greater opportunity in the school year employment market.[1] However, as noted earlier in this chapter, it is not evident from the IEFC survey findings that the Work-Study program has, in fact, had any real compensatory impact on school year employment for low income students.

Cooperative Education.

In addition to placing students in on-campus jobs, nearly all schools assist students in locating off-campus employment. A few colleges and universities have expanded their off-campus services into "cooperative education" programs, designed to provide students with greater access to private employment opportunities. In addition, "co-op ed" programs attempt to provide a more systematic integration of the student's work and academic activities. In most cases, an attempt is made to place the student in a job related to his academic training. While certain types of career training, such as engineering and business, are particularly well suited for this type of program, the concept has been applied in nearly all academic areas.

The co-op ed student usually alternates between periods of full-time study and full-time work. This has the advantage of minimizing the likelihood that school-year employment will cause studies to suffer. Some co-op ed programs require the student to take more time to complete his degree (five year for a baccalaureate, two and a half years for an associate). However, the student will often earn credit for his work experience and thereby avoid the necessity of additional time spent in obtaining a degree. Also, in some cases, a student's work period may be scheduled for the summer.

There are currently over 400 institutions in the country with active co-op ed programs (compared to only 60 in 1960). One of the most frequently cited examples of a successful co-op ed program is the one at Northeastern University in Boston. Approximately 9,000 full-time undergraduates are currently participating in Northeastern's program. They enter the co-op ed program after their freshman year and during the next four years spend every other 13-week quarter in full-time employment. According to the director of the program, co-op ed students

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[1]From discussions with various financial aid officers it appears that very little College Work-Study money is actually used during the summer. On most campuses there is only a small summer employment program due particularly to the fact that relatively few students are actually on campus during the summer as compared to the regular academic year.

currently earn an average of $121 per week during the work term. This amounts to about $28 million in total annual earnings by all participants. The administrative costs directly associated with Northeastern's co-op ed program are estimated to be about $1.2 million per year.

Under Title IV of the Education Amendments of 1972, the federal government provides funds to institutions to assist them in creating co-op ed programs. (In some cases grants are also made available to strengthen and expand existing co-op ed programs.) An institution is eligible for funds for a period of three years. The funds are earmarked for administrative and start-up costs. For the current fiscal year, approximately $10.8 million were allocated to the program, providing grants to 355 institutions.

In Illinois there are twenty-two institutions with co-op ed programs, thirteen of which received federal funds totaling $383,000 for AY 1973-74. Of these twenty-two institutions, six are public universities, seven are public community colleges, and nine are private colleges and universities. According to the U. S. Office of Education, nine other Illinois institutions are currently planning co-op ed programs.

Seven of the schools currently receiving federal co-op ed grants were contacted about their programs. In most cases fewer than 100 students were participating, although at one school (Chicago's Southwest Community College) 350 students were reported to be involved. In all cases, students were not eligible to participate until after the freshman year, and in several cases, only students who had achieved a minimum grade average were eligible.

The extent to which students receive academic credit for their employment period varied widely, from a full term's credit at two of the schools to only one or two credit hours at others. Correspondingly, at some institutions a student was required to take additional time to complete his degree (for example, five years for a B.A. at SIU Edwardsville and U of I Circle). At nearly all schools, co-op ed students were required to pay some tuition during the work period.

All seven schools indicated they had had very good cooperation from employers, and several indicated they had more employers wanting to participate than students to fill the positions. All seven were enthusiastic about their co-op ed programs and indicated they hoped to expand them to include more students.

In order to determine the extent of student interest in the co-op ed concept, the IEFC survey asked students to respond to the following statement (Question 13 in the survey):

> Some schools have programs wherein a student alternates between periods of full-time study and full-time work (matched as closely as possible to career goal). These programs sometimes require five years for completing a bachelor's degree. Do you think you might participate in such a program, if it were properly run?

Almost 60% of all undergraduates indicated they might participate in such a program. Those in the middle income group ($10,000-15,000) showed the most interest (62%). Slightly over half of the students in the highest income group said they might participate, while 57-59% of those in other income groups expressed interest. Across grade levels, freshmen indicated least interest (50%) and seniors most interest (63%). Women indicated slightly less interest than men (55% versus 62%). In all categories we examined, over half of the students responded positively.

Among those employed during the school year, interest in co-op ed varied directly with the number of hours worked--52% of those who worked fewer than 10 hours a week responded positively, while 67% of those working more than 30 hours expressed interest.

Of those students who said their studies had suffered because of school year employment, 65% responded positively to the co-op ed question (compared to 51% of those who said their studies hadn't suffered). For many of these students, a co-op ed program could reduce apparent conflicts between work and school. Also along this line, 67% of students taking less than 6 credit hours expressed interest in co-op ed, compared to 58% of those taking 12 or more credits. This suggests that for many students who resolve the job-study conflict by taking fewer courses, a co-op ed program might be an attractive alternative.

In another question, students were asked to rate their likely responses to a $500 increase in tuition next year. Among those who said they were likely to drop out of school in order to earn enough money to return later, 66% were interested in co-op ed. About 53% who said they probably would not drop out to "earn and return" indicated they might participate in a co-op ed program. It seems reasonable to infer from this that many individuals who are now unable to unwilling to pursue a higher education because of cost considerations, might do so if a co-op ed alternative were available.

Conclusions. The analysis of the survey findings has indicated that earnings from employment typically represent the most important source of funds for undergraduate students, but that significant numbers of students are unable to gain access to the school year and summer employment markets. Because the individual campuses are already making

substantial efforts to provide on-campus employment through institutional funds and because there are definite limitations to federal student employment support, significant expansion in employment opportunities to students may have to come through off-campus jobs In this regard co-op ed can play an important role, both because it can effectively integrate work and study and because of its general appeal to students.

Of course there are limitations in the extent to which student employment, through a program of cooperative education or otherwise, can be expanded. Not only are there limitations to available jobs, but there is also the problem of competing interests, particularly within the regular work force. Nevertheless, the fact that efforts at some institutions to make more effective use of the off-campus employment market have been highly successful suggests that more can be done generally in Illinois.

In order to more accurately assess the potential of student employment, it is recommended that the Illinois Board of Higher Education make a comprehensive study of possible expansion of student participation in the off-campus employment market. Such a study should assess the potential for expanded employment opportunities. In addition, it should recommend ways in which the State could help in coordinating such expansion, perhaps by providing a centralized information service identifying job openings for students in various regions of the state and in various fields of employment. In carrying out this study, it is recommended that IBHE actively consult with the Midwest Student Employment Association to get advice on specific employment problems that students currently face as well as problems which might arise in attempting to expand in this area.

Beyond this particular study, it is also recommended that IBHE establish an ongoing capability (either in-house or through an agency such as ISSC) to monitor activities within the student employment market. Because earnings from employment are the most important source of financing a college education, the employment market should be monitored at least as closely as loan financing and nonrepayable assistance. Only by creating a system for collecting information about student employment, both on campus and off campus, can the effectiveness of this source of funds be assessed and the need for specific actions by the State be identified.

X. TUITION POLICY AND FINANCIAL AID

The effectiveness and efficiency of financial aid programs depend to a large extent upon tuition policy. Programs which now seem adequate could become quite ineffective if tuition charges were to increase significantly. Many students might find it impossible to enter or remain in higher education without new means of financial support.

Among public institutions, tuition policies themselves can be viewed as a kind of indirect financial aid source. Because these institutions receive substantial support from public funds, tuitions charges can be kept relatively low. At the same time, because private institutions receive much less government support, tuition charges are a much more important component of their operating revenue. The result is a "dual pricing" situation, which places private institutions at a distinct disadvantage.

Although tuition policy per se is not directly within the scope of this program review, some discussion of the major issues involved is essential to an examination of student financial aid. This chapter will briefly review arguments for and against increased public university tuition and consider the impacts of different tuition policies. The implications of various tuition policies for direct financial aid programs will be a principal focus.

Low Tuitions?

The tuition issue has recently received national attention and widespread debate. In June 1973 the Carnegie Commission on Higher Education issued a report calling for public university tuitions to be increased so as to cover about one-third of instructional costs. Several months later the Committee on Economic Development went even farther, recommending tuitions equaling half of costs. A third report, released in January 1974 by the National Commission on the Financing of Postsecondary Education, also urged higher public university tuitions.

The tuition recommendations in the Carnegie Commission and CED reports have elicited condemnation as well as praise. For many public educators, students, and others low tuitions are a basic article of faith, derived from the land-grant college concept. Significant tuition increases are opposed as a deterrent to principally those individuals--lower and middle income students--who are regarded as most dependent on the public sector for economic and social advancement. The advocates of low tuition argue that, in the long run, society as a whole loses if financial barriers narrow access to higher education to only those who can afford it.

Some public educators are concerned that higher tuitions would threaten the viability of their institutions by undercutting enrollments, some of which have already declined. This argument centers around the

question of whether students and their families would be willing to pay increased tuitions, even if they were able to do so. (This question will be considered in greater detail in a later section.)

Another consideration is the effect of low tuitions on the private institutions. The competitive disadvantage fostered by the dual pricing structure has forced many private colleges and universities out of business. The 1969 report of the Commission to Study Nonpublic Higher Education in Illinois (the McConnell Report) estimated that the State would have to spend $271 million per year to absorb the students in Illinois private institutions if all those schools were to fold. This assumes that all the private students (including those who were not Illinois residents) would enroll in Illinois public universities. While both conditions are extreme, if the already sizeable disparities between public and private tuition levels increase, private institutions' enrollments are likely to suffer. Enrollment in public universities could be expected to increase, and the cost to the State would increase accordingly.

As noted in Chapter II, the difference in average tuition rates between private and public senior institutions in Illinois is currently about $1346, compared to $762 in AY 1964-65. If this difference continues to increase, then continued pressure will be exerted by the privates to raise the maximum on ISSC monetary awards. That maximum has been increased from $600 in 1964 to $1300 currently.

It is also possible for the State to channel greater assistance to the institutions themselves though the present flat grant program authorized under the "Illinois Financial Assistance Act for Non-Public Institutions of Higher Learning." Under this program, IBHE currently pays private institutions $100 for every freshman and sophomore who has received an ISSC monetary award and $200 for every junior and senior who is an Illinois resident.[1] These amounts could be increased to reflect more accurately what the cost to the State would be if these students were enrolled in a public university.

Keeping costs down. Although the question of the efficiency of higher education institutions is outside the purview of this study, it is certainly worth mentioning that pressure to raise tuitions (in both the public and private sectors) can be reduced if institutions make every effort to increase their productivity. Some approaches that should be explored and developed are:

(1) accelerated degree programs, to permit a student to complete degree requirements in less than the traditional time;

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[1] In FY 1973 approximately $5.7 million in such grants were made to 54 private colleges and universities in Illinois.

(2) new technology, such as the University of Illinois' PLATO system, to improve productivity; and

(3) further expansion of inter-institutional sharing of resources, among public institutions and between public and private systems to reduce unnecessary duplication of expenditures.

High Tuitions?

Over the past several years, rising educational costs, declining enrollments and fiscal constraints have caused political leaders in many states to seek ways of holding public spending on higher education. Proposals aimed at shifting a substantial share of educational costs from society as a whole (represented by government) to the immediate beneficiaries (the students and their families) have been made. These usually have involved raising tuitions and thereby increasing the proportion of educational costs borne by the student. One such proposal, for approximately doubling the tuition in Illinois public universities, was examined by the Illinois Commission on the Financing of Higher Education's (Chandler Commission) report of March 1972. In 1970 and again in 1973, the Illinois Board of Higher Education adopted the position that tuition charges should equal one-third of per-student instructional costs. In dollar terms this would mean an increase from the present average of $554 per year to an average of $775 per year.

Fiscal impact of high tuition. Those who advocate increased tuitions contend that such a policy would help to meet current and projected educational cost increases and allow higher education systems to operate with a relatively smaller State contribution than would be possible if tuitions were kept low. This case was set forth in the Chandler Commission report, which noted that tuition charged at public universities in FY 1970 averaged $434, while average per-student instructional costs were slightly more than $1700. The difference is defrayed by public funds appropriated to the direct support of these institutions. The State, in effect, was providing a subsidy of about $1260 to every full-time public university student regardless of need. The report suggested that, on the basis of family income and ISSC need criteria, many students could be asked to pay more.

The Chandler Commission posed the possibility of a tuition increase of $500 per year at the public universities, linked to an increase in NRA to offset the tuition hike for low income students. Of course, as tuitions increased, more students would be eligible for NRA, and the report estimated that the cost to the State in additional NRA would be about $23 million. However, the tuition hike could bring in an additional $100 million, leaving $77 million, in the words of the report, "available to raise institutional operating budgets or to implement new, high-priority programs. . . ." While dollar figures would, of course, be different from

those in the original report, currently projected enrollment and cost data would be expected to reveal similar savings.[1]

Higher tuitions might lead students who did not qualify for additional NRA to transfer out of the public university system, drop out of higher education entirely, delay matriculation, reduce their course load in order to work more. If this occurred, enrollments could be expected to decline, and fixed costs would be spread over a smaller number of students. Thus, inefficiencies in operation would offset at least some of the projected fiscal benefits. To maintain enrollments at levels adequate for efficient utilization of facilities and staff, increased NRA might be necessary, but such increases in NRA would mean fewer savings to the State from the tuition hike.

The amount of public funds "saved" by a tuition increase would therefore depend on the type of financial aid provided to students. The Chandler Commission assumed that all of the offsetting financial aid would be NRA. However, if part of the offsetting financial aid were provided through loan and work programs, the "savings" would be greater.

Equity arguments for high tuition. Those who say high tuitions would be more equitable make two main points: (1) those who benefit most from higher education--presumably the students--should bear a fair share of its cost; and (2) those who are able to pay more should do so.

In the IEFC student survey, Question 16 asked students what their response would be if tuition were increased $500 next year. (See Appendix X-1.) Various alternatives were listed, and respondents were to rate each as a "very likely," "likely," "unlikely," or "very unlikely" response to the tuition hike. From this question we can draw some tentative inferences about whether particular groups of students would be willing and able to bear the additional burden, and if so, how they would finance it.

In terms of willingness to bear the additional cost, four groups of students[2] were identified based on their responses to the first two alternatives: 1) I would drop out of school in order to earn enough money to continue my education later on and 2) I would drop out of higher education altogether. The four groups were distinguished from one another based on the likelihood of students taking these particular actions. For

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[1]The actual savings that might be realized by the State would depend on a number of variables held constant in the Chandler study. For one thing, the report presumed enrollment patterns would be largely unaffected by a tuition increase. That is doubtful. Also, it should be noted that even without a substantial tuition increase, the enrollment projections contained in the Chandler report have already proven to be too high.

[2]Because there was some question in interpreting the responses given by seniors (most of whom will have graduated by next year), only the responses of freshmen, sophomores, and juniors were used in the analysis.

example, students in Group 1 who indicated that it was unlikely[1] they would take either of these actions in response to a $500 increase in tuition, were considered the most likely to continue with their educations even with the tuition increase.

Once the four groups of students were identified, other information about the students in each group was examined. Of particular interest was information about the likelihood of each group to use various funding sources to finance the higher tuition cost. The principal findings about each group are summarized in the following sections. (For more complete information, see Appendix X-1.)

Group 1. Approximately 53% of the students in the sample indicated it was unlikely they would either drop out temporarily to earn additional money or drop out of higher education altogether. These students in Group 1 can be classified as the most likely to persist even with a significant increase in tuition.

It was also found that a relatively high percentage of them (42%) were from families with annual incomes of over $15,000. Correspondingly, a higher percentage of students in Group 1 (62%) indicated they would seek additional assistance from parents to help meet the higher tuition cost.[2] Nearly 80% indicated they would likely seek to earn additional money from part-time employment and about 40% indicated they would seek a bank loan.

Among other pertinent characteristics of this group was the fact that a relatively high percentage of them (74%) had grade point averages of B or better and approximately 85% indicated they had decided on a specific career goal. Hence, these students not only anticipate being able to meet a higher tuition charge from a variety of sources, but they may also have a relatively greater willingness to pay more because of benefits they expect from a higher education.

Group 2. The second group of students can also be classified as likely to persist in their educations despite the increase in tuition. However, there is a greater chance that students in this group may drop out temporarily to earn additional money if tuitions increased by $500. These

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[1]Responses noted as unlikely include both the "unlikely" and "very unlikely" categories. Similarly, responses noted as likely include both the "very likely" and "likely" categories.

[2]As would be expected, the likelihood of a student going to parents for additional assistance varied directly with parental income. Only 23% of full-time undergraduates from the lowest income group indicated it was likely they would seek additional assistance from parents versus 72% of the students from the highest income group.

students indicated it was unlikely they would drop out altogether, but that it was likely they would drop out temporarily, earn and return. Approximately 30% of the students in our sample fell into this group.

Significantly fewer students in this group (38%) indicated they would likely seek additional assistance from parents. At the same time, however, 43% indicated they would likely seek a bank loan (the highest percent of the four groups). It was also observed that of the four groups, Group 2 had the highest percentage of students currently borrowing (25%). This tends to support the notion that knowledge about borrowing (in this case gained through actual experience) tends to promote the use of this source of financing. Approximately 54% of the students in Group 2 indicated that they might participate in an income contingent loan program if one were offered.

Approximately 82% of the students in Group 2 indicated they would seek to earn additional assistance from part-time employment. Approximately 50% indicated they are currently working, and 67% indicated they might participate in a co-op ed program if one were available.

In general, while there is greater uncertainty about whether the students in Group 2 might interrupt their educations if tuitions increased by $500, it is significant that a high percentage of them indicated a willingness to take on a greater self-help commitment to cover the additional costs.

Group 3. Students in Group 3 evidenced even greater uncertainty about persisting if tuitions were increased by $500. This third group was composed of students who indicated they were likely to drop out, earn, and return and also to drop out altogether. They represented 11% of the sample.

Only 25% of the students in Group 3 indicated they would be likely to seek additional assistance from parents. Moreover, only 19% indicated they would seek a bank loan. However, 55% of the students in Group 3 expressed interest in the income contingent loan concept. Hence, the use of loan financing as a means of meeting an expanded self-help commitment may be a more viable alternative for these students, if the terms of such loans were made more attractive.

Relatively fewer of these students indicated it was likely they would seek to earn additional money from part-time employment (56% versus about 80% for Groups 1 and 2). At the same time, however, a higher percentage of Group 3 students are already working during the school year (59%), with nearly 70% of these working more than 20 hours per week. Of students in Group 3 who are working, a relatively high percentage indicated their studies have suffered as a result of part-time employment. In addition, 66% of the students in Group 3 responded positively to the possibility of participating in a co-op ed program. This suggests that for many

of these students earnings could be a somewhat greater potential source of support, if their work and study commitments could be integrated more systematically.

Other distinguishing characteristics of Group 3 included a relatively higher percentage of part-time students, students over 26 years of age, married students, and students with children.

It was also observed that a relatively higher percentage of students in Group 3 felt it was likely they would try to transfer to another college if tuitions at public universities were increased by $500. While they seem less willing or able to make an additional self-help effort to meet a higher tuition charge at their current school, they would apparently make an effort to find a lower cost substitute. While in general the likelihood of transferring was greatest among freshmen[1], the possibility of transferring was observed to be significantly higher among all grade levels for students in Group 3.

Group 4. Students in Group 4 were identified as the least likely to continue with their educations if tuitions were increased by $500. Students in this group indicated it was unlikely they would drop out, earn and return, but that it was likely they would drop out of higher education altogether. Approximately 6% of the students in our sample fell into this group.

In many ways students in Group 4 were similar to those in Group 3. For example, only 27% indicated it was likely they would seek additional assistance from parents. Approximately 14% indicated they would seek a bank loan, and 36% indicated that they would be likely to earn additional money through part-time employment. Approximately 54% of the students in Group 4 indicated they are currently working part-time, and nearly 60% of these indicated they are working over 20 hours per week. Approximately 55% of the students in Group 4 indicated they might be willing to participate in a co-op ed program. As with Group 3, the chances of these students remaining in school if the higher tuition were adopted may be improved if a more organized program of work and study were available.

