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ABSTRACT

This report analyzes some effects of the ways in which some $132 million in state and local taxes will be spent on Oregon higher education. These effects are evaluated in the light of some socioeconomic objectives. Discussed are: (1) the important components in state subsidies for higher education--institutional subsidies, need grants, scholarship grants, and educational loans; (2) the relative effectiveness of the different types of state subsidies and suggested shifts of funds among them that could produce superior results; (3) alternative mix of subsidies that could be implemented successfully in Oregon; and (4) the means and ends in state subsidies to postsecondary education. In conclusion, it is found that if the interaction between the demands for educational services and the supply were more realistic--in a system that was more akin to the marketplace, with consumers more at liberty to direct their demand to any product they prefrred--greater flexibility and economy would result. Increased competion among alternative institutions could lead to greater responsiveness, an increase in educational quality, and lower costs. (Author/KE)

EFFICIENCY AND EQUITY IN POST-SECONDARY EDUCATION THROUGH PORTABLE GRANTS

OREGON AS A CASE STUDY

by

John Wish and Wim de Vriend

The research task was undertaken by a team which included Dick Dent, Nina Cutler, Dick Rankin, John Coggins, Sheri Meats, Jackie Mohr, Janet Walsh, and Mary Ann Wish.

A study conducted by the Consumer Research Center of the College of Business Administration, University of Oregon, Eugene, Oregon. Center Director: John R. Wish, Associate Professor of Marketing.

This study was made possible by grants from the Exxon Foundation and the Sloan Foundation.

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LIST OF TABLES, MAPS AND CHARTS

We have organized this report for the reader who has the interest but not the time to peruse it completely. We wanted to make it possible for that reader to get most of the messages presented here without having to read or scan every page. To that end, pages of the present short report and of the longer version have been color-coded, as follows:

1. Green pages contain items which are essential to the proper understanding of the report. These pages contain the more pertinent conclusions as well as the recommendations. These pages have many specialized terms that are not fully defined here for they assume a knowledge of the field. The cerms are defined in the following white pages.

2. Yellow pages carry items which are important but not essential. These are mostly matters which support the points made on the green pages or elaborate on them in some detail.

3, White pages comprise the bulk of the report, not of the present short form but of the 150-odd page long version. They contain information which supports the points made on the colored pages. But someone who has read the latter will already have absorbed the gist of these. Examples of material on the white pages are tables, graphs and more elaborate write-ups of points made more concisely on green or yellow pages.

Two versions of this report are available. The present short form, titled "Granted Education," includes only the Preface, Table of Contents and Chapter I. The entire report, called "Portable Grants for Post-secondary Education," contains all the material found in the short form plus considerably more extensive reports on major aspects of the investigation. These aspects have been listed in the table of contents included in the short form. Both reports are available from:

Consumer Research Center
Attn: John Wish/John Coggins
University of Oregon
Eugene, Oregon 97403

Please make checks payable to the University of Oregon Account 262-8911. Short form, $1.50 plus 50¢ postage and handling; entire report, $5.00 plus 50¢ postage and handling.

In addition, from the above address, a number of technical reports on individual subjects related to the contents of the present report are available for interested readers. A list of these is appended. The technical reports are available at 10¢ per page plus 50¢ per report for postage and handling.

John Wish can also be reached via the above address for any additional information. Until September 1, 1974, however, when he will be back from a sabbatical in Europe, questions can also be directed to:

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PREFACE

by John R. Wish

Origins of this study

During the summer of 1970 I was asked to give a speech to a Eugene service club. At that time, the campus riots were still fresh in people's minds and the relations between town and gown were at an all-time low. I therefore chose to speak about the University and how it could be different and maybe better. As a starting point I drew upon my own experience of working with undergraduate students on research projects away from the campus.* To expand on this, I searched through the then current literature on change in Universities and found three ideas which I chose to try out on the audience.

1. The leveling of enrollment could permit the state government to declare a moratorium on classroom construction and slow down the continuing rise in expenditures.

2. The university was certifying persons for various professions and perhaps some parts of the certification could be done better elsewhere.

3. Discussion and experimental use of "vouchers" should be carried beyond elementary education and into post-secondary education.

The audience's reaction was uniformly favorable. There was only one contrasting opinion, voiced by a representative of the Oregon State

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*See "Students in the Community," Journal of Business Administration 3 (1), Fall, 1971.

System of Higher Education who suggested that I was out of my field of expertise and should leave this complicated area of educational policy to the experts. The contrasts presented by the combined reactions of that audience so struck me that I decided to further explore the area of marketing and financing Higher Education. That fall term, some undergraduate students working with my associate, Romney Cooke, and me began to study higher education in greater depth. In the summer of 1971 we published our first report, an interim paper on the desirability and feasibility of vouchers, or, as we came to call them, "Portable Scholarships" in Oregon higher education.*

Some Helpful Persons

Many people were helpful to us in the pursuit of our studies. The first report would not have had the emphasis on grants without the suggestions of Representative John Dellenback, of Oregon's fourth district. Rep. Dellenback provided us with copies of the interim and final studies of elementary school vouchers that Christopher Jenck's group had done for the Office of Economic Opportunity. From the very early days of our study, Mr. Freeman Holmer, Vice Chancellor for Academic Affairs of the State Board of Higher Education, and Mr. Jeff Lee, Director of the Oregon State Scholarship Commission, were especially

*That monograph, "Issues of Grants and Loans," is available through the Bureau of Business Research at the University. My co-authors of that report, undergraduates all save one, were most helpful to me in formulating my ideas. These included Larry Becknese, Bob Cook, Mary England, Mike Guy, Jay Majeres (a local industrial engineer), Patti March, Marcia Millinger, and Tim Travis.

helpful in guiding us through the maze of government budget categories and interpretation of state law. Dr. Floyd Stearns and Dr. John Westine of the Educational Coordinating Council were invaluable in providing insights and understanding of the educational picture in Oregon. Dr. Robert Clark, President of the University of Oregon, was at all times most supportive of the idea that students and their instructors could study any area of interest as long as it was done in a professional and scholarly manner.

How this Report came to Fruition

After the publication of the 1971 interim report, Romney Cooke, David Sonnenfeld and Bruce Reichert, all of the Consumer Research Center, were most helpful in making contact with scholars, foundations and government agencies. Virtually all of the research for the present report was performed between September, 1972 and June, 1973. During that time Dick Dent* was co-director of this foundation-sponsored study until he departed Oregon in early July, 1973. He was most influential in shaping the direction and the design of the research and wrote the early drafts of the sections on student financial aid and student spending patterns.

Our total research effort could not have reached the depth it did without the aid of two studies in which many of the persons mentioned above had participated at some time. These studies were the

*Presently Director of Financial Aid, University of Massachusetts, Amherst.

State of Oregon sponsored Student Resource Survey, conducted in the fall of 1972,* and a study of Federal student aid in Oregon,** which was completed in May of 1973.