In terms of the income contingent loan concept, 47% of the students in this group expressed interest. Hence, despite the fact that only 14% indicated it was likely they would seek a bank loan, it may be possible to promote the use of borrowing among these students to cover higher tuitions if the terms of student loans were made more attractive.

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[1] 44% of full-time freshmen indicated that it was likely they would transfer versus 34% of sophomores and 25% of juniors. The higher percentage of freshmen is presumably explained by the fact that for many of them a lower cost community college education is still a viable alternative.

As in the case of Group 3, a relatively higher percentage of students in Group 4 were part-time students, over 26 years old, and married. Over two-thirds of the students in Group 4 were women, as compared to an approximately even split between men and women in each of the other three groups.

Several distinguishing characteristics of Group 4 were found in information relating to perceived benefits from higher education. While over 70% of the students had A or B averages, a relatively lower percentage indicated they had decided on a career goal (76% versus 80-85% for the other three groups). In addition, the formal educational goals of these students tended to be lower than in the other three groups. Only 23% indicated they had educational goals beyond a bachelor's degree versus 32-45% for the other three groups).

These findings about Group 4, the most marginal in terms of willingness to continue with their educations, suggest that a greater emphasis on career counseling may be required if a serious decline in enrollment is to be avoided under a policy of significantly higher public tuitions.

Conclusion. The information provided in Question 16 of the student survey is only suggestive of how students might respond if tuitions at public universities were to increase significantly in the near future. Any decision to move in the direction of higher tuitions would require a more comprehensive analysis of the likely impact.

Nevertheless, several conclusions can be drawn regarding the role of direct student financial assistance, and in particular, assistance related to an expanded self-help effort through work and borrowing. Table X-1 summarizes the information presented earlier relating to the likelihood that students in each group would seek to meet a $500 increase in tuition through work and borrowing. In addition, responses by each group regarding the cooperative education and income contingent loan concepts are summarized.

For many students, especially those in the first two groups, a significant increase in tuition is likely to result in a corresponding increase in demand for work and loan assistance. Approximately 80% of the students in both groups indicated they would seek part-time work to cover the higher tuition costs, and approximately 40% indicated they would seek a loan.

Given this apparent willingness to incur a larger self-help commitment through existing sources, the means of meeting that commitment would have to be provided. As noted earlier in the report, there already exists significant numbers of students who desire but are unable to obtain school year employment. Approximately 23% of the full-time undergraduate students in our survey who indicated they sought work for this school year

Table X-1. Summary of responses relating to work and loan financing.[1]

	Group 1 (53% of sample)	Group 2 (30% of sample)	Group 3 (11% of sample)	Group 4 (6% of sample)
% who would likely seek a bank loan	39%	43%	19%	14%
% who indicated they might participate in an income contingent program	36	54	55	47
% who would likely seek additional part-time employment	76	82	56	36
% who indicated they might participate in a co-op ed program	51	67	66	55

1. 1730 responses from public university freshmen, sophomores and juniors.

Source: IEFC survey of public university students.

were unable to obtain it. Similar inadequacies were identified in terms of the availability of student loan money. While 26% of the students in our survey indicated they sought loan financing for this year, only about 20% were successful in obtaining a loan. Clearly, the feasibility of a higher tuition policy requires that these current inadequacies in work and loan assistance be remedied.

For the remaining 17% of the students (comprising Groups 3 and 4), significantly fewer of them indicated that it was likely that they would turn to part-time employment or loan financing to cover a higher tuition charge. As noted earlier, a high percentage of these students are already making a significant effort to finance their educations through part-time employment. At the same time, however, many of these students did express interest in the income contingent loan and co-op ed concepts. Hence, in order to avoid serious attrition among the students in Groups 3 and 4, it would appear that work and loan assistance through traditional programs might not be enough. For many of them, an effort would have to be made to offer more innovative ways of self-financing an education through work and borrowing.

While the role of NRA has not been mentioned in the previous analysis, it is clear that under a high tuition policy there would be direct implications for the role of this form of assistance. While an increase in NRA equal to the increase in tuition charges would make little sense, there would be the need for some additional assistance through

NRA sources. Additional NRA would be required to insure that no group of students was unduly burdened by the tuition increase. Specifically, no income group should be required to make a significantly greater effort to finance an education through self-help (work and loans) than any other. Such a situation would place a significantly greater financial barrier before certain students, and this would clearly violate the spirit of the Higher Education Student Assistance Law. The analysis in Chapter III revealed that no significant differences currently exist across income levels in terms of the typical self-help effort made by students. Under a policy of higher tuition, continued monitoring would be essential if this important measure of equity is to be kept in balance.

Differential tuitions. An interesting variant of an across-the-board tuition increase is employed in several other states, including Michigan and New York. This involves tuition rates differentiated by grade level to reflect actual instructional costs. That is, tuition for graduate students is higher than tuition for juniors and senior, since it costs the institution more to provide graduate education. Freshmen and sophomores have the lowest tuition charges, since lower division courses are generally the least expensive to conduct.

Advocates of this approach contend that differential tuition would not only cause students to bear a more fair share of the actual cost of their education, it would also provide initial access to higher education at relatively low cost. Upon reaching upper division status, the student could decide whether the added benefit of finishing a baccalaureate degree was worth the additional tuition cost.

In response to a question on the IEFC survey, students split just about evenly on whether they would agree with such a change. Overall, 50.6% of those who expressed an opinion on differential tuition said they agreed (or strongly agreed) with the idea, while 49.4% disagreed or strongly disagreed (see Appendix II-2). Freshmen were clearly the most favorable (64.7% agreed) and seniors the least. However, even among seniors, 45.5% agreed.

Such a policy of differential tuition would result in upperclassmen bearing a relatively greater self-help responsibility in financing their educations. Accordingly, in insuring adequate means of financing a greater self-help commitment through work and loan financing, a greater emphasis would have to be placed on these students.

The question of student independence revisited. In Chapter III (pp. 34-35) it was observed that the legal issue of student independence from parents makes the future role of nonrepayable assistance uncertain. Presumably, if all students over 18 years old were deemed independent of parents, most could easily demonstrate financial need and, therefore, qualify for various NRA programs. While State and federal governments might simply provide across the board nonrepayable assistance to all students, such a response would be very costly indeed.

As an alternative, many NRA programs could be eliminated with a corresponding expansion of work and loan assistance programs. In essence, all students, regardless of economic background, could be expected to finance their educations through self-help sources.

Whether or not all students would in fact finance their educations primarily through self-help would depend on the actual role played by parents in providing assistance. If parental assistance continued to vary significantly among students, some students would face relatively greater financial barriers to an education.[1]

As revealed in the IEFC student survey, most students would prefer to depend relatively more on work assistance than on borrowing against future earnings. However, because of instabilities in the employment market, limitations in available jobs, and--for some students--unwillingness to take time away from studies or to take more time in completing a degree, a viable student loan program would be essential. With well-structured programs of work and loan assistance, considerable flexibility would be possible in combining work and loan assistance to meet the individual preferences of students.

Thus a court decision on the independence issue could force a major restructuring in the financing of a student's education (and correspondingly, in the role of student financial assistance). If such a decision provided a more liberal interpretation of student financial independence, it is reasonable to expect the role of work and loan assistance to expand significantly.

Need for action. It is unlikely that a major change in tuition policy at public universities or in the definition of student independence will occur in the near future. However, there is still the need for action by the State regarding direct student financial assistance. In terms of NRA, a more systematic monitoring of the ISSC Monetary Award Program is needed. In particular, information on those individuals who are refused awards and those who do not accept awards must be generated to insure that they are not being denied access to higher education for financial reasons. In addition, other State programs of NRA must be carefully assessed to insure that such assistance is in fact being distributed on the basis of financial need or other explicitly stated criteria.

The State's role in insuring that students have the means for meeting the sizeable self-help commitment already expected of them must be strengthened. In this regard, the State must consider whether its current student loan program can be expected to provide adequate funds

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[1] In order to avoid this (particularly as it might be expected to arise among students from different income groups), all students could be required to participate in work and loan programs to finance their educations.

to meet the needs of its student population. If, in its study of the question, ISSC concludes that sufficient funds will not be available through current sources, then the State should act directly in providing student loans.

Because of the very important role that earnings from employment play in financing a student's education, the State should move quickly to develop the capability of monitoring this source. A greater effort should also be made to expand and coordinate the off-campus student employment market, focusing particularly on the cooperative education concept. The State's commitment to insure that adequate resources are available through work and loan programs should be no less than the willingness evidenced by students to finance their educations through these sources.

APPENDIX I-1

GLOSSARY OF ABBREVIATIONS

ACT	American College Testing
AY	Academic Year
BEOG	Basic Educational Opportunity Grant
Co-op ed	Cooperative education (see Chapter IX)
CSS	College Scholarship Service
CWSP	College Work-Study Program
FISL	Federally Insured Student Loans
FTE	Full-time equivalent (the number of credit hours for which students are enrolled divided by the minimum number of credit hours required of a "full-time" student
FY	Fiscal Year
Gift Assistance	Sum of parental and nonrepayable assistance
HEW	Department of Health, Education, and Welfare
IBHE	Illinois Board of Higher Education
IEFC	Illinois Economic and Fiscal Commission
IGLP	Illinois Guaranteed Loan Program
ISSC	Illinois State Scholarship Commission
NDSL	National Direct Student Loan
NRA	Nonrepayable assistance
OSPI	Office of the Superintendent of Public Instruction
ROTC	Reserve Officers Training Corps
Self-help	Sum of student resources from employment and loans
SEOG	Supplemental Educational Opportunity Grant
USOE	United States Office of Education

APPENDIX II-1

Illinois Economic and Fiscal Commission

610 State Office Building - Springfield, Illinois 62706
Area Code 217/525-5320

November 9, 1973

Dear Student:

The staff of the Illinois Economic and Fiscal Commission is currently doing an evaluation of student financial aid programs. The Illinois legislature has requested this evaluation in order that changes in current state financial aid programs may be properly considered.

The usefulness of this evaluation depends greatly on information provided directly by you--what you are currently doing to obtain money for college, how you feel about the current system. The enclosed survey is our principal means of obtaining that information. We are sending the survey only to a sample of students at each public university. Therefore, every response is important.

The survey was developed with care so that only the most important information is being requested. We have found that the survey takes about ten minutes to complete.

For purposes of brevity certain abbreviations have been used. Most notably, NRA (nonrepayable assistance) has been used throughout to mean any financial assistance which you do not have to repay. Examples of NRA programs are federal grants (BEOG, NDEA, NIH), State awards such as the Illinois State Scholarship Commission (ISSC) monetary awards, and university and private scholarship awards.

We would appreciate your mailing the survey back to us by Wednesday, November 21.

Thank you for your time and assistance.

Sincerely yours,

Mark Chadwin

Mark Chadwin
Director

ILLINOIS ECONOMIC AND FISCAL COMMISSION
STUDENT FINANCIAL AID SURVEY
UNDERGRADUATE SAMPLE

N=2465

1. University (and campus) _____

PLEASE RESPOND TO THE FOLLOWING QUESTIONS BY CIRCLING THE APPROPRIATE NUMBER*

2. Grade level:

Freshman	Sophomore	Junior	Senior	Graduate
19.9%	19.3%	30.9%	29.9%	0%

3. Educational goal:

Bachelors	Masters	Doctorate	Other
57.4%	29.7%	9.0%	3.9%

4. How many credit hours are you currently taking?

Less than 6	6-11	12 or more
4.4%	10.0%	85.6%

5. Have you selected a career or a profession?

Yes	No
84.9%	15.1%

6. Are you an Illinois resident?

Yes	No
98.5%	1.5%

7. Please indicate whether you have tried to get and did obtain money from each of the following sources for the current school year. Circle your answer for each source.

	Did Not Seek	Did Seek, But Didn't Get	Did Get
Employment:			
Employment during school year	37.2%	13.0%	49.8%
Employment last summer	15.9%	7.8%	76.3%
Parental Assistance:	40.0%	8.2%	51.8%
NRA (nonrepayable aid such as grants, scholarships, and tuition waivers):	75.7%	13.8%	10.5%
Federal NRA	38.2%	19.8%	42.0%
State and University NRA	80.7%	12.4%	6.9%
Private and other NRA			
Loans:			
National Direct Student Loan (NDSL)	88.6%	4.2%	7.2%
Illinois Guaranteed Loan (IGL)	86.5%	6.1%	7.4%
Other loan sources	90.7%	4.9%	4.4%

8. Please circle the appropriate response for each of the following questions (estimate if necessary).

	$0	$1-500	$501-1000	$1001-1500	$1501 or more
Total parental assistance expected for this year.	42.8%	20.4%	13.8%	11.3%	11.7%
Total expected earnings from employment during this school year.	38.1%	28.0%	12.6%	7.2%	14.1%
Total earnings last summer.	17.5%	29.7%	26.4%	12.8%	13.6%
Total amount of NRA expected this year.	51.7%	16.9%	23.0%	3.5%	4.9%
Total amount of loan financing sought this year.	74.0%	7.7%	10.2%	4.9%	3.2%
Total amount of loan financing obtained this year.	80.8%	7.0%	7.5%	3.2%	1.5%

9. Please provide the following information about your efforts to obtain money for college in prior school years.

	Did Not Seek	Did Seek, But Didn't Get	Did Get
Parental assistance	37.1%	7.3%	55.6%
Employment during the school year	31.3%	9.5%	59.2%
Summer employment	13.0%	7.2%	79.8%
Nonrepayable assistance (NRA)	41.2%	15.9%	42.9%
Loans	77.3%	5.1%	17.6%

10. If you did not obtain adequate NRA this year, did you:

	Yes	No	Does Not Apply
Seek loan financing?	14.0%	34.2%	51.8%
Seek part-time employment?	34.4%	16.6%	50.0%

11. If you are currently employed, do you think your studies have suffered as a result? 53.3% 46.7%

12. If you are currently employed, how many hours do you work per week (on average)?

Less Than 10	10-19	20-30	More Than 30	Does Not Apply
7.9%	19.7%	4.6%	12.3%	45.5%

13. Some schools have programs wherein a student alternates between periods of full-time study and full-time work (matched as closely as possible to career goal). These programs sometimes require 5 years for completing a bachelors degree. Do you think you might participate in such a program, if it were properly run?

Yes	No
58.9%	41.1%

14. Some schools have begun loan programs which make loan repayment dependent upon future income. Such programs are comparable to traditional loan programs. However, individuals who earn high incomes repay relatively more (up to a limit) than individuals with low incomes. Do you think you might participate in such a program, if it were properly run?

Yes	No
45.1%	54.9%

15. Please respond to the following statements by circling the appropriate number. (1-strongly agree; 2-agree; 3-disagree; 4-strongly disagree; 5-no opinion.)

	SA	A	D	SD	No Opinion
The ISSC Monetary Award application is a relatively easy form to complete.	5.5%	32.0%	20.9%	7.0%	34.6%
The procedure for filing an ISSC Monetary Award application is not clearly explained.	4.3%	19.2%	34.2%	5.9%	36.4%
The Illinois Guaranteed Loan application is a relatively difficult form to complete.	2.9%	10.5%	11.1%	1.9%	73.6%
The procedure for filing an Illinois Guaranteed Loan application is clearly explained.	2.1%	13.3%	9.2%	2.6%	72.9%
My high school guidance counselor was a useful source of financial aid information.	7.0%	19.1%	19.9%	32.3%	16.7%
My university financial aid office has not been a useful source of information.	11.3%	20.4%	24.2%	10.0%	34.1%
My university placement office has been helpful in finding me part-time employment.	3.4%	9.0%	14.2%	12.5%	60.9%
Since freshman and sophomore instructional costs are typically lower than junior, senior, and graduate costs, tuition charges should be differentiated accordingly.	17.5%	24.8%	20.9%	20.4%	16.4%

	SA	A	D	SD	No Opinion
State NRA programs which provide aid to veterans should distribute aid on the basis of financial need.	23.9%	39.2%	11.2%	8.5%	17.2%
State NRA programs which provide aid to students majoring in particular fields such as health should distribute aid on the basis of financial need.	23.2%	47.4%	10.5%	4.7%	14.2%
Financial need assessments are unfair to students with my economic background.	29.8%	23.9%	21.5%	6.5%	19.2%
Some public funds should be provided to individuals who excel academically, with amount of award varying with financial need.	30.1%	46.0%	10.3%	5.2%	8.4%

16. On a scale from 1 (very likely) to 4 (very unlikely), what is the likelihood that you would take each of the following actions if all students in Illinois public universities had to pay an additional $500 in tuition next year:

	Very Likely	Likely	Unlikely	Very Unlikely
I would drop out of school in order to earn enough money to continue my education later on.	18.3%	23.6%	33.6%	24.5%
I would drop out of higher education altogether.	7.0%	12.0%	31.6%	49.4%
I would seek a bank loan to cover the additional cost.	8.8%	27.7%	33.9%	29.6%
I would try to earn the additional money through part-time employment.	39.5%	43.0%	14.8%	11.7%
I would transfer to another school.	10.8%	20.1%	37.1%	32.0%
I would seek assistance from my family to cover the additional costs.	18.7%	28.4%	19.3%	33.6%

17. Which one of the following changes in the Illinois State Scholarship Commission Monetary Award Program do you think is most needed? (Circle only the one you think most needed.)

Extend eligibility to a maximum of 5 years for completion of a bachelors degree. (Current maximum is 4 years.)	12.1%
Extend eligibility to students carrying at least a half-time course load. (Currently only full-time students are eligible.)	5.7%
Increase award to students who can show need for aid beyond tuition and fees (i.e., some portion of living costs).	25.5%
Change financial need requirements so that more middle income students qualify.	49.5%
Other (please specify) _____	7.2%

	Yes	No	Not Applicable
18. Are you married?	18.9%	81.1%	
19. Do you have children?	12.6%	56.3%	31.1%
20. Is your spouse enrolled in two or more courses at a college or university?	5.4%	23.7%	70.9%
21. Are you a veteran?	10.5%	89.5%	
22. Do you live with your parents during the school year?	22.5%	77.5%	

	Yes	No
23. Do your parents own a small business?	12.3%	87.7%
24. Do your parents own a farm?	8.0%	92.0%

25. Approximate overall grade average?

A	B	C	D	No grade average
11.0	53.:	27.6	0.5	7.0

26. Age:

Under 21	21-26	Over 26
52.1%	37.0%	10.9%

27. Sex:

Female	Male
50.6%	49.4%

28. Where did you attend high school:

Chicago City	Chicago Suburb	Other City Over 5000	Town Under 5000	Rural
21.5%	25.4%	33.1%	14.3%	5.7%

29. Spouse's estimated annual income.

Less than $1000	$1000-4999	$5000-9000	More than $9000	Not Applicable
3.2%	5.3%	4.5%	4.5%	82.5%

30. Parents' estimated annual income.

Less than $5000	$5000-9999	$10,000-14,999	$15,000-20,000	More than $20,000
10.6%	19.0%	34.4%	22.1%	13.9%

Thank you for cooperating in completing this survey. Please use the attached self-addressed envelope and mail it as soon as possible.

APPENDIX II-2

STUDENT SURVEY SAMPLING PROCEDURE, RESPONSE RATES, AND METHODS OF ANALYSIS

In order to obtain more complete information than was available from any other source on how students are financing their college expenses, the IEFC staff elected to conduct a student survey. Partly because of the sheer numbers involved (470,000 students and over 150 colleges and universities), and partly because a principal legislative concern involves student financial access in relation to public university tuition levels, a decision was made to focus on the twelve State universities (excluding the University of Illinois Medical School). The president of each university was contacted by telephone, and each agreed to cooperate fully.