Two doctoral theses related to the present study were completed in August, 1973, and may be of interest to the serious reader. They are complementary to this report and are not covered in any detail in it.***

In addition, in the summer of 1973, two WICHE interns, John Coggins and Terry Drake, worked on the study team. A monograph of Terry Drake's exploratory studies into elasticity of demand and the relative inequality of property tax and the community college is now in press and will be published.

A "thank you" is due Kathy Jackson Miller who developed the basic report showing the need for an information system about education. That basic report led to the Expanded Career Information System. Another helpful consultant was Stephen Blair who helped develop the loan program.

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*Dent, Culter, Westine and Stearns, Student Resource Survey. Salem: June 1973, ECC 27-73.

**See Dent and Wish: Federal Financial Aid Impact on Oregon, Academic Year 1973-74. Eugene, Oregon: University of Oregon, Consumer Research Center, 1973.

***John Frank McFall, An Examination of Parental Willingness Compared with Ability to Pay College Student Costs, and Claude R. M. Parent, An Examination of Oregon's Higher Education Industry on Selected Performance Criteria assuming a Quasi-Market System of Resource Allocation; both doctoral dissertations, University of Oregon, 1973.

Finally, on the basis of the many different contributions which were available by the end of this summer, the present report was edited and written by Wim de Vriend and John Wish. Mr. Jim Nelson, Vice President of the College Entrance Examination Board, was most helpful in making available research and computer programs of his organization. Mr. Nelson authorized the consultation of the Board's Programmer, Mr. Ed Jacobson, who worked with Mr. Dick Rankin, our Computer Programmer. Out of this cooperation came our particular computer simulation program.

In the Department of Economics of the University, a study is in progress which will be of interest to readers of this report. Under the direction of Dr. Jan Newton, the National Institute of Education is supporting a detailed investigation of the elasticity of demand for Oregon higher education. She is being assisted by Terry Drake and Dick Rankin, both of whom contributed significantly to this report.

Funding

This study was funded by the Exxon and Sloan Foundations of New York.

Relation to Other Studies

We have built upon the growing wealth of literature in the economics of higher education. As I see it, this report stands as a complement to the massive national studies of the Carnegie Commission for Higher Education. Their conclusions were perhaps more conservative, but I hope that we will encourage the discussion at the state level that they have stimulated nationally. We have also tried to be

complementary to the Newman Commission's work, and I believe that our analysis and recommendations are in line with theirs.

This study grew out of a desire to look at the reality of higher education within one state, one which has an outstanding record of public support for higher education. It also seeks to complement the FORE-sponsored study of early this year, which recommended further exploration of alternative ways of financing higher education. Briefly, what we have tried to do is

1. Describe clearly the important components in state subsidies for higher education.

2. Ascertain the relative efficiency and effectiveness of the different types of state subsidies* and suggest shifts of funds among them which could produce superior results.

3. Show how one particular alternative mix of subsidies could be implemented successfully in Oregon when introduced gradually over a number of years.

and 4. Thereby stimulate serious discussion of the means and ends in state subsidies to post-secondary education.

The Format

The report is available in two versions plus supplementary technical papers. There is the present summary report of approximately

*While realizing that states differ greatly--see Hight and Pollock, "Income Distribution Effects of Higher Education Expenditures in California, Florida and Hawaii," Journal of Human Resources, Summer, 1973.

60 pages and a complete report which is about three times as long. The latter includes all the summary material plus added details and figures.

Questions

Questions about the report or requests for more detailed information should be forwarded to me through the College of Business, University of Oregon, Eugene. Mail will be forwarded to me in Edinburgh, where I am spending the 1973-74 academic year studying Scottish higher education.

John R. Wish
Edinburgh, October 1973

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*This chapter is the same as the present short form of the report.

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CHAPTER I

INTRODUCTION

There is much we can be proud of in American higher education. It is distinguished from that in many other countries by its greater openness and its emphasis on personal achievement rather than birth and status. Oregon higher education is among the best in the nation, especially in terms of equality of access and cost. Yet it is our duty to keep searching for ways to improve educational services.

In this report we analyze some effects of the ways in which some $132 million in state and local taxes will be spent on Oregon higher education this year. We evaluate these effects in the light of some socio-economic objectives which are outlined below. We suggest ways to approach these objectives more easily, simply by shifting the use of funds in ways that we believe will make the system more responsive to the needs of students and taxpayers.

This is not a proposal to pour more tax money into higher education. Nor is it a plan to impose more layers of administrators upon the system. Instead, we propose a shift in management philosophy and a different way of spending what we're spending now.

The analysis which is summarized on the first pages of this chapter defines a number of deficiencies in the system. Many of these may have a familiar ring to citizens who are familiar with the work of study groups such as the Carnegie Commission. Our analysis is thus part of a larger, national re-assessment of educational policies. Our

recommendations, too, reflect concepts proposed by a variety of scholars in recent years. The idea that these proposals have in common is an emphasis on student-oriented financing rather than institutional subsidies resulting in universally low tuition.

We have taken several of these proposed financing methods--most of which are practiced in embryonic form in Oregon now--and combined them into one program that looked coherent and promised to be effective in the projections. We should stress at this point that our particular program is not too important in the final analysis. The important thing is that programs such as the one investigated here are feasible and could increase considerably the effectiveness of our spending for higher education. At the same time, many other programs are feasible which share the same philosophy and could obtain similar results. If this is realized, our objective of stimulating serious discussion of the means and ends in state subsidies to post-secondary education will have been met.

CONCLUSIONS

1. Enrollments in post-secondary education are leveling off but expenditures keep rising.

During the sixties, enrollment in post-secondary education doubled and redoubled in the newly-established two-year community colleges. At the same time it doubled in the Oregon State System of Higher Education colleges and universities and it probably also increased in the private vocational schools.* Only in the independent colleges did enrollment remain approximately constant. During these years, gigantic building programs were inaugurated so that now there is room for virtually anyone who wants to go to a public college in Oregon. Presently, enrollments are leveling off and a zero growth situation is developing. Nevertheless, the general fund appropriations for post-secondary education have continued to rise by about 15% from one biennial appropriation to the next.

Education being a labor-intensive industry, rising costs per student have been thought inevitable. But it seems unlikely that the current rate of growth in expenditures can be sustained. First of all, that would mean another doubling of expenditures within ten years, during which student enrollment will probably remain stable. And secondly, if some changes are not made, it may be very difficult even to limit the rise in expenditures to 100% since this represents the extension of a growth rate during years that were less inflationary than the present ones.

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*Only in recent years have the private vocational schools been considered as worthy of consideration as part of post-secondary education and we know little about them.

Conclusions

The heady growth in student numbers of the past facilitated the introduction of new programs and methods in the schools because, as a rule, the new additions threatened nobody's job. But the present no-growth situation is different. Difficult decisions may have to be taken concerning priorities. Questions arise concerning who will establish these priorities and how they will be implemented. The proposal detailed on the following pages gives one method of dealing with the zero enrollment growth of the seventies.

2. Because of increasing costs education is not as accessible as it could be.

College is required for many jobs and the number of years a person spends in school and his income in later life are closely related. For these reasons, a democratic society wants to minimize economic restraints which keep people out of school. The alternative is the creation of a privileged class which perpetuates itself through exclusive access to education.

By granting tax funds directly to public colleges, we have made it possible for many people to attend because they are only charged a fraction of the actual cost of instruction. But this has created inequities for people at both ends of the income curve.

At one end, the well-to-do are in effect subsidized by tax money to send their children to low-tuition public schools when they might have been willing to pay a larger share of the cost of college than they do now.

At the lower end of the income curve are those to whom even the relatively low tuition charges plus the attendant expenses of

books, room and board are a severe burden. If they are to have a fair chance of participating in the educational process, it would seem more equitable to shift the subsidies away from the well-to-do and towards the truly needy. Economic mobility could be greatly enhanced.

The economic jargon of private and social benefits of education may be a helpful way of discussing some other inequities at which we've hinted. Economists choose to use the term "private benefits" to refer to good things that accrue to individuals--such as a high salary--while social benefits of education are good things that accrue to one's neighbors and one's community--such as the higher degrees of concern for and participation in local government which college-trained citizens tend to exhibit.

When we apply these concepts, the first two years of post-secondary education with their rather general curricula seem to provide largely social benefits while graduate professional education provides mostly private benefits. Yet, paradoxically, the graduate students often pay less of their instructional costs than do freshmen and sophomores.

3. The cost of education bears little relationship to tuition charged.

Educational resources, as any others in society, are limited. To arrive at a better allocation of these scarce resources it may therefore be desirable that the cost of producing education be felt by the buyer.

It will be easy for anyone who has attended college to realize that it costs less to conduct an undergraduate class than

one at the graduate level. Differences in both class size and the qualifications of the teaching staff make this fact obvious. We have found that the average annual cost of instructing one student in Oregon colleges varies from $1,400 for freshmen and sophomores in state system schools to over $10,000 for medical students. The average cost of instruction for any particular class varies much less across types of colleges. For instance, the average lower division cost of instruction in Oregon colleges varies from $900 to just over $2,000.

Tuition charges across the state do not reflect costs, even in a relative way. Tuition charges as a proportion of instructional costs decrease at the higher levels. For instance, medical students pay the lowest percentage of the cost of instruction in the Oregon state system. Dental students contribute a percentage that is as low as that paid by community college students. There is support for the allegation that graduate education is being subsidized by undergraduates. And there are of course the great differences between the percentage of cost contributed by student tuition in public schools and in independent colleges (Chapter 4). These differences result from the fact that some colleges get more state subsidies than others.

4. Tuition charges, with or without student aid, have little relationship to the earnings that can be expected later.

Generally speaking, the more education one has, the greater the earnings potential in later life. Current data show that white

males 35-54 with only one or two years of college earn 30% less, on average, than those who have graduated from college. The latter earn less in turn than men who have a graduate degree. Dentists and physicians earn far more yet (Chapter 4).

But the different amounts that college students within a given system (e.g. Oregon State System of Higher Education) contribute to the cost of their education has an inverse relationship to this pattern of expected earnings. In the public four-year colleges students' contributions to the cost of instruction are highest at the lower-division level, lowest at the graduate level, and these differences are small when compared to the difference between students' financial contributions at public colleges and at independent colleges. At the latter, students may contribute a share of the cost of education which is up to three times as high. But since the average graduate of a private college, e.g. Willamette, can hardly expect to earn two or three times as much as an average graduate from the University of Oregon, the economically rational student who looks upon college as an investment for a higher paying job will most likely choose the school with the lowest tuition.

5. The present system of student financial aid is haphazardly organized and takes inadequate account of need.

Most student financial aid is provided by the federal government to colleges, for distribution to their students. The amount of aid available depends largely upon the "grantsmanship" of institutional financial aid officers. In the 1972-73 school

year the chances of obtaining aid in one Oregon college were as much as three times as large as they were in another institution of the same type.*

Many students who received aid claim they do not really need it to attend college while the more urgent needs of others go unmet. These others are not only students from poverty-level families. There are large groups of students from middle-income families who are turned down for aid mainly on account of funding limitations (Chapter 3).

Although some corrective action can be taken, this situation has come about mostly as a result of developments beyond the control of the State Scholarship Commission or the Coordinating Council. Moreover, possibilities of raising additional state funds to cover the deficiencies appear to be very limited. Greater potential is seen in changing the current policies of subsidies to Oregon Public Colleges and providing more centralization in student aid.

6. The educational system is not as responsive to the needs of its customers as it could be.

The position of the publicly supported schools in Oregon can best be defined as a sellers' market. These institutions are but little dependent on student fees for financial support as at

*In spring 1973 when the Oregon legislature was made aware of inequities in the administration of student Financial Aid it moved quickly. It instructed the Educational Coordinating Council and the Oregon State Scholarship Commission to provide greater coordination, supervision and assistance to the Public College financial aid officers. The need for additional legislation is likely, although not yet clear.

most one quarter of their resources come from them. In contrast, independent four-year colleges depend on student-paid fees for up to three quarters of their financial needs. Also there are the private vocational schools which offer practical instruction of relatively short duration but at comparatively high cost to students (Chapter 3).

These, then, are the separate and unequal sellers of educational services in Oregon. The prices they charge their clients in no way reflect the differences between their respective "products." Their accessibility and students' freedom to choose between them is grossly distorted by the price differentials.

Our premise is that if the interaction between the demand for educational services and the supply were more realistic--in a system that was more akin to the marketplace with consumers more at liberty to direct their demand to any product they preferred--greater flexibility and economy would result. Increased competition among alternative institutions could lead to greater responsiveness, an increase in educational quality, and lower costs.

RECOMMENDATIONS

Background

The basic philosophy common to the financing methods which we explored in this project was a shift away from direct institutional funding to funding of students. At present, more than 98% of state and local tax funds are granted directly to the colleges with the remainder--less than 2%--going to students in the form of Need Grants, Cash Awards or as the state's backing of student loans (Chapter 2). We propose that this proportion be increased to about three-fifths of the total, with a corresponding decrease in direct state funding of the institutions. The degree to which each of the three types of student funding should be expanded under such a system is, admittedly, the product of some value judgements which not everyone may share. It is entirely possible to come up with a mix of student financing which is quite different from the one we are proposing.

Furthermore, our proposal has a built-in flexibility thanks to its 4-stage introductory provision. Shifts in funding would take place gradually during successive 2-year periods which would allow ample time for research, reflection and adaptation.

In summary, our program is flexible and does not need to be bought "as is." But given our objective of investigating the feasibility of a student-oriented funding program, we felt it necessary to come to specifics. The figures and other details on the following pages are the result of this. Let us now list very briefly the thinking that was the basis for the choices made.