Dr. K. G. Janardan, statistician from Sangamon State University assisted in the sampling technique, including determination of sample sizes for each campus. The survey instrument was reviewed with financial aid officers, survey research experts, and IBHE and ISSC staff members. The instrument was then pilot tested among Sangamon State students and further improvements were made. A random sample of students, stratified by campus, was generated by computer. This yielded a sample of approximately 7800 students, or 5% of the public university enrollment. Surveys were mailed with a cover letter and a return envelope to students at their campus addresses. The sample sizes were calculated anticipating an overall 40% response rate. The actual response rate for surveys received in time for computer processing was 42%, yielding 3,286 returns. This rate varied from 26% at Chicago State University to 53% at the University of Illinois, Urbana. Half of the schools had response rates higher than the projected average of 40%. A listing of response rates by campus follows.

Campus	Percent of sample responding
Chicago State University	26%
Eastern Illinois University	51
Governors State University	39
Illinois State University	46
Northeastern Illinois University	38
Northern Illinois University	45
Sangamon State University	49
Southern Illinois University, Carbondale	33
Southern Illinois University, Edwardsville	37
University of Illinois, Chicago	35
University of Illinois, Urbana	53
Western Illinois University	46

Our total sample (7800) represented 5% of all public university students, full-time, part-time, undergraduate and graduate. Because of the kinds of issues of most importance in terms of policy recommendations, a decision was made to focus our analysis particularly on full-time undergraduate Illinois residents. Chapter II, however, provides an overview of responses from all undergraduate (full-time and part-time) Illinois residents, and included in Appendix II-1 is a copy of the survey instrument showing mean responses to each question for all undergraduate respondents.

Cross-tabulation tables were generated by computer to identify ways in which student responses varied by university, grade level, parental income level, sex, age, veteran/nonveteran, small business and farm assets, number of credit hours, employment, borrowing, married, living with parents, and so on. In some instances, where the pool of respondents was large enough, three-way cross-tabulations were computed. Some regression and correlational analyses were done to test hypotheses about observed relationships.

Response bias. As already indicated above, response rates varied from school to school. Few meaningful differences were observed between schools that were not accounted for on the basis of parental income, grade level, or age. Consequently, our analysis focused on characterization of students by these three main variables, rather than by university. Similarly, we found that upper division students responded in greater proportion than lower division students. Thus our respondents by grade level were as follows:

	Percent of respondents	Percent of public university students
Freshmen	20%	28%
Sophomores	19	22
Juniors	31	25
Seniors	30	25

In order to overcome grade level biases which might enter the analysis, a cross-tabulation was run for grade level against every other variable. In instances where important differences occurred as a function of grade level, the data are presented in the text and tables broken out by grade level. Therefore, upper division student responses did not out-weigh lower division student responses because they are reported separately.

The same is true for parental income levels. Many of the most significant differences in student attitudes and behavior toward financing their education were a function of parental income level. Therefore, throughout the text student responses are displayed by parental income level.

The reader should be cautioned regarding interpretation of the attitudinal or hypothetical questions. It is important to point out that there are limits to how far one can go in inferring actual behavior from responses that are couched in a hypothetical or subjective framework. Nevertheless, it seems reasonable to assume that where there are significant differences in responses patterns among students grouped according to specific characteristics (such as economic background), similar differences in actual behavior can be expected to occur. Accordingly, in analyzing such information provided from the student survey, emphasis is placed in differences in response patterns among students rather than on the absolute response pattern obtained in the case of an individual group.

APPENDIX II-3

METHOD USED IN MEASURING THE RELATIVE IMPORTANCE OF EACH SOURCE

Question 8 of the IEFC student survey asked for information about how students are financing their educations for this year from the five major sources--parental assistance, school year employment, summer employment, nonrepayable assistance, and loans.

Students were asked to indicate amounts received from each source in terms of the following amount categories:

(1) $0
(2) $1-500
(3) $501-1000
(4) $1001-1500
(5) $1501 or more

To determine the relative importance of each source, the following calculations were made:

(a) The average value for amount category was determined for each source.[1]

(b) The average values for each source were summed to get a total from the five sources.

(c) The average value for each source was divided by the total to get a measure of the relative importance of each source.

To determine the average percent contribution from each source for all 2465 undergraduates in the sample, the following calculations were made:

	Average Value of Amount Category	Relative Importance of Source
Total parental assistance	1.279	23%
Total earnings during school year	1.320	23%
Total earnings last summer	1.765	31%
Total nonrepayable assistance	.926	16%
Total loans obtained	.376	7%
Total all sources	5.666	100%

[1]The amount category indicated by each student was reduced by a constant equal to 1. This was necessary in order to adjust for the fact that amounts equal to zero were coded as "ones" in the survey.

The 2266 undergraduates who provided estimates of annual parental income were grouped by parental income level. The average value of amount category for each source and for each income group was then computed as follows:

	Estimated Annual Parental Income				
	(1) Under $5000	(2) $5000-9999	(3) $10,000-14,999	(4) $15,000-20,000	(5) Over $20,000
n:	235	429	783	504	315
Total parental assistance	.461	.721	1.329	1.753	2.089
Total earnings during school year	1.604	1.387	1.229	1.244	1.118
Total earnings last summer	1.533	1.672	1.849	1.800	1.923
Total nonrepayable assistance	1.421	1.349	.920	.607	.495
Total loans obtained	.578	.546	.311	.340	.162
Total all sources	5.597	5.675	5.638	5.744	5.787

Using the average budget size for students in the third income group as a benchmark, the index of budget size for each group was calculated as the ratio of the sum of the five sources for a group to the sum for the third income group. The actual calculations were as follows:

Index of Budget Size

Group 1: $\frac{5.597}{5.638} \times 100 = 99$

Group 2: $\frac{5.675}{5.638} \times 100 = 101$

Group 3: $\frac{5.638}{5.638} \times 100 = 100$

Group 4: $\frac{5.744}{5.638} \times 100 - 102$

Group 5: $\frac{5.787}{5.638} \times 100 = 103$

APPENDIX II-4

Illinois Economic and Fiscal Commission

610 State Office Building - Springfield, Illinois 62706
Area Code 217/525-5320

October 3, 1973

Dear Financial Aid Officer:

The Illinois Economic and Fiscal Commission is a permanent bipartisan commission authorized to conduct studies for the General Assembly. The Commission staff is currently examining financial aid programs in Illinois and expects to complete a report early next year. As part of this study, we are surveying campus financial aids officers. Included in the survey are all two-year and four-year colleges and universities in Illinois, both public and private.

The attached survey is very important to our study. We are attempting to collect data on financial aid operations as they vary by type and size of institution. We want your opinions on various current programs and proposed changes. We would like your comments wherever you feel inclined to amplify or qualify your responses. Where we ask for specific numbers, we are seeking the most accurate information available but prefer that you estimate when necessary rather than delay your response.

In order that we may use your response, please return the survey in the enclosed self-addressed envelope by October 22.

If you have questions about the survey, please call Mr. Charles Adams or Ms. Linda Adams at (217) 525-5320.

Thank you for your time and cooperation.

Sincerely,

Mark Lincoln Chadwin

Mark Lincoln Chadwin
Director

MLC:bm

SURVEY OF ILLINOIS FINANCIAL AID OFFICERS

SURVEY OF ILLINOIS FINANCIAL AID OFFICERS

1. Name of institution _____

Type of institution (check one): Hospital School of Nursing ___

Public senior college/university ___ Public community college ___

Private senior college/university ___ Private junior college ___

2. Your name _____ Your phone ( ) _____ (Area code / Number)

Your title _____

Length of time in this position _____

Length of time at this institution _____

Highest earned degree _____ Major field _____

Total years experience in student personnel work _____

3. Staff (FTE) working in financial aids office during the 1972-73 academic year:

		Average Annual Salary
a. Number of professionals	_____	_____
b. Number of paraprofessionals	_____	_____
c. Number of clerical employees	_____	_____

d. Do you consider your professional staff turnover rate a problem?

_____

e. How many members of your staff participate in job-related professional organizations?

	Number
Illinois Association of Student Financial Aid Administrations	___
Midwest Association of Student Financial Aid Administrators	___
Other organizations (please specify) _____	___
_____	___

f. Please describe any other professional development or in-service training activities in which you or your staff engage.

Type of activity	How often?
_____	_____
_____	_____

g. Which of the following professional expenses has your institution paid for you or members of your staff during academic year 1972-73 or 1973-74?

Professional organization membership fees	Yes ___	No ___
Conference expenses	Yes ___	No ___
Subscriptions	Yes ___	No ___
Other (please specify) _____		

4. Please provide the following information about the workload experienced by your office during the 1972-73 academic year.

a. Total number of students for whom some document information was processed (include veteran certification) _____

b. Total number of students who filed applications for financial aid administered directly by your office _____

c. Total dollar amount of financial aid administered directly by your office (include federal funds) _____

5. Does your financial aid office currently use computer services in any of the following ways?

a. Bookkeeping (include summarization of data for operations reports) Yes ___ No ___ (Check one)

b. Letter writing (routine notification of application status, award decisions, etc.) Yes ___ No ___ (Check one)

c. Research (simulations, projections of need, etc.) Yes ___ No ___ (Check one)

d. Processing of applications (routine decision-making, award packaging, etc.) Yes ___ No ___ (Check one)

e. Other uses (please specify) _____

6. If you are now using a computer, what are the major benefits to your office?

a. Cost savings (including time savings) Yes ___ No ___ (Check one)

b. Professional staff time is freed for more effective use Yes ___ No ___ (Check one)

c. Work is done with greater accuracy Yes ___ No ___ (Check one)

7. If you are not now using a computer for any part of your operations, which of the following reasons apply?

a. A computer is not needed in our particular situation. Yes ___ No ___ (Check one)

b. We don't have the time or knowhow to convert to computer. Yes ___ No ___ (Check one)

c. Computers are not believed capable of fair decision-making in financial aid matters, even in routine cases. Yes ___ No ___ (Check one)

d. We would like to use computer services, but our institution hasn't made funds available. Yes ___ No ___ (Check one)

e. Other _____

8. Recently many changes in ISSC's Monetary Award Program have been proposed. If the program were to be expanded with additional funding, what would be your priorities for change? Please rank all items from 1 (highest priority) to 7 (lowest priority), and use each number only once.

a. ___ Eligibility should be extended to students carrying at least a half-time course load.

b. ___ Aid should be extended to include some portion of living costs beyond tuition and fees.

c. ___ Students who are unable to complete a bachelor's degree in four years should be eligible for aid in their fifth year. (e.g., 5-year professional bachelor's programs, remedial work for the educationally disadvantaged, etc.)

d. ___ Monetary awards should be available to graduate students.

e. ___ Students attending accredited "for profit" (proprietary) schools should be eligible.

f. ___ Illinois residents should be able to take their monetary awards out of state.

g. ___ Other _____

Please answer the questions in the next six sections according to the following response key: SA = strongly agree, A = agree, D = disagree, SD = strongly disagree. Circle one response for each item.

9. Publicly funded no-need award programs. (Circle one)

a. Public no-need programs should be eliminated and funds transferred to need-based programs. SA A D SD

b. Public no-need programs are important means of offering financial incentives for the training of persons in high demand, low supply occupations. SA A D SD

c. Public no-need aid programs are a good means of rewarding groups who have provided important public service (veterans, children of policemen killed in the line of duty, etc.). SA A D SD

d. ISSC State Scholar competitive merit winners should receive a stipend regardless of financial need. SA A D SD

10. State and Federal Loan Programs.

a. Loans are best suited for students at the upper division and graduate levels. SA A D SD

b. Loans should be used only as a last resort. SA A D SD

c. The Illinois Guaranteed Loan Program and the Federally Insured Student Loan Program have been severely jeopardized by the new needs test requirement. SA A D SD

d. Loan programs should be made more flexible, including variable terms or income contingent options. SA A D SD

e. Students should be willing to incur debt for post-secondary training, and greater effort should be made to promote this idea. SA A D SD

f. Adequate loan funds have historically been available through the National Direct Student Loan program. SA A D SD

g. Adequate loan funds are not available through NDSL for the academic year 1973-74. SA A D SD

h. Adequate loan funds have historically been available through the Illinois Guaranteed Loan Program and the Federally Insured Student Loan Program. SA A D SD

i. Adequate loan funds are not available through IGLP and FISL for the academic year 1973-74. SA A D SD

j. IGLP loans should be made available to students carrying at least a half-time (but less than a full-time) course load. SA A D SD

k. In addition to current annual loan maximums, students should as a matter of policy also have the option of borrowing the amount designated as "family contribution." SA A D SD

l. Certain groups of students are discriminated against by lenders. (I. you agree or strongly agree with this statement, please specify which groups.) SA A D SD

_____

_____

11. Work/Study Programs.

a. The recent change from a 20-hour per week maximum to a 40-hour maximum was a good decision. SA A D SD

b. The State should provide a work/study program. SA A D SD

c. The federal College Work/Study Program should be expanded with increased funding. SA A D SD

d. An expanded work/study concept such as the development of cooperative education programs (i.e., alternate periods of full-time study and full-time employment related to a student's academic or occupational objectives) should be explored. SA A D SD

e If the State were to provide a work/study program, it should differ from the federal program. (If you agree or strongly agree with this statement, please comment on the differences you would favor.) SA A D SD

_____

_____

_____

_____

12. Basic Educational Opportunity Grant.

a. The shift toward student rather than campus-based aid, inherent in the BEOG program, is better for students. SA A D SD

b. The BEOG program will make planning at the campus level more difficult. SA A D SD

c. The BEOG program is likely to be fully funded within a year or two. SA A D SD

d. The net impact of the BEOG program is likely to be a reduction in federal aid to students in higher education. SA A D SD

13. In general do you think that students and potential students with financial need are getting the information they need to make college decisions?

Yes ___ No ___

a. High school guidance personnel are an effecti source of financial aid information. SA A D SD

b. College and university financial aid officers are an effective source of financial aid information SA A D SD

c. The ISSC Office of Information Services is an effective source of financial aid information. SA A D SD

d. The federal government is an effective source of financial aid information. SA A D SD

e. Family and friends are an effective source of financial aid information. SA A D SD

14. Please respond to the following statements as they relate to your general philosophy about "packaging" financial aid.

a. Every effort should be made to meet a student's financial need through non-repayable assistance before loan assistance is used. SA A D SD

b. Every effort should be made to meet a student's financial need through non-repayable assistance before work/study assistance is used. SA A D SD

c. Greater relative emphasis on non-repayable assistance should occur at the lower division undergraduate level than at the upper division undergraduate level. SA A D SD

d. The proper balance in packaging financial assistance varies importantly according to the degree of student need. SA A D SD

e. The term "balanced packaging" (i.e., achieving a proper mix of non-repayable assistance, work, study, and loans) is not a viable or operationally useful concept. SA A D SD

Please use the following space to expand on any of your responses to the above items.

_____

_____

_____

15. If students and families were forced to pay a larger share of college costs, do you think there would be any difference in the impact on enrollment among grade levels (i.e., lower division undergraduates versus upper division undergraduates versus graduate students)?

Yes ___ No ___ (Check one)

Please explain: _____

_____

_____

_____

16. Do you feel the Illinois State Scholarship Commission is doing an effective job of administering:

a. The Monetary Award Program Yes ___ No ___ (Check one)
b. The Guaranteed Loan Program Yes ___ No ___ (Check one)

Do you think the State Scholer Program should be continued?

Yes ___ No ___ (Check one)

Comments: _____

_____

_____

17. What was the total dollar amount of financial aid received by all of your students during the 1972-73 academic year? (Please make a note of items such as GI Bill disbursements for which you may not have information or be able to estimate.)

_____

Please give a percentage breakdown of 1972-73 financial aid received by your students according to the following classifications (estimate if necessary).

a.

	Federal	State	Private & Other
Nonrepayable assistance	%	%	%
Loans	%	%	%
Work/Study	%	%	%

b.

	Lower division undergraduate	Upper division undergraduate	Graduate and professional
Nonrepayable assistance	%	%	%
Loans			
Work/Study			

18. Please provide the following information about the family income distribution of your 1972-73 undergraduate student body

Percent from families with annual incomes below $7,999. ____%

Percent from families with income between $8,000-11,999 ____%

Percent from families with income between $12,000-15,999 ____%

Percent from families with income between $16,000-19,999 ____%

Percent from families with incomes above $20,000 ____%

100 %

19. Please add any other comments that you think pertinent to an evaluation of the adequacy and effectiveness of financial aid programs available to Illinois residents. (Include thoughts pertaining to current programs as well as to changes you think will or should occur over time.)

_____

_____

_____

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APPENDIX III-1

UNDERGRADUATE NRA BY SOURCE AND TYPE OF INSTITUTION
AY 1972-73

	Federal	State	Institutional	Other	Total
Community Colleges	$3,381,000	$ 7,246,000	$ 30,000	$ 22,000	$10,679,000
Percent of Row	31%	67%	--	--	100%
Percent of Column	29%	11%	--	1%	11%
Public Universities	$4,290,000	$32,691,000	$ 4,787,000	$ 98,000	$41,866,000
Percent of Row	10%	78%	11%	--	100%
Percent of Column	37%	50%	23%	4%	42%
ALL PUBLIC	$7,671,000	$39,937,000	$ 4,817,000	$ 120,000	$52,545,000
Percent of Row	15%	76%	9%	--	100%
Percent of Column	66%	62%	23%	5%	53%
ALL VATE	$4,029,000	$25,001,000	$15,882,000	$2,082,000	$46,995,000
P nt of Row	9%	53%	34%	4%	100%
Pe cent of Column	34%	38%	76%	95%	47%
TOTAL	$11,700,000	$64,938,000	$20,699,000	$2,202,000	$99,540,000
Percent of Row	12%	65%	21%	2%	100%
Percent of Column	100%	100%	100%	100%	100%

SOURCE: IBHE, "Status Report of Student Financial Aid in Illinois," April 1973.

Appendix III-1 is based on the same IBHE survey as Table III-1 and shows the breakdown of reported undergraduate NRA by source and type of institution. The "Percent of Row" figures total horizontally and show what portion of each type of institution's NRA comes from each source. For example, 31% of the NRA reported by public community colleges came from the federal government. The "Percent of Column" figures total vertically and show what portion of the source's funds go to each type of institution--for example, 29% of the reported federal NRA in Illinois went to students at public community colleges. It can be seen from this table that private institutions receive 95% of the "other" NRA, although this accounts for only 4% of the total NRA they receive. It is also noteworthy that the private institutions contribute 34% of the scholarships and grants their students receive and that this amounts to 76% of all institutional funds allocated to students.

ERIC
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Research Currents

RESIDENT TUITION AND STUDENT MIGRATION: SOME RECENT PROBLEMS

by Carol Herrnstadt Shulman

In recent years, state institutions of higher education have claimed an increasing share of the student population. The appeal of these institutions is based, in part, on the relatively low tuition charged to state residents. Conversely, the higher tuition rates charged by state institutions to out-of-state students encourages these students to enroll in their own state's public colleges. These tuition regulations have contributed to the continuing decline of student migration across state borders (Fenske 1972; Carbone 1972; Wade 1970).[1]

This relationship between nonresident tuition and decreasing student mobility may be altered in light of the 1973 Supreme Court decision that declared unconstitutional Connecticut's maintenance of a permanent nonresident classification for tuition purposes (*Vlandis v. Kline*, __ U.S. __, 37 L. Ed. 2d 63, 1973). This issue of *Research Currents* will look at the impact of this Supreme Court decision on student residency requirements and tuition charges at public institutions. In relation to these findings, current information on student mobility will be examined. Finally, the developments in interstate and regional cooperative arrangements to eliminate tuition differentials and maximize educational resources will be discussed.