1. We felt that the problems outlined on pages 3 through 9 could be best dealt with by a strategy of raising tuition charges in the public colleges coupled with an expansion of mostly need-based student aid. This thinking was basic to the entire shift towards student-oriented financing. It was felt that such a strategy would increase access, return the public institutions to a buyers' market relationship with their students and re-establish some relationship between educational costs and benefits.

2. We felt that increased competition among all institutions of post-secondary education--public and private, including vocational schools--would be a good thing. It would definitely increase the variety of opportunities for students and might help to keep costs in line.

3. We felt that the state had a responsibility for providing access to post-secondary education but that this responsibility ended somewhere.*

On the other hand, we felt that access for motivated undergraduate students should and could be improved. The latter contention is borne out by the figures produced by our simulation program. But we also felt that the state should get out of the business of making people offers they couldn't refuse. This applied specifically to

*Other things being equal, we felt that state money should be directed where private benefits from post-secondary education are relatively low (i.e. the introductory years). Students enrolled in programs with high private benefits (i.e. graduate programs) should be expected to finance the cost of their studies themselves, primarily with loans.

college access at the graduate and post-graduate levels, which may have been subsidized at the expense of the undergraduates for reasons which have little validity in this day and age (see Chapter 4). It applied also to the policy of pricing state-supplied education at a fraction of the charges at the private schools.*

Briefly, such discount pricing has not only put the private colleges at an increasing disadvantage, but it has also made rational comparisons of the courses offered by public and private colleges virtually impossible.

4. We felt state subsidies to higher education should be arranged so that Federal government funds to institutions are maximized within the framework of the laws and policies enacted by the state legislature.

Below are the more detailed figures and program descriptions used in this project. Table I-1 conveys the essence of the proposals in the most simplified form, leaving out the various introductory stages and other details listed elsewhere.

The Proposal in Brief

The proposed components are, with one exception, changes in emphasis on what already exists. While the components fit together into what we have chosen to call a plan, they could well be adopted individually. Certainly other parties with different value orientation

*Far below basic cost. This needs to be regulated by a new law. The Federal anti-trust laws could be a model for state legislation to protect schools against predatory competitive practices.

could choose different emphases.

We have chosen to treat the $132 million annual state and local tax funds as a given and assumed the same amount of tax monies would be available in the future. We have proposed a gradual withdrawal of over half the institutional subsidies, with that money being transferred to Oregon citizens (over an arbitrarily chosen eight-year period).

It may seem that the figures represent dramatic departures from current practices, but in reality they merely express a more complete realization of concepts already present--but inadequately realized--in current student financing policies at the state level. These policies consist of "a balanced approach of need-based grants for the economically disadvantaged and a scholastic and need-based award program, both to be supplemented by an adequate program of student loans" (OSSC '73, p. 2).

In sum, the present state approach to higher education has four parts, just as the proposed plan does--institutional subsidies, need-based grants and scholastically-based grants, and guaranteed loans. This pattern is continued with slight shifts in concepts and larger ones in the relative importance given to each component.*

*In passing, it should probably be mentioned that we feel a good information system on alternatives in education and careers will be quite important to the operation of the proposed program. However, this is not a major budget item and therefore is not included in the program budget breakdown which follows. More details can be found on p. 36.

Table I-1

CURRENT AND PROPOSED APPLICATIONS OF STATE AND LOCAL FUNDS FOR POST-SECONDARY EDUCATION

		1973-74 (Estimated) in $1,000	%	8 Years Hence, in Step 4 of Plan in $1,000	%
Component 1)	Institution-Based Aid Education and Construction funds for Institutions:	$130,000	98.5	55,800	42.3
Component 2)	Need-based Aid Need Grants:	1,600	1.2	49,500	37.5
	Achievement-based Aid Cash Awards	400	.3	---	---
Component 3)	Scholarship Grants:	---	---	26,700	20.2
	Total State General Fund and local funds:	$132,000	100%	$132,000	100%
Component 4)	Guaranteed Educational Loans Capacity:	$ 47,000		$100,000*	

*NOTE: The latter does not mean the state incurs an additional expenditure for loans of $53 million a year. Under the present guaranteed loan system, the state puts up 2 percent of the amount that can be guaranteed in loans to Oregon banks. The amount guaranteed annually amounts to about $8.5 million, which will approximately double under the plan. Alternatively, instead of expanding the present program, total loan capacity could be increased by a state bond issue specifically to finance loans. In that case, the state would go directly into the loan business. Interest income and arbitrage might make the program virtually self-supporting as is the Veterans' Home Loan Program.

The essence of the proposed program is a thorough shift in emphasis. Over a period of eight years some state funds will be shifted from institutional support (Component 1) directly to the students. This will be in the form of Need Grants (Compenent 2), Scholarship Grants (Component 3) or guaranteed loans (Component 4). During that time, the proportion of tax money going to the institutions directly will decrease from the present 98% or more to about 40%, the exact percentage depending on developments during the gradual introduction of the new approach.

More detailed figures on the effects of the plan on Oregon higher education finances are given in the tables at the end of this chapter (summarized on pages 40-42) and in Chapter 5.

The essential rationale for the idea of extensive grants to students is to increase the influence of Oregon students in regard to their education. The students will be able to direct their preferences to any approved institution* of higher learning within the state. As indicated, these institutions will include Oregon public and independent colleges as well as state approved private vocational schools.**

The expansion of the Need Grant program and the concurrent

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*Screening and approval of institutions as recipients of students' grant funds will be conducted by a central agency of the State of Oregon.

**See pp. 32-33 for some background on expanded state aid to private colleges (the "church and state" issue); see pp. 34-35 for some details on the position of private vocational schools.

necessary increases in tuition in the public schools will promote greater freedom of choice for the student and also provide a more equal basis for competition among the colleges. Perhaps the publicly supported colleges will feel most of the change as more and more of their revenues will depend on students' tuitions. While this may, to some extent, upset the status quo at the public colleges, it perhaps is desirable. Competition should tend to place greater emphasis on controlling costs and on supplying quality educational services.

Let us look at each of the four components.

Component 1: Institutional Subsidies, $55.8 million

As we see it, state and local subsidies to public colleges are likely to continue for some time. These subsidies can be justified on the basis of historical precedent, need for special programs, and construction of new buildings. Thus we have proposed, somewhat arbitrarily, that about 40%* of the public state and local tax revenues should continue to go to the institutions. They should, however, be allocated through one centralized planning agency responsible directly to the state legislature. These subsidies would be available only for public colleges. (See EdPlan, pp. 22, 31.)

*Some members of the research team argued strongly that all state aid for post-secondary education should be given directly to citizens and all institutions should become more dependent only upon the market place.