THE COURT'S VIEW

State and federal courts became involved in the problems of residency and tuition differentials when nonresident students, faced with rapidly rising tuition costs, began to question the discrimination they encountered in paying a tuition differential and to challenge their inability to change their status from that of nonresident to resident student (Carbone 1973). In June 1973, the Supreme Court handed down a decision that settles some questions in the resident-nonresident tuition controversy, while it poses new problems for educational administrators and institutional finances.

In *Vlandis v. Kline*, two students, Kline and Capatano, challenged the Connecticut statute that held an applicant's legal address at the time of application for admission to a public college determined the student's resident or nonresident status throughout the student's college career. One student, Kline, applied to the University of Connecticut from California and transferred there after her marriage to a life-long Connecticut resident. Under the Connecticut statute, she was classified as an out-of-state student, even though she had a Connecticut driver's license, her car was registered in Connecticut, and she was a Connecticut voter. The other student, Capatano, was an unmarried, graduate student at the University of Connecticut who applied to the University of Connecticut from Ohio and moved her residency from Ohio to Connecticut. Like Kline, she had a Connecticut driver's license, her car was registered in Connecticut, and she was a registered voter.

The Supreme Court held that Connecticut:

> . . . is forbidden by the Due Process Clause to deny an individual the resident rates on the basis of a permanent and irrebuttable presumption of nonresidence, when that presumption is not necessarily or universally true in fact, and when the State has reasonable alternative means of making the crucial determination. (__ U.S. __, 37 L. Ed. 2d at 71.)

The Court also suggested some of the facts that may be considered as evidence of residency: a year-round Connecticut home, a Connecticut driver's license, car registration, voter registration, etc. But, while upholding Kline and Capatano's claims, the Court noted that the state need not classify as resident students all those who attend its institutions.

Vlandis also addresses the questions of (1) whether a state may require a reasonable waiting period to establish residency, and (2) whether a state may levy different tuitions for in-state and out-of-state students. On the first question, the Court refers to *Starnes v. Malkerson*, a 1970 case in which a Minnesota district court upheld (and the Supreme Court affirmed) a University of Minnesota regulation requiring bona fide residency in the state for one year prior to

[1]For purposes of this paper, the terms "migration" and "mobility" will be used interchangeably to describe student movement from a home state to another state to obtain a higher education. The terms "residency," "nonresident," and "resident" student shall refer to the legal domicile of the student for purposes of tuition.

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classification as a resident student. This regulation allows the student to use the time spent as a student in the state toward the establishment of residency. In contrast, the Connecticut regulation did not recognize time spent while a student as state residency for tuition purposes.

The Court in *Vlandis* did not directly rule on the issue of tuition differential, but it did comment that:

> The State's objective of cost equalization between bona fide residents and nonresidents may well be legitimate . . . (__ U.S. __, 37 L. Ed. 2d at 69).

and

> We fully recognize the right of [the State's] own bona fide residents to attend such institutions on a preferential tuition basis . . . (__ U.S. __, 37 L. Ed. 2d at 72).

However, it rejected the basis upon which Connecticut fixed residency permanently as the student's residency at the time of application for admission.

Recently, the Supreme Court confirmed the state's right to establish a durational residency requirement before granting resident status for tuition purposes. In *Sturgis v. Washington*, the court granted summary affirmation to a lower court decision that upheld the state of Washington's statute defining a resident student as one who has established a bona fide domicile in the state for other than educational purposes. The statute also requires the student to maintain that domicile for more than one year immediately preceding the beginning of the term for which he is registered as a resident student at a public institution. As in *Starnes*, students can attend school during the period in which they are establishing residency.

CHANGES IN TUITION INCOME

For public institutions, the Court ruling in *Vlandis* promises to severely limit tuition revenues, as students who were once permanently classified as nonresidents establish residency and qualify for in-state resident tuition rates. In a study conducted for the National Association of State Universities and Land-Grant Colleges (NASULGC) and the American Association of State Colleges and Universities, Robert Carbone (1973) estimated that the total actual income from nonresident tuition in public college and university budgets was between $250 and $300 million. In a later report Carbone suggested that the potential loss of income might be estimated at between $125 and $150 million a year for all public four-year institutions. This estimate assumes that freshmen and first-year graduate students comprise about half of all nonresident students at an institution, and that there will be smaller numbers of nonresidents in the sophomore, junior, and senior years due to transfers back to home states.

The loss of such a large amount of revenue suggests the extent to which a tuition differential does exist between resident and nonresident students. In fact, this differential at NASULGC institutions has almost doubled in the last eight years, going from a median differential of $423 to $802.50 (Carbone, 1973). For some states the tuition differential has proved to be financially advantageous. This situation occurs when a state exports more students to other states than it imports, and at the same time assesses high fees on students coming in from other states. Florida, for example, is in this position within the area covered by the Southern Regional Education Board:

> Florida exports more students to every other state within the region than it receives. However, due to the fact that Florida non-resident fees were the highest in the south, in 1971 ($1,500) . . . Florida realizes a net profit in its transactions with four-year institutions in Arkansas, Maryland, and Virginia, despite the fact that institutions in these states enroll . . . more Florida students . . . than these states send to Florida (Reichard 1973b).

As out-of-staters eliminate the tuition differential by changing to resident status, the original resident students may be affected by increases in their tuition fees. The current situation at the University of Michigan is a case in point. Following the decision in *Vlandis*, Michigan found that it would lose about $2.5 million in revenue due to changes in resident status. To cover this loss, as well as a loss of $600,000 from 1972-73 (thought to be caused by nonresident students who dropped out for six months to earn residence status under the old rules), and increased costs, Michigan raised tuition fees: 15 percent for all freshmen and sophomores; 24 percent for nonresident juniors and seniors; 30 percent for resident upperclassmen; and 20 percent for graduate students (Flemming 1973; National Association of State Universities and Land Grant Colleges 1973).

In addition, Michigan tightened its residency regulations. The new regulations indicate that students' applications for residency will be reviewed on an individual basis, although a one-year durational residency period is a requirement for all. The criteria for in-state tuition fall into two main sections: one set of circumstances has "probative value" for a claim of residency, and another set of circumstances "standing alone, shall not constitute sufficient evidence of domicile to effect" resident classification. The regulations do not specify what number or combination of criteria will qualify a student for resident tuition. The first set of criteria include the more difficult to establish proofs of residency, such as continuous presence in Michigan when not enrolled as a student, reliance upon Michigan financial sources for support, and long-term military commitments. The second group of criteria are more readily obtained: voting registration, employment in a student position, domicile in the state of a student's spouse, automobile registration, and other such evidence.

Michigan's action on the residency regulation question may indicate the beginning of a trend at public institutions toward stiffer and more precise residency regulations. In other states, public institutions have attempted to compensate for the loss of nonresident revenue by requesting the state legislature for additional funding, but the state legislatures' responses have been to establish residency criteria for tuition purposes (Reichard 1973b).

Recommendations for residency criteria have come from Robert Carbone, currently directing a study on tuition alternatives for the Ford Foundation, and from the Education Commission of the States (ECS). Carbone (1973) suggests several types of evidence that a student might present: fulfillment of a residency requirement; continuous or nearly continuous substantial employment; payment of state income taxes on income earned inside and outside the state; registration and voting in the state; registration of a motor vehicle; ownership of real property or evidence of rental payments; and involvement in activities that are primarily student-oriented. He also calls for a definitive administrative procedure to decide these cases.

The ECS model legislation, published in 1971, contains a provision reflected in the Michigan regulations:

> The domicile of any emancipated person receiving regular financial assistance from his parent, or whose parent's income was taken into account by any private or governmental agency furnishing financial educational assistance to such person . . . is that of his parent (Model Legislation . . . 1971).

While it may be doubtful that this criterion alone would validly determine a student's residence, it may appear in an institution's set of residency qualifications.

STUDENT MIGRATION PATTERNS

Although millions of dollars in nonresident tuition may be involved in the residency-nonresidency controversy, the number of college students out of the total college student population that actually crosses state borders is small. In 1971, only 463,357 out-of-state students were enrolled in publicly controlled four-year institutions, but the total population in these institutions was 4,438,442 (Carbone 1972).

Moreover, the number of mobile students is declining (Fenske 1972). In its 1968 report on residency and migration of college students, the National Center for Educational Statistics found that 83 percent of American students enrolled in the U.S. remained in their home states. This represented a 2 percent decline in mobility in the 1963-68 period, the last time such a study was conducted (the next report is due in early 1974). This decline is caused by a number of factors, the most prominent of which is the increase in the number of public institutions. While mobile students declined by 2 percent between 1963 and 1968, the number of students in public institutions as a percentage of the total college student population rose from 62.3 percent to 70 percent (Wade 1970).

Another significant barrier to student mobility is the higher tuition rate charged to out-of-state students. Carbone (1972a) reports that the substantial increase in tuition differentials at state and land-grant institutions does not affect migration to the major institutions but has inhibited out-of-state enrollment at smaller state colleges and universities. Another writer (Fenske 1972) cites a report that shows a significant decrease in enrollment at the University of Wisconsin as a result of major increases in nonresident tuition. For example, at Wisconsin a nonresident quota of 20 percent for the 1970 freshman class was established, but only 17.9 percent enrolled.

In the discussion of state-created barriers to mobility and statistical data, little attention is given to the personality profiles of the students who cross state borders. Such profiles can provide useful information on the composition of student bodies with substantial numbers of nonresident students, and a recent study examines the relationship between student mobility and students' personal backgrounds. In the first national longitudinal study of its kind, the authors (Fenske 1972) selected two groups of entering freshmen from the students who took the American College Testing Program's Assessment between October 1, 1965 and August 30, 1966, and between those same dates in 1968 and 1969. The first sample included 32,351 students from 796 colleges in 39 states; the second sample was of 50,205 students from 1,103 colleges in 45 states. The authors divided each sample into four patterns of enrollment: (1) local attendance; (2) attendance within the state; (3) attendance in an adjacent state; and (4) attendance in a distant state. The authors found that between the first and second sample there were increases of 1.4 percent and 0.6 percent in categories one and two, respectively, and decreases of 1.4 percent and 0.6 percent in categories three and four. In both samplings, the characteristics of students who crossed state borders included: above average ACT Composite Scores; expectations at or beyond a bachelor's degree; a rural or suburban home community; a moderate-to-high family income; no plans for part-time work; little emphasis placed on "low cost" or "desirable location," and greater importance attached to considerations such as "national reputation" and "special curriculum." The converse of these characteristics was true for those students who attended college within their home state. As a result of their findings, the authors suggest that there appears to be developing an undesirable movement toward stratification of higher education based on socioeconomic factors.

FUTURE TRENDS IN STUDENT MOBILITY PATTERNS

As a result of *Vlandis*, some administrators in higher education are seeking new geographical patterns in college attendance that will take into account the comparative ease with which a student may establish a new domicile for tuition purposes. Thus, there is discussion both of new efforts towards regional cooperation and new methods of assessing tuition.

For example, the adjoining states of Minnesota and Wisconsin have recently implemented a reciprocity agreement that waives all barriers to public postsecondary education for residents of one state who wish to attend school in the other state. This agreement replaces earlier ones of 1969-70 and 1970-71 that enabled more than 300 students from each state to cross into the other state, and a 1972-73 agreement that increased this number to 600 from each state (Minnesota Higher Education Commission 1973). The current agreement applies to students at all levels in both states. Tuition, fees, and admissions requirements apply equally to Minnesota and Wisconsin residents and, with the exception of the University of Minnesota's School of Veterinary Medicine, there are no quotas on the number of students who may be admitted from the neighboring state. Preliminary figures for student exchanges under this new agreement indicate that as of October 18, 1973, 2,271 Minnesota residents enrolled in Wisconsin, and 1,273 Wisconsin residents enrolled in Minnesota. This rough two-to-one ratio has remained the same during the three years of reciprocity between the two states (Laird 1973). The new agreement calls for an annual accounting to deal with the financial losses caused by a net out-migration: the state with the largest net tuition loss (the difference between the total nonresident tuition and the actual resident tuition paid) receives "an amount determined by subtracting the net tuition loss of the state making the payment from the net tuition loss of the state receiving the payment" (Minnesota-Wisconsin . . . 1973).

In another exchange program to encourage student mobility and better utilization of resources, the Southern Regional Education Board will launch an "Academic Common Market" for its region in the fall of 1974. This program will apply only to graduate students and does not involve any exchange of dollars among the 12 participating states[2] (Texas and Louisiana are currently not included). The states

[2]These states are: Alabama, Arkansas, Florida, Georgia, Kentucky, Maryland, Mississippi, North Carolina, South Carolina, Tennessee, Virginia, and West Virginia.

will select the programs they want to include in the market. Generally, these are expected to be programs that are underutilized in their own states and that are not available in other states in the region. In-state tuition will be charged to all students, and it is expected that the participating states will benefit from the maximization of their resources. SREB will administer the program regionally, and there will be an administrator in each state responsible for coordinating the market activities (SREB 1973b).

These regional efforts may provide some relief for institutions by promoting full utilization of resources and by resolving on a limited scale the problem of resident-nonresident tuition. But it appears that public institutions in general need to find other solutions for coping with the changes in resident-nonresident status and institutional finances that *Vlandis* will bring.

Recognizing the developing problem for public institutions, Robert Carbone is directing a study of alternative tuition plans, funded by the Ford Foundation and sponsored by the National Association of State Universities and Land-Grant Colleges and the American Association of State Colleges and Universities. The study, due to be completed in July 1974, will examine alternative methods of levying tuition and discuss the implications of each method, including their potential effect on student migration patterns. In addition, Carbone will examine current factors that provide a background to changes in tuition models:[3] the *Vlandis* decision, and new age-of-majority and voting laws.

In short, new methods of tuition assessment must be found to compensate for large losses of revenue from nonresidents who qualify to pay resident fees. In the alternative, public universities could raise in-state tuition charges even higher than they are presently. Whether the institutions will choose a solution that encourages student migration or that accelerates the trend toward nonmigration remains to be seen.

---

[3]The study proposal lists six possible tuition alternatives: 1. tuition based on full cost of instruction for all students; 2. full cost of instruction with four-year tuition vouchers for all students who graduated from an in-state high school; 3. full cost tuition in freshman year, gradually decreasing in succeeding years, with one-year tuition vouchers for graduates of in-state high schools; 4. a national student tuition "bank" that would administer cost-of-educational payments from state governments in lieu of individual nonresident tuition payments; 5. state, regional, or national student exchange programs that would equalize in-and-out migration and thus eliminate the need for differential tuition charges; 6. nonresident tuition based on some form of income contingency that would assess higher fees from nonresident students who do not choose to maintain extended residence in the state after completion of college work.

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APPENDIX III -3

ILLINOIS STATE SCHOLARSHIP COMMISSION

Box 607, 102 Wilmot Road - Deerfield, Illinois 60015—(312/945-1500)

1974-75 MONETARY AWARDS

INSTRUCTION - WORK SHEET

The ISSC is using a mark sense document to collect information from the applicant for the 1974-75 Monetary Award Program; therefore, it is imperative that **all** questions be answered on the Instruction - Work Sheet first. **After** completing the Work Sheet, the applicant must transfer the answers given to the Application Answer Form. **Be certain** information is coded in the appropriate blocks and the squares and circles blackened for each recorded response. **Only the Application Answer Form** (and Special Circumstances Form, if applicable) **are to be returned** to ISSC in the preaddressed envelope provided for you.

The Application must be completed by the applicant and the parents (including step-parent) or court-appointed guardian (and spouse) with whom the applicant lives or last lived. A Student may qualify as a self-supporting student **only** if he meets **all of** the following requirements: (1) Has lived in Illinois for six consecutive months, in some capacity other than as a full-time college student, prior to September 1, 1974; (2) was not or will not be claimed as a tax dependent by anyone other than self or spouse for the 1972 **and** 1973 tax years; will not be claimed by anyone other than self or spouse for the 1974 tax year; has not and will not live with either parent anytime during 1972, 1973, and 1974. Students not meeting **all** of the above requirements must submit parental information.

The **only exceptions** to having someone other than parents complete the form in addition to the above self-supporting requirement are as follows: (1) applicants who are veterans with at least six months of active duty and an honorable discharge are not required to furnish parental information; (2) applicants whose **parents** are primarily supported by public aid are required to have parents complete only items 69-84 which refer to parents assets; (3) applicants who are currently Wards of the State of Illinois are not required to furnish parental information; and (4) applicants who are orphans (both parents deceased) must furnish guardian's information if claimed as a tax dependent by guardian in 1974. Otherwise, no parental information is required.

All financial information reported on the Application Answer Form is subject to verification with federal and state tax records. **Any discrepancy between the information contained in this Application Answer Form and the 1972 Income Tax Return and other misstatements relating to assets may result in the withdrawal or loss of the student's award.**

The following is a description of the Monetary Award Program and the eligibility requirements:

Final Deadline Date
September 1, 1974

MONETARY AWARDS ARE

1) Applicable only toward tuition and mandatory fees for full-time undergraduate study at more than 175 ISSC approved Illinois colleges, universities, and hospital schools of nursing;
2) Made in amounts up to $1,300 annually but cannot exceed tuition and mandatory fees.
3) Assigned on the basis of financial need at the approved college of the student's choice. An applicant, who is unable to demonstrate financial need at the college he indicated in his application, should keep the Commission advised of any changes in college plans to permit a re-evaluation of his eligibility for a Monetary Award.
4) Sent to the educational institution in the name of the recipient after the institution confirms the full-time enrollment of the recipient.
5) Renewable annually upon proper application and provided need can be re-established.
6) Provided from funds subject to annual review and appropriation.

ELIGIBILITY REQUIREMENTS - Applicant must:

1) Be a citizen or permanent resident of the United States;
2) Be a resident of the State of Illinois (at least one parent, step-parent, or court-appointed guardian must reside in Illinois unless the applicant qualifies to file the Application as a self-supporting student, in which case the applicant must have resided in Illinois in some capacity other than as a full-time college student for six consecutive months prior to September 1, 1974);
3) Be a person of good moral character;
4) Be eligible to enroll as a full-time undergraduate student and be in good academic standing in an ISSC approved college, university, or hospital school of nursing as of September 1, 1974.
5) Not have received a baccalaureate degree, nor completed 150 semester hours or 225 quarter hours of college level coursework, nor received 8 semesters or 12 quarters of award payments, prior to academic year 1974-75.
6) Demonstrate financial need as determined by the Commission.
7) Submit the required application form by the Sept. 1, 1974 deadline date.

SPECIAL NOTE: The I.S.S.C. funds for the Monetary Award Program are contingent upon appropriation. Any restrictions, due to insufficient funds to meet the award eligibility of each applicant, will be related to the postmark date of the completed application, and preference will be given to announced 1974-75 awards. Therefore, you should submit your Application Answer Form as early as possible.

It is the **applicant's responsibility** to arrange for college admission and enrollment; however, it is **not necessary** that these arrangements be completed prior to submitting the Application Answer Form.

The Commission will announce awards once every month beginning in December, 1973. The last **award** announcement for the 1974-75 Monetary Award Program will be September 16, 1974.

The applicant may wish to consider asking his Post Office for a Certificate of Mailing (P.O. Dept. Form 3817, cost 5¢) for the purpose of having a record of the date on which the application was mailed to the Commission. Failure to hear results of a returned application within sixty days should cause the applicant to make inquiry of the Commission as to the status of the application.

The Application must be completed by the applicant and the parents (including step-parent) or court appointed guardian (and spouse) with whom the applicant lives or last lived. A student may qualify as a self supporting student only if he meets all of the following requirements: (1) has lived in Illinois for six consecutive months other than as a full time college student prior to September 1, 1974; (2) was not and will not be claimed as a tax dependent by anyone other than self or spouse for the 1972 and 1973 tax years, and will not be claimed by anyone other than self or spouse for the 1974 tax year; has not and will not live with either parent anytime during 1972, 1973, and 1974. Students not meeting all of the above requirements must submit parental information. The **only exceptions** to having someone other than parents complete the form in addition to the above self supporting requirement are as follows: (1) applicants who are veterans with at least six months of active duty and an honorable discharge are not required to furnish parental information; (2) applicants whose **parents** are primarily supported by public aid are required to have parents complete only items 68-84 which refer to parents assets; (3) applicants who are currently Wards of the State of Illinois are not required to furnish parental information; and (4) applicants who are orphans (both parents deceased) must furnish guardian's information if claimed as a tax dependent by guardian in 1974. Otherwise, no parental information is required.

For items 1, 2, and 3, print applicant's name (last name, first name, and middle initial), home address, and home city. Begin in the first box and leave an empty box between each part of your name, house number and street name, and apartment number (if applicable), home city (if appropriate). Acceptable abbreviations may be used when necessary.

1) Applicant's Name

2) Applicant's Home Address

3) Applicant's Home City IL

4) Zip Code of Applicant's Address Given Above

Part I Applicant's Information (This part must be completed by all applicants)

5) Enter Applicant's Sex — Male, enter 1; Female, enter 2

6) Enter applicant's date of birth. Example: If birth date is January 1, 1954, enter this way: Mo. 01, Day 01, Yr. 54

7) Enter applicant's social security number

8) Is or will applicant be a high school graduate or receive the GED (General Educational Development) certificate before September 1, 1974? — yes, enter 1; no, enter 2

9) Enter applicant's High School ACT Code. Only those students currently in high school are expected to enter their ACT high school code number which can be obtained from the high school counselor. College students and others should enter zeros.

10) Enter applicant's residency status (as defined under eligibility requirements)
- Applicant is resident of the State of Illinois — enter 1
- Applicant is not a resident of the State of Illinois — enter 2

11) Enter applicant's citizenship status
- Applicant is native born (born in the United States) or naturalized — enter 1
- Applicant is an alien, but a permanent resident. Give your I 151 # — enter 2
- Neither of the above — enter 3

12) Enter applicant's military status
- Applicant is not a veteran — enter 1
- Applicant is an honorably discharged veteran and is receiving or will receive veteran's benefits — enter 2
- Applicant is an honorably discharged veteran, but is ineligible to receive veteran's benefits — enter 3
- Applicant received a dishonorable discharge — enter 4
- Applicant has a discharge other than honorable — enter 5

13) Enter applicant's marital status
- Single (never married) — enter 1
- Married — enter 2
- Divorced (Complete Supplement C) — enter 3
- Separated (Complete Supplement C) — enter 4
- Widowed — enter 5

14) Enter the ISSC code number (see Table A) for the college the applicant attended during 1973-74; if none, enter zeros

15) Enter the ISSC code number (see Table A) for the college the applicant plans to attend for the Fall of 1974. An ISSC approved Illinois college choice must be indicated. The applicant may change college choice after receiving the results of the processing of the application.

16) Enter applicant's nearest class level classification beginning in the Fall of 1974
- College freshman — enter 1
- College sophomore — enter 2
- College Junior — enter 3
- College senior — enter 4
- College graduate — enter 5
- Other — enter 6

17) Enter the appropriate MF/V career code number for the applicant (see Table B)

18) Enter applicant's race (optional, used for Research Purposes only)
- American Indian — enter 1
- Black American — enter 2
- Caucasian American — enter 3
- Oriental American — enter 4
- Spanish Surnamed American — enter 5
- Other — enter 6

19) Are Applicant's parents primarily supported by Public Aid? To meet the primarily supported requirement, the amount of public aid assistance must be greater than the wages earned from employment of applicant's parents — yes, enter 1; no, enter 2

20) Is applicant an orphan? (Both Parents are deceased) — yes, enter 1; no, enter 2

21) Is applicant classified officially as a Ward of the State of Illinois? (Officially mean, by court decree) — yes, enter 1; no, enter 2

22) **Applicant's Dependency Status**

A) By September 1, 1974 will length of applicant's residency in Illinois be less than six consecutive months other than as a full time college student? — yes, enter 1; no, enter 2

B) Was or will applicant be claimed as a tax dependent by anyone other than applicant or applicant's spouse for the 1972 and the 1973 tax years? — yes, enter 1; no, enter 2

C) Will applicant be claimed as a tax dependent by anyone other than applicant or applicant's spouse for the 1974 tax year? — yes, enter 1; no, enter 2

D) Has applicant lived with or will applicant live with either parent during 1972, 1973, and 1974? — yes, enter 1; no, enter 2

PART II MUST BE COMPLETED BY ALL APPLICANTS

Part II Applicant's/Spouse's Financial Information
(Parents Financial Information—see Part IV)

23) Did applicant file an IRS Return for the 1972 tax year?
- Single return — enter 1
- Joint return — enter 2
- No return — enter 3

24) Enter total exemptions claimed on applicant's own 1972 IRS form (Line 10 of 1972 IRS 1040 form or 1040A). If none, enter zeros

25) Enter amount from applicant's own 1972 IRS 1040 form or 1040A, line 11. Give whole dollar amounts, example: Enter $8876.75 as 08877. If none, enter zeros — $

26) Of the amount reported in item 25, enter amount earned by the applicant's spouse (husband or wife). If none or no spouse, enter zeros — $

27) Enter from applicant's 1972 IRS 1040 form, the sum of lines 12, 13, 14, such as dividends, interest, pensions, annuities, rents, royalties, alimony, partnership, estates, trusts, farm income, business income, capital gains (If filing 1040A, line 14). If none, enter zeros — $

28) Enter applicant's adjusted gross income from line 17 of 1972 IRS 1040 form (If filing 1040A, line 14). If none, enter zeros — $

29) Enter total deductions from line 52 of applicant's own 1972 IRS 1040 form (If filing 1040A, enter zeros if actual amount is unknown). If none, enter zeros — $

30) Enter federal income tax paid from line 22 of applicant's own 1972 IRS 1040 form (If filing 1040A, line 19). If none, enter zeros — $

31A) If married and filing separate 1972 IRS forms, enter amount from line 11 of spouse's 1972 IRS. If none, or not married, enter zeros — $

B) If married and filing separate 1972 IRS forms, enter sum of lines 12, 13, 14 from spouse's 1972 IRS. (If filing 1040A, enter sum of lines 12, 13) If none or not married, enter zeros — $

32) Enter amount of monthly Social Security benefits and/or Children and Family Service benefits for which the applicant is or will be eligible as a full-time student. If none, enter zeros — $

33) Enter amount of monthly veteran's administration benefits (War orphan's benefits or GI Bill) for which the applicant is or will be eligible as a full-time student. If none, enter zeros — $

34) Enter total monthly amount being received from other non-taxable sources such as Social Security, veteran's administration benefits, railroad retirement, child support, welfare (ADC), pension (DO NOT include applicant's share.) If none, enter zeros — $

35) Enter applicant's type of residence when not attending college
- Owns or is buying own home — enter 1
- Rents own housing — enter 2
- Lives on farm—not with parents — enter 3
- Lives with parents — enter 4
- None of the above — enter 5

36) Enter amount of applicant's (not parents') home equity (Home equity is difference between purchase price and unpaid mortgage, i.e. the amount already paid toward the house)

Example		
	Purchase price	$24000
	Unpaid mortgage	14000
	Home equity	$10000

If none, enter zeros — $

37) Enter amount of equity in other real estate applicant possesses such as apartment building, cottage, vacant lots, land developments, etc. If none, enter zeros — $

38) Enter total amount of applicant's savings, checking, and investments including fair market value or principal of stocks, bonds, trusts, or other investments. If none, enter zeros — $

39) Enter net worth of applicant's business or farm (Taken from Supplements A and/or B). If none, enter zeros — $

40) Will spouse (wife or husband) of applicant be a full-time college student during academic year 1974-75? — yes, enter 1; no, enter 2; No spouse, enter 3

Each applicant who answers "Yes" to any one of items 22a, 22b, 22c, or 22d must have the parents complete Parts III and IV.

Each applicant who answers "No" to items 22a, 22b, 22c, 22d and who is over 25 years of age may omit Parts III and IV.

Each applicant who answers "No" to items 22a, 22b, 22c, and 22d and who is not 25 years of age must have the parents complete item 83 (father's social security number) and must have parent(s) sign authorization statement which gives the ISSC authority to check dependency status on the parents' IRS form.

Exceptions:

Applicants who are veterans with at least six months of active duty and an honorable discharge are not required to furnish parental information.

Applicants whose parents are primarily supported by public aid are required to have parents complete items on the application which refer to parent(s) assets (items 68-84).

Applicants who are currently wards of the State of Illinois are not required to furnish parental information.

Applicants who are orphans (both parents deceased) must furnish guardian's information if claimed as a tax dependent in 1974. Otherwise, no parental information is required.

PART III MUST BE COMPLETED BY APPLICANT'S PARENTS

Part III Applicant's Parents' Information

41) Applicant's father is — living, enter 1; deceased, enter 2

42) Applicant's mother is — living, enter 1; deceased, enter 2

43) Applicant's stepfather is — living, enter 1; deceased, enter 2; no stepfather, enter 3

44) Applicant's stepmother is — living, enter 1; deceased, enter 2; no stepmother, enter 3

45) Enter parents' marital status
- Married — enter 1
- Divorced — enter 2
- Legally separated — enter 3
- Separated without court action — enter 4
- Widowed — enter 5

If entering 2, 3, or 4, complete Supplement D

46) Is applicant's parent(s) a resident of the State of Illinois (as defined under eligibility requirements)? — yes, enter 1; no, enter 2

47) Enter the occupation of Major Wage Earner (See Table C)

FORM FOR SPECIAL CIRCUMSTANCES

APPLICANT'S NAME Last name first | middle initial | APPLICANT'S SOCIAL SECURITY NUMBER

SUPPLEMENT A—Business Owners and Self-Employed Persons (non-farming)

1 Business Name
2 Employer Identification #
3 Business Address City
4 Is this your home address? Yes No
5 Nature of Business
6 Date of organization
7 Type of organization (check one)
Corporation Partnership Proprietorship
8 Number of Employees
(Note: If business began after 12 31 72 give current information)
9 BALANCE SHEETS Summary as of December 31 1972
Current Assets $
Fixed Assets $
Total Assets $
Current Liabilities $
Fixed Liabilities $
Net Worth (transfer to item 82) $
10 PROFIT AND LOSS SUMMARY January 1 December 31 1972
Gross Receipts or Gross Sales $
Cost of Goods Sold and/or Operations $
Gross Profit $
Other Business Deductions $
Net Profit or Loss $
Your Salary $
Your Drawing Account $
Inventory at Beginning of Year $
Inventory at End of Year $
11 Your share of ownership is 25% 50% 75% 100% other %
12 If item 11 is less than 100% give name address and percentage of each partner in item 14 below

SUPPLEMENT B—Farm Owners, Operators and Tenants

1 Location of Farm
(county named / county leased)
2 Acres
Tillable
Wasteland
Total
3 Type of Farm
4 Farm Operation Farm (check one)
Owner Operator only
Owner and Tenant
Landlord only
Tenant (rent as a Tenant / Live rent free)
Yes No
(Note: If farm operation began after 12 31 72 give current information)
5 SUMMARY OF FARM OPERATIONS Jan 1 Dec 31 1972
Gross Income (Sales and Services) $
Total Farm Deductions $
Net Farm Profit (or Loss) $
6 Livestock and Crop Inventory $
7 Farm Value (including Home) $
8 Equipment (net) $
9 Total of Lines 6 7 and 8 $
10 Notes Accts Payable $
11 Unpaid Mortgage $
12 Other Liabilities $
13 Total of Lines 10 11 and 12 $
14 Net Worth (item 9 less item 13) $
15 [illegible] %
16 If item 15 is less than 100% give name address and percentage of each partner in item 14 below

SUPPLEMENT C—DIVORCE/SEPARATION—APPLICANT

(Enter Jean Divorce separation information)

1 Applicant divorced legally separated separated no court action explain financial arrangements in item 14 below
2 Date of divorce or separation Mo Day Yr
3 a Amount of child support for each child $ per month
b According to court order when will support end?
4 Amount of alimony $ per week month year
5 Does applicant pay alimony or child support? Yes No
If yes give total amount paid per year $
6 List below first and last names and ages of all children living in the applicant's home
7 If there are special circumstances check here and explain in item 14

SUPPLEMENT D—DIVORCE/SEPARATION—PARENT

(To be completed by parent or guardian who has filed this Application)

1 Applicant's natural parents are (check one)
divorced legally separated separated no court action explain financial arrangements in item 14 below
2 Date of divorce or separation Mo Day Yr
3 Name of parent with whom applicant lives (or last lived)
4 a Amount of child support for each child $ per month
b According to court order when will support end?
5 Amount of alimony $ per week month year
6 Is natural parent with whom applicant lives now married? Yes No
a If yes does step-parent pay alimony or child support from a previous marriage? Yes No
If yes give total amount paid per year $
b If yes does step parent receive alimony or child support from a previous marriage? Yes No
If yes give total amount received per year $
7 List below first and last names and ages of all children living in the applicant's home
8 If there are special circumstances check here and explain in item 14

14 Use this space (additional space provided on other side of this sheet) to explain any circumstances that will help the Commission to better understand the application

48) Enter the number of dependent children who will be enrolled in private elementary and/or private secondary schools during the 1974-75 academic year If none enter zeros

49) Enter only the total tuition and fees for dependent children who will be enrolled in private elementary and/or secondary schools during the 1974-75 academic year If none enter zeros $

50) Enter the number of additional dependents to be claimed as tax exemptions for 1974 (Do not include dependent children and/or spouse) If none enter zeros

51) Enter number of dependents including applicant who will be full time college students in 1974-75 (Include spouse if applicable)

52) Applicant's parents are (Mark a response for each box)

a) Salary wage earners yes enter 1 / no enter 2
b) Business owners or self employed yes enter 1 / no enter 2
c) Farm owners operators tenants yes enter 1 / no enter 2
d) Other yes enter 1 / no enter 2

(Supplement A must be completed for business owners and or self employed persons and Supplement B for persons farming)

PART IV MUST BE COMPLETED BY APPLICANT'S PARENTS

Part IV Applicant's Parents' Financial Information

Give only whole dollar amounts

53) Did applicant's parents file an IRS return for 1972 tax year?
Single return enter 1
Joint return enter 2
No return enter 3

54) Enter total number of exemptions claimed in 1972 by parents (Line 10 of 1972 IRS form 1040 or 1040A) If none enter zeros

55) Enter amount from parents 1972 IRS form 1040 or 1040A line 11 Give whole dollar amounts (Example Enter $8876 75 as 8876) If none enter zeros $

56) Of the amount reported in item 55 enter amount earned by applicant's mother If none enter zeros $

57) Enter from parents 1972 IRS form 1040 the sum of lines 12 13 14 such as dividends interest pensions annuities rents royalties fiduciary partnership estates trusts farm income business income capital gains (If filing 1040A sum of lines 12 and 13) If none enter zeros $

58) Enter parents adjusted gross income from line 17 of 1972 IRS form 1040 (If filing 1040A line 14) If none enter zeros $

59) Enter total deductions from line 52 of parents 1972 IRS form 1040 (If filing 1040A enter zeros if actual amount is unknown) If none enter zeros $

60) Enter federal income tax paid from line 22 of parents 1972 IRS form 1040 (If filing 1040A, line 15) If none enter zeros $

61) If married and filing separate 1972 IRS forms enter amount from line 11 of spouse's 1972 IRS 1040 If none enter zeros $

62) If married and filing separate 1972 IRS forms enter sum of lines 12, 13, 14 from spouse's 1972 IRS 1040 (If filing 1040A enter sum of lines 12 and 13) If none, enter zeros $

63) Did applicant's parents use tax tables 1-12 for 1972 IRS?
yes enter 1
no, enter 2

64) Enter father's estimated wages, salaries, tips, etc for 1973 Give whole dollar amounts If none, enter zeros $

65) Enter mother's estimated wages, salaries, tips etc for 1973 Give whole dollar amounts If none enter zeros $

66) Enter estimated other taxable income for father and mother for 1973 (Income such as dividends interest, pensions annuities rents, royalties partnership estates trusts farm income, business income capital gains) If none, enter zeros $

67) Indicate the sources of non-taxable income now being received by the family from the following (If, only applicant receives benefits, enter no) Mark a response for each box

a) Social Security yes, enter 1 / no, enter 2
b) Railroad Retirement yes, enter 1 / no, enter 2

c) Veteran's Benefits yes enter 1 / no enter 2
d) Pension Plan yes enter 1 / no enter 2
e) Welfare (ADC) yes enter 1 / no enter 2
f) Child Support yes enter 1 / no enter 2
g) Other yes enter 1 / no enter 2

68) Enter the total monthly amount being received from all non-taxable sources marked in item 67 (DO NOT include applicant's share) If none enter zeros $

69) Enter total number of children who will be dependent upon applicant's parents in 1974

70) Enter age of applicant's father or individual identified with financial information reported in Part IV

71) Enter parents type of residence
Own or buying home enter 1
Rent enter 2
Live on farm enter 3
None of the above enter 4

72) Enter amount of monthly mortgage or rent Use whole dollar amounts If none enter zeros $

73) Enter year parents home was purchased (use last two digits of year) If not applicable enter zeros

74) Enter purchase price of parents home If not applicable enter zeros $

75) Enter amount of unpaid mortgage on parents home none enter zeros $

76) Enter total purchase price of all other real estate If not applicable enter zeros $

77) Enter total amount of unpaid mortgage on all other real estate If none enter zeros $

78) Enter total balance due parents on all real estate being sold on contract (Amount buyer owes parents on the selling price) If not applicable enter zeros $

79) Enter total amount parents owe on all real estate being sold on contract (parents indebtedness in the real estate) If not applicable enter zeros $

80) Enter total amount of parents checking and savings accounts If none enter zeros $

81) Enter total amount of parents other investments including fair market value or principal of stocks bonds trusts or other investments If none enter zeros $

82) Enter net worth of parents business and/or farm (Taken from Supplements A and/or B) If none enter zeros $

83) Enter father's social security number or the social security number of the individual identified with financial information reported in Part IV

84) Are you submitting the Special Circumstances Form with your Application Answer Form? yes enter 1 / no enter 2

Read and sign the authorization statement
The undersigned jointly and severally state (or sincerely affirm) that all items of information given in the application are true accurate and complete We (I) hereby give and grant to the ISSC a power of attorney to obtain a copy of our (my) 1372 Federal Income Tax Return and 1972 Illinois Income Tax Return to verify statement on income and assets contained in the Application We (I) hereby authorize the ISSC to send requested data from the Application Answer Form to the college

Now using the following instructions, transfer to the enclosed 1974-75 Monetary Award Application Answer Form the information you have completed thus far.

Complete the Application Answer Form carefully. **USE SOFT LEAD PENCIL. DO NOT USE INK OR BALL POINT PEN.** In each box clearly print the appropriate information in the boxes above the circles. Then below each box, blacken completely the circle with the corresponding letter or number. If you are leaving any box blank in the name, address, and city sections, blacken the small square below that box. In some cases, no boxes appear above the circle, you should only blacken the proper response. Make your marks **HEAVY AND BLACK**, avoid stray marks and smudges

Complete the signature section on Side 2 of the Monetary Award Application Answer Form and it is ready to insert in the pre-addressed envelope provided for mailing to the Illinois State Scholarship Commission, Box 607, Deerfield, Illinois 60015

INCOMPLETE APPLICATIONS MAY BE DISQUALIFIED.

FINAL DEADLINE IS SEPTEMBER 1, 1974.