Component 2: Need Grants, $49.5 million*

The present state approach to student aid is three pronged, as is the proposed program. First of all, there are Need Grants, which are based on a student's financial situation. The Need Grant approach will not be materially altered except that many more dollars will be available for it so that most of students' financial needs will be met instead of only a fraction, as is the case now. On the other hand, eligibility for Need Grants will be restricted to undergraduates.**

The increase in tuitions which will take place primarily in the public colleges will eventually cause the Need Grants and other grants to take on the character of vouchers or portable grants. At the present time, state Need Grant amounts for students who attend private Oregon colleges may be up to twice as large as those given to students in state schools. But once tuitions are equalized among the different institutions (at least they will be practically equal by class level--see tables later in this chapter), grants can be standard amounts depending only on a student's personal circumstances and his academic standing.***

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*In our computer simulation we found that the $49.5 million would be sufficient to meet 90% of undergraduate students' remaining needs at the higher tuition level.

**See Chapter 4 for our thinking on the state's role in providing access to undergraduate rather than graduate education.

***Most portable grant and voucher proposals suggest standard amounts given to every student regardless of personal finances. This is an approach that is much more affordable at the elementary or secondary level where attendance is universal, and we are not proposing it here. However, the arguments that can be made for it have some basis in equity, as has the argument for a "birthright grant" to be given to everybody after high school regardless of whether or not they plan to attend college. An appendix with some background on "birthright" thinking is available on request.

These grants will give the students more "purse-string power" over their education. The students, in turn, will be able to direct their preferences to any approved institution of higher learning within the state.

Component 3: Scholarship Grants, $26.7 million

The concept that scholarship and excellence need to be rewarded is preserved. A group of grants called Scholarship Grants will replace and expand the idea behind Oregon Cash Awards.

Under the expanded Need Grant program there will still be financial need at the graduate level (to be financed by loans) and there will be an increased need for assistance among groups other than the usual full-time students between 18 and 24. These are, mostly, adults seeking re-education for a second career or desirous of taking some classroom instruction simply as a way to enrich their lives, without a career objective. Many expect that demand for educational services among these groups will increase. Hence our proposal for the creation of a special group of portable grants called Scholarship Grants.

As a minor branch of the Scholarship Grant program, we propose a type of grant to specifically preserve the concept of awarding excellence (now found in the Cash Award program). The total Scholarship Grant program proposed is therefore as follows.*

*For more details than are given on the following pages, see p. 28.

a. Career Scholarship Grants - $12.5 million

Career SG's are for adults who seek re-education for a specific purpose. Stipends will consist of living allowances ranging between $200 and $300 a month plus tuition vouchers. The grants can be supplemented with income of the student or his family with no penalty.

The purpose here is to aid ambition and to make it easier for adults to spend some time re-educating themselves.

b. Achievement Scholarship Grants - $4.2 million

Achievement SG's are prizes awarded for excellence in any field of endeavor. They will consist of grants for expenses involved in one year of study at any state-approved institution of post-secondary education.

This portion of the SG program seeks to specifically award excellence in any field in the state. To give everyone a fair chance, quotas should be established. We suggest that half of the awards be reserved for people who are not connected as students or teachers with any school.

Any of the award winners will be able to supplement their education without incurring financial burdens, while the institutions will profit from having students with unusually diverse and outstanding backgrounds.

Achievement Scholarship Grants are an expansion of the present Oregon Scholars Program which is a non-monetary award for outstanding Oregon high school seniors. The announcement of the Scholars is one of the high points of graduation ceremonies, but it frequently becomes a hollow gesture when the "scholar" finds he cannot obtain a state scholarship. State Achievement Scholarship Award ceremonies could develop into worthwhile news events.

c. Development Scholarship Grants - $10.0 million

Development SG's serve those adults who would like to take some classroom instruction simply as a way to pursue some special interest and enrich their lives.

Development SG's cover the cost of tuition only. They could be awarded through a distribution formula to be worked out by EdAid. This formula would take into account factors of geography and course content. If demand exceeds supply by very much, some random distribution formula might have to be introduced. (Assuming a tuition of $100 per three credit-hour course, 100,000 Oregon citizens would be able to take one course each year.)

At present there is virtually unlimited access for middle-class adults who want to take college courses. We have little way of knowing how many tax dollars are used. There is no way to adequately differentiate a "socially worthwhile" from a "socially worthless" course for the part-time adult student. Thus we suggest a specifically identifiable budget category for the adult part-time student.

Component 4: Educational Loans - Expansion of capacity to $100 million

The state has already recognized an obligation to help those students who are willing to borrow on their future by providing guaranteed loans. However, the higher levels of tuition under this proposal unquestionably will increase the demand for loan funds, particularly among graduate students. Furthermore, the total amount of loans under the present guarantee program has almost reached the total that can be guaranteed at this point. (OSSC '73, p. 27) The federally Guaranteed Loan Program (G.L.P.) could possibly be expanded but the relatively short term payback period and the heavy reliance that the federal government puts on parental need analysis makes the G.L.P. less attractive.

The need analysis for a loan is also irrelevant when we consider that it is the student, not his parents, who will benefit from the education.

We therefore propose a state run educational loan program patterned after the successful and popular State Veterans' Home Loan Program. The educational loan program would be expected to generate sufficient revenues to pay the cost of its operation, although state backing would be needed for the bond issues used for loan funds. That way three categories of students would be aided:

1. Students of parents who object to providing the financial information presently required.

2. Students whose parents will not contribute the amount that they "should" according to financial need analysis.

3. Students who are in training programs which have high cost instruction with good salary prospects, such as medical, business and law students.

Such a loan program should have a feature allowing partial or total forgiveness by graduates who help meet specified needs of the State of Oregon and its citizens (e.g. medical school graduates who choose to practice in specified rural areas). (See page 29, State Educational Loans.)

It is this component that would require new legislation.

Administration

In accordance with the changes in the direction of funding, there will be changes in the composition of state agencies concerned with post-secondary education. The public colleges will become more

autonomous, yet the state agencies will be much more involved in Student Aid.

The present State Scholarship Commission will need to be expanded. To convey its new, more extensive function, we have renamed it the Educational Aid Commission (EdAid). EdAid will handle the administration of all state government aid to individuals for post-secondary education, which includes portable grants and loans. (See page 30.)

While EdAid will fill the needs of individuals, another agency is required to make sure the needs of society are fulfilled. This would be, in our plan, an expanded Educational Coordinating Council. We have called it the Educational Planning and Research Agency (EdPlan). EdPlan will deal with the broader issues concerning state aid to post-secondary education. It will develop policies and procedures, disseminate information, handle state accreditation of institutions, and allocate institutional subsidies. (See page 31.)

The Expanded Career Information Service* will need to be closely nurtured and perhaps given legislative authority to collect and disseminate accurate information for individual decision making. This recently formed office makes available career and college information to Oregon citizens through easily operated teletype terminals located in local high schools and selected junior colleges. (See pages 37-38.)