Number and Percentage by Parental Income Ranges of All 1973-74 Monetary Award Applicants Named 1973-74 Monetary Award Winners (Maximum and Partial Awards) (with Illinois College Choice on Tape Record as of 10/5/73)

Income Range (Dollars)	Cumulative Percentage of All Reported Income: All	Public 4-Yr.	Public 2-Yr.	Private 2-Yr.	Private 4-Yr.	Public Colleges: # Winners	# Applicants	%age Winners	Private Colleges: # Winners	# Applicants	%age Winners	All Colleges: # Winners	# Applicants	%age Winners
$ 0 - 2,999*	17.97	17.67	24.2	45.00	12.66	12,654	12,709	99.6	5,701	5,709	99.9	18,355	18,418	99.7
3,000- 3,999	19.30	19.10	26.56	46.38	13.64	978	987	99.1	369	374	98.7	1,347	1,361	99.0
4,000- 4,999	21.65	21.61	29.22	49.67	15.53	1,660	1,666	99.0	736	743	99.1	2,386	2,409	99.0
5,000- 5,999	24.69	24.85	32.77	53.33	17.98	2,137	2,172	98.4	934	944	98.9	3,071	3,116	98.6
6,000- 6,999	28.22	28.58	36.96	57.03	20.88	2,464	2,515	97.9	1,084	1,098	98.7	3,548	3,614	98.2
7,000- 7,999	32.63	33.31	42.16	59.96	24.57	3,090	3,175	97.3	1,324	1,343	98.6	4,414	4,518	97.7
8,000- 8,999	37.24	38.08	47.51	63.85	28.69	3,079	3,216	95.7	1,492	1,516	98.4	4,571	4,732	96.6
9,000- 9,999	42.46	43.56	53.67	67.48	33.24	3,515	3,697	95.1	1,626	1,653	98.4	5,141	5,350	96.1
10,000-10,999	48.12	49.49	60.14	71.36	38.27	3,680	3,967	92.8	1,774	1,826	97.2	5,454	5,793	94.1
11,000-11,999	54.11	55.78	66.46	75.12	43.88	3,708	4,125	89.9	1,957	2,018	97.0	5,665	6,143	92.2
12,000-12,999	60.20	62.06	72.86	78.40	49.82	3,505	4,131	84.8	2,032	2,112	96.2	5,537	6,243	88.7
13,000-13,999	66.26	68.11	78.51	82.63	56.25	2,899	3,900	74.3	2,196	2,310	95.1	5,095	6,210	82.0
14,000-14,999	71.98	73.85	83.37	85.82	62.58	2,306	3,616	63.8	2,110	2,240	94.2	4,416	5,856	75.4
15,000-15,999	77.21	79.04	87.57	88.57	68.59	1,849	3,043	60.8	1,926	2,122	90.8	3,575	5,395	66.3
16,000-16,999	81.92	83.64	91.05	91.54	74.19	1,199	2,832	42.3	1,755	1,988	88.3	2,954	4,820	61.3
17,000-17,999	85.84	87.45	93.63	93.97	79.04	806	2,302	35.0	1,435	1,719	83.5	2,241	4,021	55.7
18,000-18,999	89.16	90.61	95.71	95.77	83.33	575	1,897	30.3	1,172	1,506	77.8	1,747	3,403	51.3
19,000-19,999	91.75	93.05	96.94	96.72	86.93	354	1,408	25.1	897	1,249	71.8	1,251	2,657	47.1
20,000-20,999	93.71	94.83	97.87	97.63	89.74	190	1,027	18.5	636	978	65.0	826	2,005	41.2
21,000-21,999	95.25	96.19	98.43	98.58	92.05	142	763	18.5	487	812	60.0	629	1,575	39.9
22,000-22,999	96.38	97.17	98.78	99.02	93.83	82	540	15.2	331	617	53.6	413	1,157	35.7
23,000-23,999	97.24	97.83	99.07	99.21	95.32	45	371	12.1	265	511	51.9	310	882	35.1
24,000-24,999	97.90	98.31	99.39	99.27	96.46	30	292	10.3	173	388	44.6	203	680	29.9
25,000-25,999	98.43	98.80	99.55	99.49	97.27	22	268	8.2	97	280	34.6	119	548	21.7
$26,000-Up	100.00	100.00	100.00	100.00	100.00	6	655	.9	200	939	21.3	206	1,604	12.8
Totals	102,480	49,542	15,943	3,167	33,828	50,765	65,485	77.5	32,709	36,995	88.4	83,474	102,480	84.4
Mean Income		$10,992	$9,372	$7,464	$12,839	$8,610	$10,597		$11,236	$12,379		$9,639	$11,240	
Mean Income/ No Need Applicant						$17,452			$21,102			$18,275		

*90% of the cases in this income level are emancipated students arbitrarily coded at $2,500.

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ISSC
JDB
10/11/73

APPENDIX III-5

METHOD FOR CALCULATING VARIOUS MEASURES OF VERTICAL EQUITY

Using the procedure described in Appendix II-3, the average percent contribution from each source for all 2,105 full-time undergraduates in the sample was calculated as follows:

	Average Value of Amount Category	Relative Importance of Source
Total parental assistance	1.386	25%
Total earnings during school year	1.122	20
Total earnings last summer	1.706	31
Total nonrepayable assistance	.976	17
Total loan obtained	.396	7
Total all sources	5.586	100%

The 1,967 full-time undergraduates who provided estimates of annual parental income were grouped by parental income level. The average value of amount category for each source and for each income group was then computed as follows:

	Estimated Annual Parental Income				
	(1) Under $5000	(2) $5000-9999	(3) $10,000-14,999	(4) $15,000-20,000	(5) Over $20,000
N:	178	363	702	441	283
Total parental assistance	.583	.778	1.375	1.850	2.187
Total earnings during school year	1.202	1.201	1.095	1.088	.996
Total earnings last summer	1.324	1.554	1.817	1.739	1.897
Total nonrepayable assistance	1.612	1.476	.957	.623	.493
Total loans obtained	.678	.594	.324	.357	.181
Total all sources	5.399	5.603	5.568	5.657	5.754

The relative importance of each source (the average value of amount category for a source divided by the total of the five sources) was calculated for each income group as follows:

	Estimated Annual Parental Income				
	(1) Under $5000	(2) $5000-9999	(3) $10,000-14,999	(5) $15,000-20,000	(5) Over $20,000
Total parental assistance	11%	14%	25%	33%	38%
Total earnings during school year	22	21	20	19	17
Total earnings last summer	24	28	32	31	33
Total nonrepayable assistance	30	26	17	11	9
Total loans obtained	13	11	6	6	3
Total all sources	100%	100%	100%	100%	100%

To obtain estimates of average dollar amounts of parental assistance by each income group the following calculations were made:

(1) Students in Group 3 were assumed to be receiving a total of $2400 from the five sources. (See footnote 1 on page 11 for an explanation of this assumption.)

(2) Based on the average percentage of funds received from parental assistance by students in Group 3 equal to 25%, an average dollar amount received was calculated to be $600 (.25 x $2400 = $600).

(3) Based on the ratio of average value of amount category for the other four groups to that for Group 3, average dollar amounts received were calculated as follows:

Group 1: $\frac{.583}{1.375} \times \$600 = \$252$

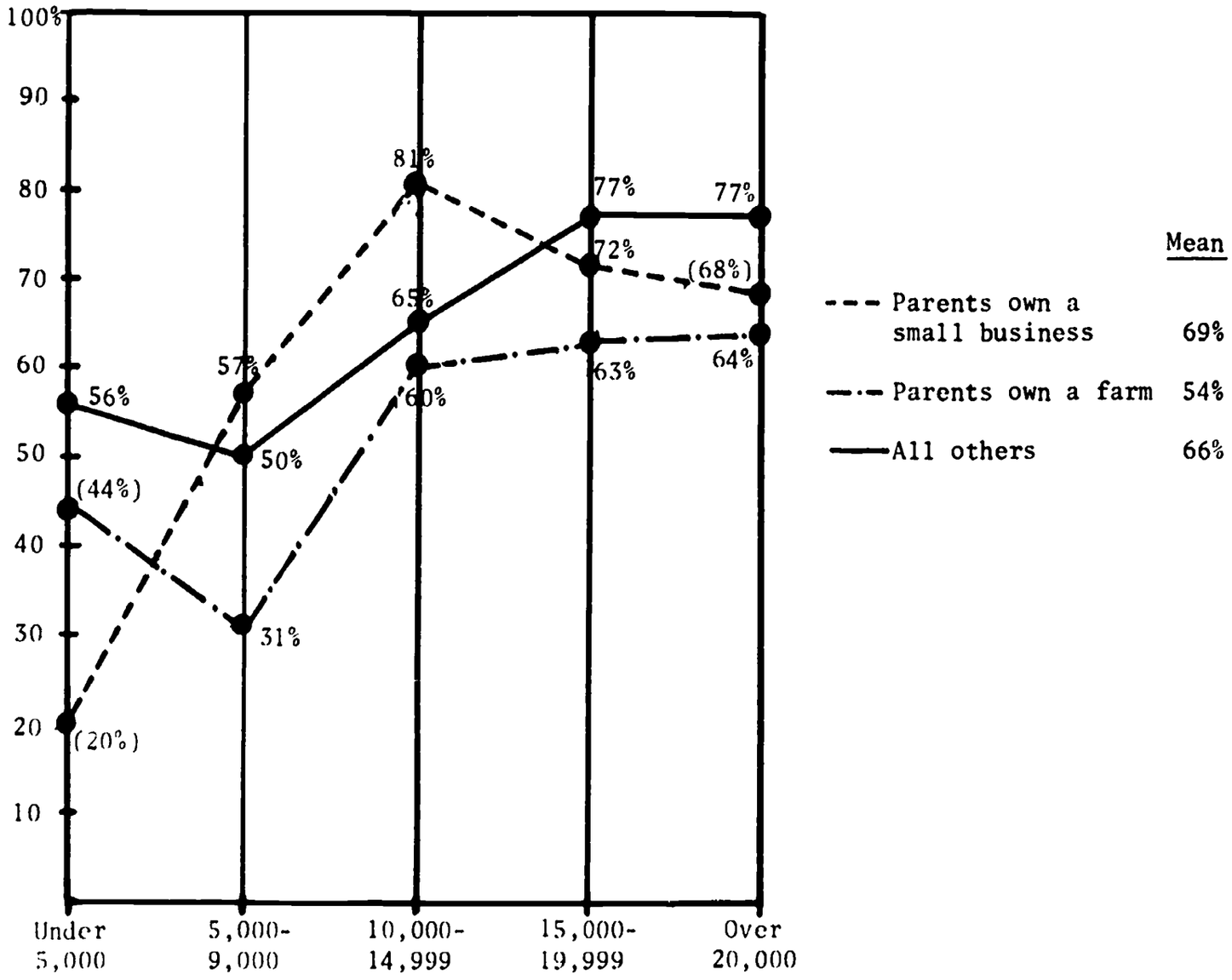
Group 2: $\frac{.778}{1.375} \times \$600 = \$342$

Group 4: $\frac{1.850}{1.375} \times \$600 = \$810$

Group 5: $\frac{2.187}{1.375} \times \$600 = \$954$

APPENDIX III-6

PERCENT OF FULL-TIME UNDERGRADUATES WHO AGREED OR STRONGLY AGREED THAT "FINANCIAL NEED ASSESSMENTS ARE UNFAIR TO STUDENTS FROM MY ECONOMIC BACKGROUND." Responses are reported separately for students whose parents own a farm, own a small business, and all others.



Note: Numbers in parentheses represent groups too small (less than 20 respondents) to be reliable.

IMPORTANT: You are only eligible for this Program if you have begun your post-high school education after April 1, 1973.

APPENDIX V-1 158

DEPARTMENT OF HEALTH, EDUCATION AND WELFARE

OFFICE OF EDUCATION

OMB NO. 1-R0961
Form approved

FOR OFFICE OF EDUCATION USE ONLY

APPLICATION FOR DETERMINATION OF BASIC GRANT ELIGIBILITY FOR 1974–75 ACADEMIC YEAR

BASIC EDUCATIONAL OPPORTUNITY GRANT PROGRAM

READ INSTRUCTIONS FIRST

A APPLICANT INFORMATION

1. APPLICANT'S SOCIAL SECURITY NUMBER — 01 (1-2) (3-11)

2. APPLICANT'S NAME — (17-30) LAST NAME; (31-39) FIRST NAME; (40) MIDDLE INITIAL

3. (a) Is Applicant: a U.S. citizen or in the U.S. for other than a temporary purpose and intending to become a permanent resident or a permanent resident of the Trust Territories of the Pacific Islands? 1 ☐ YES 2 ☐ NO (41)

3. (b) APPLICANT'S BIRTH DATE — MONTH DAY YEAR (42-47)

Please print:

4. Applicant's School or College for the 1974–75 Academic Year if such decision has been made. See instructions.

For Office of Education use only (48-59)

Name of School or College

City — State Code

SEE INSTRUCTIONS FOR LISTING OF STATE CODE

5. APPLICANT'S PERMANENT MAILING ADDRESS:

NUMBER AND STREET (54-77) 02 (1-2)

SEE INSTRUCTIONS FOR LISTING OF STATE CODES

CITY (12-29) (30-31) STATE CODE (32-36) ZIP CODE

6. APPLICANT'S MARITAL STATUS: (37) 1 ☐ SINGLE 2 ☐ MARRIED 3 ☐ DIVORCED, SEPARATED, WIDOWED

7. IF APPLICANT IS MARRIED OR HAS DEPENDENTS, ANSWER BOTH (a) AND (b) BELOW:

(a) Total size of Applicant's Household—include applicant, spouse, dependent children, other dependents (38-39)

(b) Number of Members of Household (including applicant) to be in post-high school educational institutions in 1974–75. (40-41)

8. Has applicant attended a college, university, post-high school vocational or technical school at any time before April 1, 1973? ☐ YES ☐ NO (42)

B PARENT INFORMATION

9. NAME OF PARENT — LAST NAME; FIRST NAME; MIDDLE INITIAL

10. SOCIAL SECURITY NUMBER

11. PARENTS' STATUS: 1 ☐ MARRIED 2 ☐ DIVORCED, SEPARATED, WIDOWED, SINGLE 3 ☐ BOTH DECEASED (43)

12. TOTAL SIZE OF PARENTS' HOUSEHOLD —include applicant, parents, dependent children, other dependents (44-45)

13. NUMBER OF MEMBERS OF HOUSEHOLD (including applicant) TO BE IN POST-HIGH SCHOOL EDUCATIONAL INSTITUTIONS IN 1974–75 (46-47)

C APPLICANT'S STATUS

YOU MUST ANSWER EACH OF THE FOLLOWING QUESTIONS FOR EACH YEAR

14. DID OR WILL APPLICANT LIVE WITH PARENTS DURING ---

1973?	1974?	1975?
1 ☐ YES 2 ☐ NO (48)	1 ☐ YES 2 ☐ NO (49)	1 ☐ YES 2 ☐ NO (50)

15. APPLICANT IS, WAS, OR WILL BE LISTED AS AN EXEMPTION ON PARENTS' FEDERAL INCOME TAX RETURN DURING ---

1973?	1974?	1975?
1 ☐ YES 2 ☐ NO (51)	1 ☐ YES 2 ☐ NO (52)	1 ☐ YES 2 ☐ NO (53)

16. DID OR WILL APPLICANT RECEIVE $600 OR MORE IN FINANCIAL ASSISTANCE FROM PARENTS DURING

1973?	1974?	1975?
1 ☐ YES 2 ☐ NO (54)	1 ☐ YES 2 ☐ NO (55)	1 ☐ YES 2 ☐ NO (56)

IF: YOU ANSWERED *YES* FOR *ANY* QUESTION FOR *ANY* YEAR IN SECTION C, COMPLETE ONLY SECTION D ON THE NEXT PAGE, AND SIGN.

OR: IF YOU ANSWERED *NO* FOR *ALL YEARS* AND *ALL QUESTIONS* IN SECTION C, COMPLETE ONLY SECTION E ON THE NEXT PAGE, AND SIGN.

D PARENTS FINANCIAL STATEMENT

PARENT'S INCOME AND EXPENSES

17. TOTAL NUMBER OF EXEMPTIONS CLAIMED ON 1973 FEDERAL INCOME TAX RETURN: ▶ [ ] (57-58)

1973

18. ADJUSTED GROSS INCOME (from line 15 of IRS form 1040, or line 12 of IRS form 1040A) (59-63) $ [ ].00

19. ENTER THAT PORTION OF ITEM 18 EARNED THROUGH EMPLOYMENT BY:

(a) Father (64-68) $ [ ].00

(b) Mother (69-73) $ [ ].00

03 (1-2)

20. OTHER INCOME (Social Security, child support, tax-free bonds, capital gains, welfare, etc.). See instructions (17-21) $ [ ].00

21. TOTAL FEDERAL INCOME TAX PAID (from line 18 of IRS form 1040, or line 19 of 1040A) (22-26) $ [ ].00

UNUSUAL EXPENSES (See Instructions)

22. MEDICAL and/or DENTAL (27-31) $ [ ].00

23. CASUALTY or THEFT LOSSES (32-36) $ [ ].00

PARENTS' ASSETS AND DEBTS

	PRESENT MARKET VALUE a)	UNPAID MORTGAGE OR DEBTS b)
24. HOME (37-48)	$ [ ].00	$ [ ].00
25. INVESTMENTS AND REAL ESTATE (see Instructions) (49-60)	$ [ ].00	$ [ ].00
04 (1-2)		
26. BUSINESS (12-23)	$ [ ].00	$ [ ].00
27. FARM (24-35)	$ [ ].00	$ [ ].00
28. CASH, SAVINGS ACCOUNTS, CHECKING ACCOUNTS (36-40)	$ [ ].00	

APPLICANT'S SPECIAL EDUCATIONAL BENEFITS
(to be received between July 1, 1974 and June 30, 1975)

29. (a) Social Security benefits PER MONTH (41-43) $ [ ].00

(b) NUMBER OF MONTHS (44-45) [ ]

30. (a) Veteran's benefits PER MONTH (G.I. Bill) (46-48) $ [ ].00

(b) NUMBER OF MONTHS (49-50) [ ]

APPLICANT'S RESOURCES

31. SAVINGS, OTHER RESOURCES (See Instructions) (51-55) $ [ ].00

"We certify that we have read this application and that it is accurate and complete to the best of our knowledge. We agree to provide, if requested, any documentation, including a copy of our 1973 Federal Income Tax Return, necessary to verify information reported on this form. I understand that the results of the eligibility calculation may be released upon request to appropriate State Student Financial Aid Agencies."

▲ APPLICANT ▲ (56) DATE COMPLETED (57-62)

▲ FATHER OR MALE GUARDIAN ▲ (63) ▲ MOTHER OR FEMALE GUARDIAN ▲ (64)

OE FORM 298, 3/75

E APPLICANT'S FINANCIAL STATEMENT

INCOME AND EXPENSES: APPLICANT/SPOUSE

32. TOTAL NUMBER OF EXEMPTIONS CLAIMED ON 1973 FEDERAL INCOME TAX RETURN: ▶ [ ] (57-58)

1973

33. ADJUSTED GROSS INCOME (from line 15 of IRS form 1040, or line 12 of IRS form 1040A) (59-63) $ [ ].00

34. ENTER THAT PORTION OF ITEM 33 EARNED THROUGH EMPLOYMENT BY:

(a) Applicant (64-68) $ [ ].00

(b) Spouse (69-73) $ [ ].00

05 (1-2)

35. OTHER INCOME (Social Security, child support, tax-free bonds, capital gains, welfare, etc.). See instructions (17-21) $ [ ].00

36. TOTAL FEDERAL INCOME TAX PAID (from line 18 of IRS form 1040, or line 19 of 1040A) (22-26) $ [ ].00

UNUSUAL EXPENSES (See Instructions)

37. MEDICAL and/or DENTAL (27-31) $ [ ].00

38. CASUALTY or THEFT LOSSES (32-36) $ [ ].00

ASSETS AND DEBTS: APPLICANT/SPOUSE

	PRESENT MARKET VALUE a)	UNPAID MORTGAGE OR DEBTS b)
39. HOME (37-48)	$ [ ].00	$ [ ].00
40. INVESTMENTS AND REAL ESTATE (see Instructions) (49-60)	$ [ ].00	$ [ ].00
06 (1-2)		
41. BUSINESS (12-23)	$ [ ].00	$ [ ].00
42. FARM (24-35)	$ [ ].00	$ [ ].00
43. CASH, SAVINGS ACCOUNTS, CHECKING ACCOUNTS (36-40)	$ [ ].00	

APPLICANT'S SPECIAL EDUCATIONAL BENEFITS
(to be received between July 1, 1974 and June 30, 1975)

44. (a) Social Security benefits PER MONTH (41-43) $ [ ].00

(b) NUMBER OF MONTHS (44-45) [ ]

45. (a) Veteran's benefits PER MONTH (G.I. Bill) (46-48) $ [ ].00

(b) NUMBER OF MONTHS (49-50) [ ]

I (We) certify that I (We) have read this application and that it is accurate and complete to the best of my (our) knowledge. I (We) agree to provide, if requested, any documentation, including a copy of my (our) 1973 Federal Income Tax Return, necessary to verify information submitted on this form. I (We) understand that the results of the eligibility calculation may be released upon request to appropriate State Student Financial Aid Agencies.

SIGN

▲ APPLICANT ▲ (51) ▲ APPLICANT'S SPOUSE ▲ (52) DATE COMPLETED (53-56)

WARNING: ANY PERSON WHO KNOWINGLY MAKES A FALSE STATEMENT OR MISREPRESENTATION ON THIS FORM SHALL BE SUBJECT TO A FINE, OR TO IMPRISONMENT, OR TO BOTH UNDER PROVISIONS OF THE UNITED STATES CRIMINAL CODE

MAIL COMPLETED FORM TO:
BEOG
P.O. BOX 2264
WASHINGTON, D.C. 20013

★ U.S. GOVERNMENT PRINTING OFFICE: 1974 — 527-519

EXCERPTS FROM U.S. OFFICE OF EDUCATION, "COLLECTIONS AND DELINQUENCY: THE NATIONAL DEFENSE STUDENT LOAN PROGRAM--1958-68"

The National Defense Student Loan Program initiated under the National Defense Education Act of 1958 has served the institutions and students of this country for 10 years as of June 30, 1968. A brief summary of the Program is provided below.

		In the first ten years .....of the NDSLP	
I.	2,465,000....	LOANS..... .....representing	
	1,475,000....	BORROWERS (unduplicated) have provided.....	$1,270,000,000
		to the students in almost 2,000 institutions.	
		Of these borrowers,	
II.	1,000,500....	were TERMINAL BORROWERS as of June 1968. Their loans totaled.....	$ 979,000,000
		Of this number,	
(1)	40,500....	have REPAID THEIR LOANS amounting to.....	$ 48,000,000
		which has been returned...to the NDSLoan funds of the institutions for relending to other students.	
		In addition,	
(2)	165,000....	borrowers were in their GRACE PERIOD. Their loans amounted to.....	$ 199,500,000
		The remaining	
(3)	795,000....	borrowers were in REPAYMENT STATUS;...the funds involved amounted to.....	$ 731,500,000
		of this amount..... was due to be returned to the Fund during FY 1968.	$ 72,800,000
		These 795,000 accounts which were in repayment status fall into <u>four</u> categories:	
(a)	175,000.....	provided TEACHER CANCELLATIONS amounting to...	$ 16,000,000
	(40,000)....	additional teacher cancellations....were filed as <u>accelerated</u> payments; these amounted to.....	$ (4,800,000)
		These accelerated cancellations were not a part of the funds in repayment status ($72,800,000) as of June 30, 1968.	
(b)	110,000....	borrowers DEFERRED PAYMENTS in the amount of...	$ 10,600,000
		These payments were legally deferred for return to student status, service in VISTA.....or the Peace Corps, service in the Armed Forces, etc.	

(c) 336,000..provided CASH COLLECTIONS amounting to.....$ 25,100,000
(85,000).additional students made accelerated cash payments totaling.....$(11,500,000)
These accelerated payments, as with the 40,000.... accelerated teacher cancellation - (3a above), either were not yet in repayment status or represent advanced repayments.

(d) 174,000..borrowers.....representing
199,000..payments in the amount of.....$ 21,100,000
failed to file a teacher cancellation form....or a deferral request, or to make a cash repayment.

NOTE: Care should be exercised in concluding a "delinquency rate." The $21,100,000 is a ten year program accumulative total. It only has meaning when compared to the amounts due to the Fund during the same ten-year span.

The fact that
40,000..TEACHER CANCELLATIONS amounting to.....$ 4,800,000
and
85,000..CASH REPAYMENTS amounting to.....$ 11,500,000
the total of which represents
125,000..Accelerated PAYMENTS in the amount of.....$ 16,300,000
were filed prior to the Fiscal Year in which they were due is almost as significant as the failures to make payments and file deferments or cancellations.

If the payments which were not received are considered significant, it should be recalled that Teacher Cancellations are not required to be filed on a timely basis; borrowers compile them, and superintendents frequently fail to forward them promptly to the colleges so that they are received by June 30, the closing date for the Program's report. An equally significant factor is the difficulties encountered by the servicemen in obtaining and filing their deferral requests promptly.

Thus, it should be obvious that all the payments not received cannot be classified as delinquent. An analysis of the "aging of past due account" provides much more meaningful insight into the magnitude of the problem of delinquency.

IV. An Analysis of Delinquency in the NDSLP 1958-68

The delinquency rate for National Defense Student Loans has been interpreted and computed in a number of different ways in the past. The following delinquency formula has recently been developed, in an effort to be as consistent as possible with those procedures used by banks, considering the number of variables that complicate the National Defense Student Loan repayment data.

The delinquency data, which are listed below, have been determined by adding:

1. the "total (cumulative) cash received" through a given FY, PLUS
2. the "total (cumulative) principal cancelled" through a given FY, PLUS
3. the amount of payments deferred (a cumulative figure) during that FY, PLUS
4. the amount that was not collected (a cumulative figure) during that FY.

The sum of these four figures is the "total receivables" for the Program, cumulative through any given fiscal year. Division of the amount reported as unpaid, or in arrears, (also a cumulative figure) for any given year, by the "total receivables" for that same fiscal year indicates the following rates of delinquency in the NDSLP:

FY 1964 - 8.0%
FY 1965 - 6.6%
FY 1966 - 7.3%
FY 1967 - 6.6%
FY 1968 - 8.9%
Ten-Year Total - 8.9%

A summary of the data on which these rates are based follows:

FY	Total Cash Received	Prin. Cancelled	Payments Deferred (Cumulative)	Amount Delinquent (Cumulative)	Total Receivables	Rate of Delinquency
59	10,000	300	NA	NA	NA	NA
60	460,000	27,000	NA	NA	NA	NA
61	1,500,000	264,500	NA	NA	NA	NA
62	3,550,000	1,162,500	NA	(391,000)	7,572,300	5.2
63	6,700,000	2,443,000	NA	(903,000)	17,618,300	5.1
64	11,500,000	4,736,500	(3,736,000)	(2,969,000)	37,108,800	8.0
65	17,650,000	7,051,200	(3,677,000)	(4,356,600)	65,138,600	6.6
66	24,875,000	10,512,000	(6,122,000)	(7,800,000)	106,414,000	7.3
67	32,770,000	14,819,200	(.7,077,500)	(10,500,000)	157,658,000	6.6
68	44,000,000	20,790,000	(10,623,000)	(21,100,000)*	236,594,200	8.9
n-Year otal	143,065,000	61,806,200	10,623,000	21,100,000	236,594,200	8.9
Delinquent more than 120 days				14,100,000	236,594,200	5.9

* This sizable increase in delinquency is the product of changing the annual reporting date to June 30 (from October 31) for the first time in 1968

APPENDIX VI-2

ISSC BORROWER QUESTIONNAIRE

ILLINOIS GUARANTEED LOAN PROGRAM

BOX 33, 730 WAUKEGAN ROAD - DEERFIELD ILLINOIS 60015 - 312 948 7040

ATTENTION: All Guaranteed Student Loan Recipients*

Urgent. It is necessary for the Illinois Guaranteed Loan Program to periodically verify the status of its borrowers. You are requested to complete the questionnaire on the reverse side of this form and return it to your lender using the enclosed window envelope.

If you are still a full-time student, or are in the military service, Peace Corps, or VISTA, the repayment of your loan may be deferred. In order to establish your continuing eligibility for this deferment, you must return this form to your lender by the date printed above. In the absence of this form, your lender will assume you are no longer eligible for such consideration, and he will begin collection proceedings against you immediately.

This questionnaire should not have been sent to any borrower who: (1) has totally repaid his loan; (2) has cancelled his loan application and received no funds; or, (3) has signed a Payout Note and is making regular monthly payments on his loan. If any one of these three circumstances applies to you, then your record is in error on our files. It is extremely important that you indicate this fact in the proper section on the reverse side of this form and return it to your lender. He will then verify this fact and give our agency the proper information needed to clear your record with the State of Illinois.

If you are no longer a full-time student, and have not already made arrangements for the repayment or deferred repayment of your loan, it is suggested that you contact your lender immediately to determine the status of your record.

We urgently request your immediate and full cooperation in this matter. Please feel free to call a member of our staff at the telephone number above if you have any questions concerning this form.

Carol Wennerdahl

(Mrs.) Carol Wennerdahl
Administrative Director

*If student loan recipient is temporarily away from home, this form may be completed by parents or spouse.

INSTRUCTIONS

1. *Check the name and address shown on the reverse side, and indicate any changes which have occurred.*
2. *Choose one of the four sections below which describes the borrower's current circumstance and complete the information requested in that section. The remaining three sections should be left blank.*
3. *Date and sign the questionnaire, and return it to the lender using the enclosed window envelope. Be certain to fold and insert the questionnaire so that the lender's name appears in the window.*

[ ] BORROWER CURRENTLY HAS NO LOAN FUNDS OUTSTANDING

Please check one of the following:
The loan application was cancelled, and no funds were received . . . . . [ ]
The loan funds have been completely repaid . . . . . [ ]

[ ] BORROWER IS STILL A FULL-TIME STUDENT

School name, city, and state _____

Anticipated date of graduation . . . . . _____, 19____

[ ] BORROWER IS IN THE MILITARY SERVICE, PEACE CORPS, OR V.I.S.T.A.

Date borrower ceased being a full-time student . . . . . _____ _____, 19____

Date borrower entered service . . . . . _____ ____, 19____

Anticipated date of discharge . . . . . _____ _____, 19____

Branch of service . . . . . _____

Service mailing address _____

_____

[ ] BORROWER IS NEITHER A FULL-TIME STUDENT, NOR IN THE MILITARY SERVICE, PEACE CORPS, OR V.I.S.T.A.

Date borrower ceased being a full-time student . . . . . _____, 19____

Has borrower contacted his lender and made arrangements for the repayment of his loan? . . . . . [ ]yes [ ]no

Is borrower currently making monthly payments on his loan? . . . . . [ ]yes [ ]no

Borrower's employer (name and address) _____

Spouse's name, If married _____

Spouse's employer (name and address) _____

Date: _____, 19____ Signature: _____

ILLINOIS GUARANTEED LOAN PROGRAM

STATEMENT OF RESPONSIBILITIES

A guaranteed student loan is a serious legal obligation, therefore it is extremely important that the borrower understand his responsibilities. When you, the student borrower, sign this statement it means that you understand your responsibilities, and you agree to honor them.

1 I understand that I must, without exception, report any of the following changes to my lender:

(a) If I withdraw from school.

(b) If I transfer to another school.

(c) If I change to part-time student status.

(d) If my address, or my parents' address changes.

(e) If my name should change (for example, because of marriage).

2 I understand that if I cease being a full-time student prior to the due date of my Interim Note, I must report to my lender within five months of the date I ceased full-time study to sign a Payout Note.

(a) I understand that my first payment will be due nine months after the date I ceased being a full-time student.

(b) I understand that my final payment will be due not later than six years after the date I ceased being a full-time student (periods of authorized deferments excluded).

(c) I understand that my minimum monthly payment is $30.00; however, my minimum payment may be up to $60.00 if I borrow $3,000; $90.00 if I borrow $4,500; and $150.00 if I borrow $7,500.

(d) I understand that the Payout Note I must sign will contain essentially the same terms as my Interim Note, except that my regular monthly payments will be specified.

(e) I understand that there is no "forgiveness" of any part of this loan because of teaching or military service.

(f) I understand that on all loans disbursed after December 15, 1968, any federal interest benefits to which I may have been entitled cease during my repayment period.

3 I understand that if I enter the military service, Peace Corps, or VISTA, or return to full-time study at an approved school, I may request that the payments on my guaranteed loan be deferred.

4 I understand that my guaranteed loan funds may be used only for the expenses listed on my application which have been approved by my school counselor, and that I may be prosecuted if I use these funds for any other purpose.

5 I understand that if I fail to repay my loan as agreed under Illinois Guaranteed Loan Program regulations, I face possible legal action by the State of Illinois.

6 I authorize my lender or the Illinois Guaranteed Loan Program to contact my school at any time and obtain information concerning my full-time student status, my year of study, my dates of attendance, graduation, or withdrawal, my transfer to another school, or my current address.

_____ _____

Date *Signature of Student*

WHITE — LENDER COPY
YELLOW — STUDENT COPY

_____

Signature of Lending Officer

APPENDIX VII-1

METHOD USED IN COMPARING BUDGETS OF BORROWERS AND NONBORROWERS

Full-time undergraduates (2105) were placed into two groups, those who borrowed for the current year and those who did not borrow. Using the procedure described in Appendix II-3, the average value of amount category for each source and for each group was then computed as follows:

Table 1

	(1) Nonborrowers	(2) Borrowers	2/1
	1655	450	
Total parental assistance	1.534	.834	.54
Total earnings during school year	1.150	1.020	.89
Total earnings last summer	1.755	1.526	.87
Total nonrepayable assistance	.861	1.414	1.64
Total loans obtained	0	1.962	--
Total all sources	5.300	6.756	1.27

To determine the relative importance of each source for nonborrowers, the average value of amount category for each source was divided by the sum of all sources. The sum of the five sources was assumed to equal $2400 for nonborrowers, and in turn, estimated dollar values for each source were calculated as follows:

Table 2

Nonborrowers

	Estimated dollar amount from each source	
Total parental assistance	.29 x $2400 =	$696
Total earnings during school year	.22 x $2400 =	$528
Total earnings last summer	.33 x $2400 =	$792
Total nonrepayable assistance	.16 x $2400 =	$384
Total loans obtained	0	0
Total all sources	100%	$2400

Using the estimated dollar amounts in Table 2 and the information in Column 3 of Table 1 (showing ratio of amounts received by borrowers to amounts received by nonborrowers), estimated dollar amounts received by borrowers from each source were computed as follows:

Table 3

Borrowers

	Estimated dollar amount from each source
Total parental assistance	$696 x .54 = $376
Total earnings during school year	$528 x .80 = $470
Total earnings last summer	$792 x .89 = $689
Total nonrepayable assistance	$384 x 1.64 - $630
Total loans obtained[1]	--- $883
Total all sources	$2400 x 1.27 = $3048

1. The estimate for loans was determined by the difference between the total from all sources ($2400 x 1.27 = $3048) and the sum of estimated amounts from the other four sources ($2165).

APPENDIX VII-2

IGLP APPLICATION FORM

BEST COPY AVAILABLE

ILLINOIS GUARANTEED LOAN PROGRAM

BOX 31 · 102 WILMOT ROAD · DEERFIELD, ILLINOIS 60015 – 312 945 7040

WARNING: [illegible] ANY PERSON WHO KNOWINGLY MAKES A FALSE STATEMENT OR MISREPRESENTATION ON THIS FORM SHALL BE SUBJECT TO [illegible] PROVISIONS OF THE UNITED STATES CRIMINAL CODE

PART A – TO BE COMPLETED BY THE STUDENT

1 STUDENT'S LAST NAME
2 STUDENT'S SOCIAL SECURITY NUMBER
3 STUDENT'S FIRST NAME
4 MIDDLE NAME
5 MAIDEN NAME
6 TELEPHONE NUMBER — AREA CODE
7 PERMANENT STREET ADDRESS [illegible]
8 CITY OR TOWN
9 STATE — ZIP CODE
13 ILLINOIS COUNTY OF RESIDENCE
14 RACE (circle one)
15 MARITAL STATUS
24 IF MARRIED, SPOUSE'S FULL NAME
25 SPOUSE'S EMPLOYER (Name of firm, city, state and dates of employment)
26 SPOUSE'S DRIVER'S LICENSE # — ISSUING STATE
27 STUDENT'S EMPLOYER (Name of firm, city, state and dates of employment)
28 STUDENT'S DRIVERS LIC # — ISSUING STATE
21 ANTICIPATED GRADUATION DATE
22 PERIOD OF TIME COVERED BY LOAN — from — to

29 DURING THE PRECEDING 12 MONTHS HAS STUDENT	YES	NO
– resided at any time with one or both parents?	(1)	(2)
– been claimed as a dependent for federal income tax purposes by one or both parents?	(1)	(2)
– received in excess of $600 from one or both parents? 12 months preceding the date of this application?	(1)	(2)
30 IF MARRIED (if not married do not answer)	**YES**	**NO**
– is student currently legally separated from spouse?	(1)	(2)
– has student lived apart from spouse for the entire 12 months preceding the date of this application?	(1)	(2)

USE ADJUSTED GROSS INCOMES FROM FEDERAL INCOME TAX RETURN(S) (Read instructions to determine whose incomes are required)

31	Father $	Mother $	Joint $
32	Student $	Spouse $	Joint $
33	Add Line 31 and Line 32		$
34	Enter 10% of Line 33		$
35	Multiply number of exemptions claimed on Federal Income Tax return by $750		$
36	Add Line 34 and Line 35		$
37	ADJUSTED FAMILY INCOME (Subtract Line 36 from Line 33)		$

FAMILY ASSETS AND NON TAXABLE INCOME	FATHER & MOTHER / STUDENT & SPOUSE	38 HOME EQUITY	39 OTHER REAL ESTATE EQUITY	40 TOTAL EQUITY BUSINESS OR FARM	41 CHECKING AND SAVINGS ACCOUNTS	42 OTHER INVESTMENTS	43 NON TAXABLE INCOME Social Security etc.	
FAMILY INCOME TAX DATA	FATHER & MOTHER / STUDENT & SPOUSE	44 FED INCOME TAX PAID LATER	45 NUMBER PERS AS TAX DEPENDENTS	46 AGE OF MAJOR WAGE EARNER	47 ADDITIONAL EDUCATIONAL EXPENSES? (Read instructions carefully) (1) yes (2) no / 48 EXTRAORDINARY FAMILY EXPENSES? (Read instructions carefully) (1) yes (2) no		49 MARITAL STATUS OF APPLICANT'S PARENTS (circle one) (1) Married (2) Divorced (3) Separated (4) Widowed (5) Deceased (6) Other	

I, WE CERTIFY THAT [illegible] THIS APPLICATION AND THAT [illegible] COMPLETE TO THE BEST OF MY OUR KNOWLEDGE [illegible] AUTHORIZE THE UNITED STATES [illegible] FINANCIAL INFORMATION [illegible] AS A RESULT OF THIS APPLICATION WILL BE USED SOLELY FOR THE EXPENSES RELATED TO ATTENDANCE AT THE EDUCATIONAL INSTITUTION NAMED [illegible]

50 SIGNATURE OF FATHER — Social Security number
51 SIGNATURE OF MOTHER — Social Security number
52 SIGNATURE OF SPOUSE — Social Security number
53 SIGNATURE OF STUDENT — Additional information for student to complete on reverse side

54 SUBSCRIBED AND SWORN BY STUDENT
BEFORE ME THIS ______ DAY OF ______ 19__
Notary Public
Notary's Address
Commission Expires
SEAL