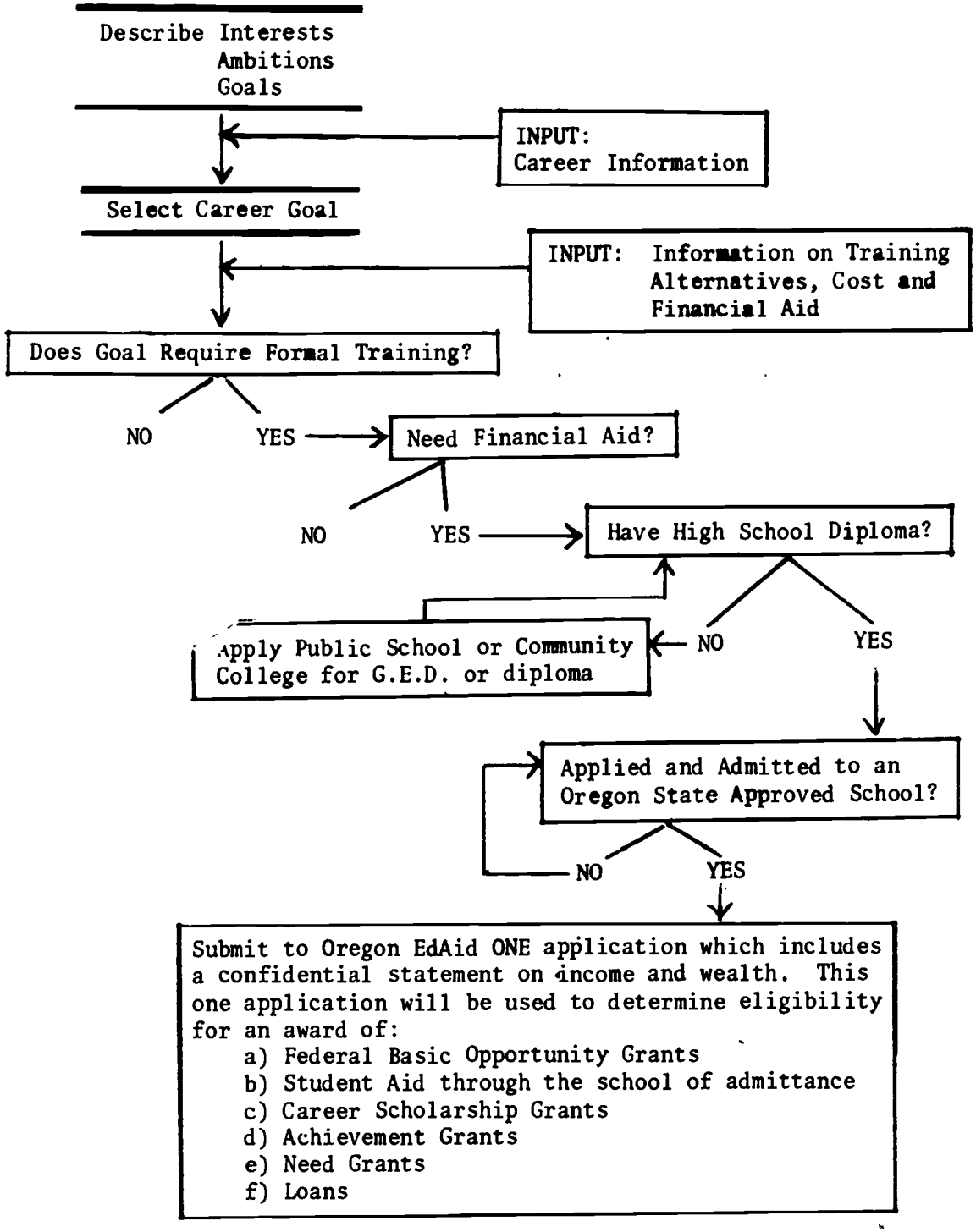
*State headquarters of the Expanded Career Information Service is Hendricks Hall at the University of Oregon, Eugene.

A summary flow chart of the most important features of the proposal is printed on the next page. Further operational details of the program are contained in the section following the flow chart.

SIMPLIFIED FLOW CHART

The new Oregon System of
CAREER CHOICE and STUDY FINANCING

Concerns Oregon Residents Only
(Does not include Development SG's)



For those who are interested, the following section provides details on:

Need Grant procedures

Scholarship Grant procedures

State educational loans

Duties of EdAid

Duties of EdPlan

Need Grants
Details on Eligibility and Application Procedure

All eligible applicants must have the following qualifications:

1. They must have been Oregon residents for at least two years preceding the date of their application or they must have graduated from an Oregon high school.

2. They must be high school graduates but not 4-year college graduates.

3. They must file an application with Ed Aid. Scope of the application will vary according to the age of the student and the extent of his desire for financial aid.

a. students under age 24

a.1. Dependent students under 24 who want to cover more than half of their needs* by means of a need grant will have to provide full details concerning their parents' financial positions, as this is done now via the Parents' Confidential Statement

a.2. This leaves students who are under 24 but self-supporting or married, and students under 24 who are dependent but unwilling or unable to provide the details on parental income.

All of these can apply for a need grant as individuals without regard to parental income, dependency or their own marital status. However, the amount of their need grant cannot exceed 50% of their remaining need. If they need more than that amount they can apply for a loan to cover the remainder.

The standard need figure used by Ed Aid in these cases will not vary according to declared independence or marital status.

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*Needs are defined as total cost (minus self help plus expected parents' contribution plus other aid). An alternative to "half of needs" could be a maximum amount of dollars per student, determined by the state.

Philosophy: The state does not need to subsidize marriage or the desires of individuals to gain personal independence. Having higher awards for declared independent students could have this consequence, or it could cause pseudo-breakup of families in the same way the AFDC welfare programs have. Any of these students can be aided on a limited, impartial basis which will at least give them a start towards their study goals. If they want to seek loans to cover the remainder of their needs, they can do so.

b. Students over age 24*

Undergraduate students age 24 or over will be considered independent of their parents. The method for calculating their need for portable grant funds is the same as the one used for the under 24 students under "a.2" above.

It should be remembered that state Need Grant as well as Scholarship Grant programs will be largely supplementary to present federally funded programs, except as they apply to people in certain middle-income groups who are presently ineligible for such programs but who need help. For the greatest number of students, then, Need Grants will be in addition to, for instance, BEOG's which many expect to cover up to $1,400 of the cost of college attendance in future years. However, state Grant funds and loan aid both will tend to be more generous for those whose family income is too much for them to qualify for aid now, yet does not make college attendance a realistic possibility.

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*The rationale behind the age 24 cutoff standard is that normally it is possible for people to graduate from high school and be in their college senior year by the time they reach 22. However, we do not want to penalize people who have put in a couple of years of voluntary service, travel or work between high school and college or some time during their undergraduate years.

Scholarship Grants

Details on Eligibility and Application Procedure

1. Eligibility for any type of SG will be limited to Oregon residents of 2 years' standing. Applicants for the first two types of SG's must have worked in a non-school setting for at least five years.

2. Applications for Career SG's will center on an applicant's motivation and goals. He will provide the following information:

a) The goal he has set for himself and the importance of that goal to him.

b) How his study plans will help him achieve his goal.

c) How he feels his accomplishing this goal will benefit his fellow-workers, his community or his state.

d) A brief outline of his anticipated need for assistance.

The application will be reviewed by a citizens' panel composed of educators, businessmen, and concerned citizens. They will assign his application a priority in the applicant pool for the local area. Appeals can be made to Ed Aid.

3. To be considered for an Achievement SG, an individual may be nominated by three fellow citizens. Nominations will be judged and awards made by regional citizens' panels nominated by Ed Aid.

4. Applications for Development SG's will consist simply of an individual's depositing his name in a pool of applicants for his area before the start of each term. If selected, he will receive a voucher good for tuition for one course at any state-approved institution. Ed Aid will administer the program. The voucher will be good for one year. A winner cannot enter his name again for a set period of time, which can be determined on the basis of demand and supply, as well as on budgetary factors. In the distribution formula applied by EdAid, each institution should be assured of a certain minimum number of Development SG's in order to be able to plan for faculty and space.

State Educational Loans

Details on Administration

1. Loan needs of each applicant will be reviewed annually. EdAid, in its communications with loan recipients, will include data on the total amount of loans received, the maximum amount the recipient can borrow yet during the course of his studies, and the anticipated minimum monthly payments after the grace period. The grace period will be the first two years after a student completes his studies.

2. Determinations concerning loan amounts will give more weight to a student's anticipated earnings in later life. For most undergraduate students we feel that an upper limit of $6,000 on the total amount borrowed will be adequate and prevent unmanageable debt burdens. For others, particularly those who may reasonably anticipate high earnings--medicine, dentistry,* possibly law and business--amounts can be higher, up to $50,000. These payments could be spread over periods up to 25 years, as is done for other major investments such as homes.

3. Loan forgiveness features can be tied to special areas of state interest. For example, loans to doctors can be forgiven in return for a certain number of years of practice in areas that have low physician to patient ratios, particularly rural areas and low-income districts of Portland.**

4. Medical and dental students who fail to complete their programs will also be allowed to have all or part of their debt forgiven by service in a high need area at their level of competence.

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*Medicine and dentistry have been left out of the projections in this report. This does not mean they should be outside of its scope; it was done to simplify the figures. As was explained in the introduction, we feel that higher education should be priced on a full cost basis. In view of students' high earnings expected later, this goes for medicine and dentistry also. We expect reliance on loans in this area to increase considerably, but what would be large debt burdens to most people should be quite manageable to most doctors and dentists.

**Experience with loan programs of this type in other states indicated that only two thirds of participating physicians actually went into the need areas. The others elected to pay off their obligation, which provided new loan funds. Some concluded that this meant the programs failed, but this may be incorrect. (See an Oregon State memo of September 19, 1972 to Robert W. Smith, from James E. Sexson).

Duties of the Educational Aid Commission (EdAid)

Essentially, this Commission represents an expansion of the present State Scholarship Commission. Its basic function is to administer citizen based educational aid programs.

1. Perform all present duties of the State Scholarship Commission.

2. Administer all Oregon grants to individuals for post-secondary education (e.g. Components 2 and 3).

3. Coordinate federal and state portable grant programs. The agency will seek to administer the federal Basic Educational Opportunity Grants in Oregon.

4. Administer State educational loan programs (Component 4).

5. Develop and maintain a need analysis system for administering state aid programs and other student aid at public institutions.*

6. Coordinate institution based and citizen based student aid to maximize federal dollars coming to Oregon.

7. Report to the legislature on aid equity (i.e. the relationship between aid received by students and their family incomes).

---

*The portable grant program, it is true, will considerably increase the number of student aid applications to be processed. However, counter-balancing this increase in paper work will be a relative decrease brought on by a centralized and more rational determination of student budgets and awards based on one application. (For background on this, see Chapter 3.)

Duties of the Educational Planning and Research Agency (EdPlan)

This agency is essentially an expanded Educational Coordinating Council. Its basic function is to monitor and plan for post-secondary education.

1. Perform all present duties of the Educational Coordinating Council.

2. Monitor, project and set enrollment limits for institutions to prevent short term disruptive shifts and to assure some degree of accuracy in planning for faculty and space.

3. Make recommendations concerning the establishment or termination of educational programs.

4. Provide grants to public institutions (Component 1).

5. Collect and disseminate cost information on all institutions which benefit from state support.

6. Make recommendations concerning institutional and student subsidy levels to the legislature.

7. Sponsor the Education and Career Information Service.*

8. In cooperation with the Attorney General, enforce regulations governing trade practices. Particular attention will be given to combating practices which restrict competition among the institutions. Examples are price-fixing, charging tuition which does not reflect at least the cost of the education, and false advertising.

9. Investigate and recommend procedures to be adopted at institutions. Examples would be standard accounting systems (to make cost pricing more comparable) and centralizing institution-based student financial aid.

10. Set standards for state approval of all post-secondary institutions.**

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*See pages 37-38. This system is expected to be self-supporting, but this has not been verified yet. We feel the ECIS system is important enough that the state should be prepared to at least guarantee its operation.

**The awards to Oregon citizens of need grants and scholarship grants will be valid only at these state approved institutions.

The following section provides more details on three issues about which the reader may have questions by this time. They are:

Church and State

At some time this program may be interpreted as a scheme to channel state support to religious schools. Since this is an issue which evokes much sentiment, we have allowed ourselves to digress a bit from the main theme to deal with this issue squarely.

Let us say first of all that the customary rationalizing argument for state-support of religiously affiliated schools (the "uniqueness" argument) has lost much of its validity. If such schools once offered curricula steeped in more humanistic, traditional values, few of them do so today. This is because, in their struggle to compete with the low tuition state-supported colleges, they have largely copied the curriculum and practices of the latter. As a result, we think one would be hard pressed to find real differences in character between Lewis and Clark College or Willamette University on the one hand and Portland State University or Southern Oregon College on the other--without considering the size of the institutions.

Religion, in any discussion of this program, is pretty much of a red herring. Most "religiously affiliated" colleges today are glad to attract students of any religious denomination, and the chances of such students becoming converted to the creed of the college's affiliation are easily exaggerated.*

*The Supreme Court recognized as much in June, 1971, when it declared unconstitutional state laws giving aid to elementary and secondary parochial schools but upheld a Federal law providing construction funds for private--including church related--colleges. Noting the "skepticism of the college student," Chief Justice Burger held that they were considerably less likely to be indoctrinated than were elementary and secondary school students.

The precautions which the state will need to take in its dealings with private colleges will be essentially those now used by the Oregon State Scholarship Commission in its grants to Oregon students attending Oregon Independent Colleges.

Proprietary Schools

One hoped-for effect of this program of granted education will be a broadening of students' alternatives after high school. While the program will make private 4-year colleges more accessible and the public colleges more aggressive, quite possibly it will also stimulate more growth in the group of schools known as proprietary.

Proprietary schools can be defined as privately-owned and operated institutions providing vocational instruction for a fee which includes a profit for the owners. In 1972 the Oregon proprietary schools enrolled approximately 8,300 students. At first glance this makes them as a group comparable in importance to the Oregon independent colleges. The latter had 10,700 students enrolled in 1972-73. But since the programs offered by the proprietary schools typically are of less than a year's duration, they serve a greater number of students overall.