WHITE COPY – LENDER YELLOW COPY – GUARANTEE AGENCY PINK COPY – SCHOOL

PART A – TO BE COMPLETED BY STUDENT

LIST ALL INDEBTEDNESS [illegible] (attach a separate sheet)

55 EDUCATION LOANS Name and City of Lender	Name of Program	School Period Beginning	Ending	Date of Loan	Amount Borrowed

56 OTHER INDEBTEDNESS Name and City of Creditor	Purpose of Loan or Credit	Approximate Date of Transaction	Unpaid Balance	Monthly Payment

57 REFERENCE MUST BE STUDENT'S PARENT OR IF DECEASED NEAREST LIVING ADULT RELATIVE (OTHER THAN SPOUSE OR IN-LAWS) — RELATIONSHIP — FULL NAME OF REFERENCE'S SPOUSE
FULL NAME (read instructions carefully) — ADDRESS (street, city, state and zip code) — EMPLOYER (firm name, city and state)
TELEPHONE NUMBER — AREA CODE

58 IF MARRIED REFERENCE MUST BE SPOUSE'S PARENT IF NOT MARRIED CHOOSE ANY ADULT WITH WHOM STUDENT HAS FREQUENT CONTACT — HAS THE REFERENCE AGREED TO THE USE OF HIS HER NAME? 1 yes 2 no — RELATIONSHIP — FULL NAME OF REFERENCE'S SPOUSE
FULL NAME (read instructions carefully) — ADDRESS (street, city, state and zip code) — EMPLOYER (firm name, city and state)
TELEPHONE NUMBER — AREA CODE

59 REFERENCE MUST BE AN ADULT WITH WHOM STUDENT HAS FREQUENT CONTACT. FELLOW STUDENTS ARE NOT ACCEPTABLE — HAS THE REFERENCE AGREED TO THE USE OF HIS HER NAME? 1 yes 2 no — RELATIONSHIP — FULL NAME OF REFERENCE'S SPOUSE
FULL NAME (read instructions carefully) — ADDRESS (street, city, state and zip code) — EMPLOYER (firm name, city and state)
TELEPHONE NUMBER — AREA CODE

PART B – TO BE COMPLETED BY THE SCHOOL

60 NAME OF EDUCATIONAL INSTITUTION — 61 TELEPHONE NUMBER AND AREA CODE — 62 SCHOOL CODE NUMBER
63 ADDRESS OF INSTITUTION — 64 CITY — 65 STATE — 66 ZIP CODE
67 ANTICIPATED DATE OF GRADUATION (use numbers) Month — Year 19
68 PERIOD OF THE LOAN (month & year) from — to
69 ACADEMIC YEAR (circle one) Undergraduate (1) Fr (2) So (3) Jr (4) Sr; Graduate (5) 1st (6) 2nd (7) 3rd (8) 4th
70 STUDENT STATUS (circle one) (1) Full time (2) Half time

SECTION I – ESTIMATED COSTS OF EDUCATION		SECTION II – FINANCIAL AID AWARDED AND OTHER RESOURCES	
Tuition and Fees	$	Basic Opportunity Grant	$
Room and Board		College Work Study	
Books and Supplies		Nat'l Direct Student Loan	
Personal Expenses		Other Scholarships & Grants	
Transportation		Other Educational Loans	
71 TOTAL	$	72 TOTAL	$

SECTION III – SUPPORT FROM FAMILY
A Based on a uniformly applied determination of need what is the computed amount of support from the family?
73 AMOUNT — 74 METHOD — Code if known
B In the best judgment of the financial aid officer taking into account all factors what can the family realistically contribute?
75 AMOUNT — 76 REASON (if Code 7 explain) — REASON CODE
SECTION IV – SCHOOL RECOMMENDATION FOR GUARANTEED LOAN (Section I less Sections II and III-B) — 77 AMOUNT $

I HEREBY CERTIFY THAT THE STUDENT IS ENROLLED AND IN GOOD STANDING OR HAS BEEN ACCEPTED FOR ENROLLMENT AND THAT THE INFORMATION GIVEN ABOVE IS COMPLETE AND CORRECT TO THE BEST OF MY KNOWLEDGE
78 WHAT IS YOUR RECOMMENDATION TO THE LENDER FOR THE INITIAL DISBURSEMENT OF THE LOAN? 1) Full Amount 2) $ ___ (specify)
79 SIGNATURE OF SCHOOL OFFICIAL — 80 PRINT OR TYPE NAME AND TITLE — 81 DATE

PART C – TO BE COMPLETED BY THE LENDER

82 NAME AND ADDRESS OF LENDING INSTITUTION — 83 LENDER CODE NUMBER — 84 SCHOOL RECOMMENDATION $
85 AMOUNT LENDER APPROVES ELIGIBLE FOR FEDERAL INTEREST BENEFITS $
84 TELEPHONE NUMBER AND AREA CODE
86 AMOUNT LENDER APPROVES NOT ELIGIBLE FOR FEDERAL INTEREST BENEFITS $
87 SIGNATURE OF LENDING OFFICER — 88 PRINT OR TYPE NAME AND TITLE — 89 DATE

APPENDIX VII-3

CSS NEEDS ASSESSMENT FORM

SAMPLE

BEST COPY AVAILABLE

PARENTS' CONFIDENTIAL STATEMENT (PCS)
Academic Year 1973-74

DO NOT WRITE IN THIS SPACE

Read instructions carefully before completing this form. Do not send to CSS after December 1, 1973.

Student applicant: BROWN — MARY — A — Date of birth: 01/15/55 — Social security number: 012345678

Student's home address: 1125 MAIN ST — POLO — OHIO — 54321

Student applicant's present year in school: [X] High school senior

Parents: [X] Father [X] Mother

Enter complete names, addresses, and CSS code numbers of the colleges and scholarship programs to which copies of the PCS are to be sent.

Name, city, state	CSS code no.	Name, city, state	CSS code no.
OHIO STATE UNIVERSITY, COLUMBUS, OHIO	1592	UNIVERSITY OF CALIFORNIA, BERKELEY, CALIFORNIA	4833
RIDER COLLEGE, TRENTON, N.J.	2758	UNIVERSITY OF NEBRASKA, LINCOLN, NEBRASKA	6877

Father: JAMES BROWN — Age 50 — Home address: 1125 MAIN ST, POLO, OHIO 54321 — Occupation: SHEET METAL WORKER — Employed by: XYZ CORP — Years with company: 28

Mother: RUTH BROWN — Age 44 — Home address: 1125 MAIN ST, POLO, OHIO 54321 — Occupation: TYPIST - PART TIME — Employed by: KELLO COMPANY — Years with company: 3

How many dependent children, including the applicant, will you claim as Federal income tax exemptions: For 1972: 3 — For 1973: 3

How many dependent children entered in 5B will be attending college in 1973-74? 1

How many other dependents will you claim as Federal income tax exemptions: For 1972: 0 — For 1973: 0

Do you own all or part of a business, or are you a farm or ranch owner, operator or farm tenant? [X] No

Income	Total 1971	Total 1972	Estimated 1973
Taxable income before deductions — A Wages, salaries, tips, etc. — Father, stepfather or male guardian	9706	9700	10,000
Mother, stepmother or female guardian	2500	2800	2,000
B Dividends and interest	15	15	35
C Net profit from business or farm	0	0	0
D Other taxable income	0	0	0
Total taxable income	12221	12515	12,035
Business expenses	90	90	90
Adjusted taxable income	12131	12425	11945
Nontaxable income — A Social Security benefits	0	0	0
B Veterans benefits	0	0	0
C Welfare benefits	0	0	0
D Other nontaxable income	0	0	0
Total income	12131	12425	11945
Medical and dental expenses not covered by insurance	560	568	600
Emergency expenses	30	30	30
Federal income tax paid or estimated to be paid	2240	1800	
State income tax paid or estimated to be paid	0	70	

Assets	Total 1972		
Home if owned — Year purchased 19 50 — Purchase price $ 8600	12000	15000	2400
Other real estate	7000	8800	6500
Bank accounts			900
Other investments			0
Business or farm — A Total assets			0
B Total indebtedness			0
C Percent of ownership			0 %
Indebtedness			105
Amount to be paid during 1973			105
Annual rent or mortgage payments on family residence			864
Face value of parents' life insurance policies			13500
Total car indebtedness			227

Student's resources (as of September 1, 1973): A Savings: 335 — B Other: 0

Benefits (to be received between September 1, 1973 and June 1, 1974): A Social Security payments per month: 0 — B Veterans payments per month: 0 — C Other payments per month: 0

If the student is an entering freshman, complete only the 1973-74 columns of expenses and resources for 28 and 29

Total expenses for student for: [X] Nine months — [X] Resident

Expenses	1972-73 (actual)	1973-74 (estimated)
Tuition and fees		
Student's room		
Student's board		
Books and supplies		150
Clothing, linen and laundry		200
Recreation and medical		150
Other personal expenses		100
Transportation		
Total		

Total resources for student for: [X] Nine months

Resources	1972-73 (actual)	1973-74 (estimated)
Resources from parents		600
Grants or scholarships		—
Savings from summer earnings		300
Term-time earnings		—
Veterans benefits		—
Social Security benefits		—
Educational loans		—
Other sources: SAVINGS		75
Total		975

Provide below information for all dependent children you will claim as Federal income tax exemptions.

Name	Age		School or college 1972-73	Year in school					School or college 1973-74			College
MARY	18	✓	POLO HIGH	12	—	—	—	—				✓
NANCY	17	✓	POLO HIGH	11	—	—	—	—	POLO HIGH	✓		
HENRY	15	✓	POLO HIGH	9	—	—	—	—	POLO HIGH	✓		

Use this space to explain all circled items and any unusual circumstances.

7a - Father received a raise. Mother works part time. Due to ill health she will not work as many hours this year.

9. - Mr. Brown's Union Dues.

13 - Blue Cross 280, various doctors 150, dentist 100, glasses 35, drugs 35. This is about what we spend each year.

14. - Termite control. We live in old house and must have termite inspection each year.

18 - Summer cabin in the mountains.

22. - We still owe Hospital for Nancy's operation last summer; expect to complete payment in 1973.

PARENTS' CERTIFICATION AND AUTHORIZATION

Yes [X] No [ ]

Signatures of both parents: James Brown — Ruth Brown

Date: Nov. 10, 1972

Enclose check or money order payable to CSS: $3.75 for first college or scholarship program listed and $2.25 for each additional listing. Amount enclosed: $10.50

APPENDIX VIII-1

APPLICATION FOR DEPOSITS OF STATE FUNDS

ILLINOIS STATE TREASURER
COMMUNITY SERVICES APPLICATION

_____, 1973

Honorable Alan J. Dixon
Treasurer of the State of Illinois
Springfield, Illinois

Dear Sir:

The undersigned applies for a one year time deposit of State funds, not to exceed $_____, at _____% to be effective September 1, 1973 and to mature September 1, 1974.

We understand that deposit amounts will be based on the interest rate at which we apply and the following information concerning our bank's loan activities in certain areas. We further understand that awards will not be made in the absence of such date.

Bank Activity	Loans Outstanding For Year Ended 6-30-73 - Omit Cents	
Student Loans	01	
Agricultural Loans	02	
Nursing Home, Hospital or Other Medical Facility Loans*	03	
Church, Private Education & Charitable Institution Loans	04	
Tax Anticipation Warrants Purchased from any Taxing Authority in Illinois	05	
Gueranty Loans - S.B.A. (Including Participations in S.B.A. Loans)	06	
Enviromental Protection Loans	07	
Fermers Home Administration Loans	08	
Residential Financing under F.H.A. and V. A.	09	
Economic Opportunity - S.B.A.	10	
Construction Financing for Public Housing Projects and Housing Programs under the National Housing Act	11	
Loans for H.U.D. Projects & Model Cities Agencies	12	
	13	
Total		

* TAX EXEMPT ORGANIZATIONS

If this proposal is accepted by the State Tre urer, and funds are allotted to this bank, we hereby agree to comply h the laws in relation to State deposits, and with all administrative r pertaining thereto prescribed by the State Treasurer, including those in relation to collateral security, and with the terms of the deposit agreement to be entered into between the undersigned and the State Treasurer.

_____(Bank)

_____(Town)

_____President

PLEASE NOTE:

No applications will be accepted, nor funds awarded, at an interest rate below 5.75%. As in recent allocations, an interest incentive feature is included in the award program to assure that banks applying at rates above this minimum will receive larger deposits. No multiple rates or bid amounts will be accepted. Please apply for one amount at one rate. It is also suggested that the rate be in a 1/8 multiple, i.e. 5.75 - 5.875 - 6.0 - 6.125 - 6.25 - 6.375 etc., as computer rounding at a rate other than one-eighth may provide no additional benefit

DEADLINE

No application will be accepted after Wednesday, August 1st, 1973.

APPENDIX X-1

DETAIL ON QUESTION 16 OF STUDENT SURVEY

As explained in the text, four groups of students were identified based on responses to the first two options listed in Question 17 of the student survey. Each group's response pattern (% responding "likely" or "very likely") to the six options were as follows:

On a scale from 1 (very likely) to 4 (very unlikely), what is the likelihood that you would take each of the following actions if all students in Illinois public universities had to pay an additional $500 in tuition next year:

	Group 1	Group 2	Group 3	Group 4
I would drop out of school in order to earn enough money to continue my education later on.	0%	100%	100%	0%
I would drop out of higher education altogether.	0%	0%	100%	100%
I would seek a bank loan to cover the additional cost.	39%	43%	19%	14%
I would try to earn the additional money through part-time employment.	78%	82%	56%	36%
I would transfer to another school.	25%	38%	50%	43%
I would seek assistance from my family to cover the additional costs.	62%	38%	25%	27%

The within-group distributions relating to various characteristics referred to in the text were as follows (only responses from freshmen, sophomores, and juniors were used in the analysis):

N:	909	517	192	112
% of sample	53%	30%	11%	6%
Estimated parental income				
Under $5000	9%	10%	16%	10%
$5,000-9,999	19	22	16	22
$10,000-14,999	31	40	39	37
$15,000-20,000	25	18	20	18
Over $20,000	17	11	10	14

APP X-1

	Group 1	Group 2	Group 3	Group 4
Grade level				
Freshman	30%	27%	22%	27%
Sophomore	28	28	29	25
Junior	42	46	48	48
Credit hours				
Less than 6	3%	4%	7%	9%
6-11	7	8	14	13
12 or more	90	88	79	78
Decided on a Career				
Yes	85%	82%	80%	76%
No	15	18	20	24
Grade point average				
A	14%	8%	4%	11%
B	60	55	52	59
C	26	37	44	30
Educational goal				
Bachelors	62%	56%	68%	77%
Masters	29	35	28	18
Doctorate	9	9	4	5
Average hours worked per week				
Zero	50%	50%	41%	46%
Under 20	29	27	18	22
Over 20	21	23	41	32
If employed during school year, have studies suffered?				
Yes	43	56	68	66
No	57	44	32	34

APP X-1

	Group 1	Group 2	Group 3	Group 4
Might participate in a co-op ed program	51%	67%	66%	55%
Took a loan for this year	16	25	19	15
Might participate in an income-contingent loan program	36	54	55	47
Age				
Under 21	77	68	61	63
21-26	16	24	22	24
Over 26	7	8	17	13
Sex				
Female	52	52	52	66
Male	48	48	48	34
Married	12	15	20	22
Children	9	11	16	13

APPENDIX X-2

AGENCY RESPONSES

It is IEFC policy to provide with each program analysis an appendix in which agencies mentioned in the report can respond to specific statements or recommendations. Interested agencies were invited to respond and were assured that their responses would not be edited in any way.

Written replies were received from the Illinois Board of Higher Education and the Illinois State Scholarship Commission.

APP X-2

State of Illinois

BOARD OF HIGHER EDUCATION

500 REISCH BUILDING
119 SOUTH FIFTH STREET
SPRINGFIELD, ILLINOIS 62701
(217) 525-2551

April 30, 1974

DONALD M. PRINCE
Chairman

CAMERON WEST
Executive Director

Dr. Mark Lincoln Chadwin, Director
Illinois Economic and Fiscal Commission
610 State Office Building
Springfield, Illinois 62706

Dear Dr. Chadwin:

The staff and I are much appreciative of the opportunity to review the draft of the Illinois Economic and Fiscal Commission's staff report, "Student Financial Aid in Illinois: A Program Review". As a major effort to cover a most complex and perplexing area of great interest to all in government and higher education, the draft report is a distinct contribution to our understanding of the facts and issues. I am certain that the members of the Board of Higher Education will wish to study the report and take its recommendations under advisement.

As various staff members of the Economic and Fiscal Commission and the Board of Higher Education have discussed, the valuable surveys of the report do not cover in any depth two major areas of concern to the Board, namely the public community colleges and the private senior colleges and universities. I mention this as a note for the record rather than necessarily a criticism. Certainly these are two areas of study which the Board staff should pursue in order to supplement what the Commission has so well begun.

The Board's Study Committee on Tuition and Student Costs, which will be holding preliminay public hearings on May 6 and June 3, should find the report an invaluable source of data and policy suggestions. My understanding is that your staff plans to present testimony on the report at the June 3 committee hearing in Chicago. I look forward to that occasion, and anticipate the Committee members will find the testimony provocative of useful discussion of many issues bearing on their problems of policy. I have asked John Fry of this staff to discuss items of your study which should be of specific interest to the Board's Study Committee.

Dr. Mark Lincoln Chadwin
April 30, 1974
Page II

Again, your courtesy in permitting us to preview the report is appreciated. As specific recommendations emanating from your activity come to the Board, the information which the Board staff will need to gather for the Board's proper consideration will be much reduced and better directed by the existence of your report.

Sincerely,

Cameron West
Executive Director

cc: Richard D. Wagner

ILLINOIS STATE SCHOLARSHIP COMMISSION
BOX 607, 102 WILMOT ROAD — DEERFIELD, ILLINOIS 60015 — 312 : 945-1500
SCHOLARSHIPS · GRANTS · LOANS

JOSEPH D. BOYD
ED D. EXECUTIVE DIRECTOR

April 25, 1974

Mr. Mark Lincoln Chadwin
Director
Illinois Economic and Fiscal Commission
610 State Office Building
Springfield, Illinois 62706

Dear Mr. Chadwin:

My administrative directors and I have reviewed draft copies of chapters of the IEFC program review of student financial aid in Illinois. We have appreciated the opportunity to cooperate in providing facts and background for this study.

This report is to be commended for the thorough manner it has reviewed all the components of student aid. You have provided all interested parties with both a history of and an updating of the federal and state efforts to provide dollars to meet college costs.

The Scholarship Commission shares with you the mutual goals of providing access to an appropriate post-secondary institution, equity and efficiency in aid program administration, and adequacy of and stability in funding in programs of grants, loans, and employment.

All recommendations directed to ISSC shall be given full review by appropriate ISSC advisory committees, the executive staff, and full consideration by Commission members. Where internal procedures and policies are involved, consideration of changes for both the current application cycle and next year's procedures will be analyzed. Where federal or state law changes would be required, and deemed advisable, to implement IEFC recommendation, we would suggest appropriate amendments. Where we are asked to cooperate with the IBHE to accomplish certain recommendations, you can be assured the ISSC executive staff will cooperate fully in exploring the recommended joint undertakings.

The survey findings of representative public university students provide valuable data to compare with the results of random survey findings to be compiled this summer as the third of a longitudinal study by ISSC on the impacts of Illinois student aid programs. The ISSC also looks forward to a more thorough study and review of the questionnaire findings of IEFC as regards the students, aid officers and business officers, which would not be included in the program review.

Rest assured we will keep you, your staff, and the IEFC members informed of the disposition of the recommendations pertaining to ISSC.

Sincerely,

Joseph D Boyd JS

Joseph D. Boyd
Executive Director

JDB:rs

END