Jobs for which proprietary schools train students include the occupations of accountant, secretary, computer operator, medical assistant, beautician, pilot, mechanic, heavy equipment operator and barber. In short, they offer vocational training for very specific purposes. Some of that job oriented training is hardly different from that

*For a more extensive treatment of this topic, see Chapter 2 or request a copy of the technical appendix to this report entitled, "Private Vocational Schools and Community Colleges," from which the data in this section are derived.

offered in public colleges in Oregon (e.g. computer programming).

The Federal government has already recognized proprietary schools. Last year over 2½ million dollars of Federal money came into these Oregon schools via several programs, the most important one being the G.I. Bill.

Thus a good argument can be made for following the Federal government's lead and allowing state grants to be used at the proprietary schools. Naturally, in practice, such an inclusion cannot be automatic. State approval by EdPlan would be necessary.

Consumer Information

Some critics will suggest that market mechanisms in the real world often are hampered by a lack of information, and that this especially applies to education. It is all very well to say that students, when given some degree of financial independence, will make rational choices and so make the educational system respond to their needs and those of society. But most students have an incomplete picture of their alternatives, whether in career choice or in schooling. We are convinced that more complete information about college and jobs is essential to the proposed program.

The necessary groundwork for more complete information has already been done. Funded by a federal grant, a team at the University of Oregon is expanding the existing Career Information System (which is already used in many Oregon high schools) to include information on educational alternatives.

A person interested in defining his future career can presently do so by computer terminal from a variety of locations, including most high schools in the state. He can start at a very basic level, by answering a number of questions concerning his skills, abilities, desired income and intentions of pursuing additional schooling. Following this, the computer will describe a number of career alternatives to him, based on the information he provided. Out of these career alternatives he can then pick the ones that interest him the most. Within the next few months education and training information will

also be incorporated on the computer program. Along with information on schools and on available financial aid, the computer will also provide sources of further information for the Oregon student.*

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*A more complete description of this system can be found in the technical report titled "Information Availability and College Seeking," available upon request. The current status of the education "file" can be found by writing or calling:

Office of the Director
Career Information System
Hendricks Hall
University of Oregon
Eugene, Oregon 97403

SUMMARY

Computer Simulation

SUMMARY - Computer Simulation

The tables in this section are condensed versions of tables found in Chapter 5 which present the development of fund applications during all four introductory stages of our plan. Chapter 5 also provides more background on the methodology of the simulation. The tables in this section, however, are limited to contrasting the present situation with the final stage (Step 4) of the introduction of the plan. Since Steps 1 through 3 are supposed to last one biennium each, Step 4 will be reached after six years of graduated increases in both tuition and student aid funding. (Note that all figures are for a 3-quarter term, 9 month academic year, September to June).

During the successive steps of the introductory period, increasing amounts of state funds would be given to Oregon citizens in the form of grants. Under our proposal, these state grants would be money that previously had gone directly to the public colleges. Thus the public colleges would be forced to increase their tuitions in order to cover their expenses (Table I-2). Under our proposal, approximately $76.2 million would be available annually by Step 4 (Table I-3).* This $76.2 million is the limiting amount for the various portable need grants and scholarship grants (Table I-6). Our computer simulation was programmed to meet 90% of resident undergraduate student need. The remainder of the $76.2 million was used for scholarship grants.

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*Most but not all of the money derived from decreases in direct support of colleges as per Table I-3 will be state general fund money. Some will be local funds. See Chapter 2 for more details on colleges' sources of funds.

The college tuition increases which would amount to $76.2 million will not cause financial need among students to increase by the same amount but by a lesser one, which is the difference between the initial unfilled need (about $17 million) and the calculated unfilled need in Step 4 which amounts to somewhat over $68 million. The tuition increase of $76.2 million has only increased need by the difference between these two amounts, or $51 million (Table I-4). $54.4 million of the total $68 million need present among all students in Step 4 is need among resident undergraduates (Table I-4). This group, the one that is eligible for Need Grant support, makes up three-quarters of the students at all Oregon colleges (Table I-5).

We recommend that by Step 4 65% of the $76.2 million that has become available for alternative funding be used for Need Grants. That way, the total amount of the expansion in Need Grants will be approximately $49.5 million. The remainder will be spent on the three types of Scholarship Grants (Table I-6). The amount of Need Grant money will therefore cover over 90% of the $54.4 million in need which will be present among resident undergraduates in Step 4 (Table I-7).* We recommend that graduate student need be met through long term loans.

*The reader may wonder why, in view of the amount of funds that has become available, we should not be able to cover 100% of these students' needs. One answer is that it would not be practical. To cut down on administrative expenses we should probably set a minimum amount below which no Need Grant will be given. This will cause some individual students' needs which fall below this amount to remain unfilled. In addition, the requirement that self-supporting students cannot receive more than 50% of remaining need as a Need Grant and the upper age limit of 24 will produce some unmet need.

The financial need figures in Table I-4 provided the basis for estimating minimum loan needs. Total resident undergraduate financial need not covered by Need Grants is expected to amount to $4.9 million (Table I-7). Graduate financial need (exclusive of medical and dental students), which will not be covered by Need Grants, is expected to amount to $8.7 million (Table I-4). However, only about 60% of graduate students are residents. Assuming that the state loans will be available only to residents, graduate financial need to be covered will amount to $5.2 million. The increase in total of undergraduate and graduate needs to be covered by loans therefore amounts to $10.1 million per year.

The present total loan guarantee capacity is less than $50 million. The total amount outstanding is close to that but is expected to stabilize soon. Currently, about $8.5 million in loans is being guaranteed each year.

Assuming an approximate doubling of that amount, we suggest similar expansion of the state-run loan program. The loans could be of two types. Type 1 could be an expanded version of the current loan guarantee program. Type 2 could be a Long Term Income Contingent Repayment loan payable over 20-30 years.* The Type 2 loan would be used primarily by students who expected higher earnings as a result of their schooling--probably graduate students primarily.

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*This doubling in long term loans is a minimum. Capacity should be increased beyond this if there were higher tuitions at medical schools and long term loans for medical and dental students. Another reason for having a total capacity exceeding the $100 million arrived at by conventional need analysis would be to provide recourse for students whose parents do not contribute according to the standards which are presently applied by financial aid officers. The high levels of these expected contributions from middle-class families are beginning to draw criticism (Chapters 3 and 4).

Table I-2

AMOUNT AVAILABLE FOR ALTERNATIVE FUNDING PER STUDENT DUE TO TUITION INCREASES

	Tuition Levels per Student		Resulting Funds Available per Student
	Current (1972-73)	Step 4	Step 4
Community Colleges			
All students	$ 300	$1,300	$1,000
4-Year State Institutions			
Lower Division, in-state	520	1,300	780
Lower Division, out-of-state	1,600	1,400	(200)*
Upper Division, in-state	520	1,500	980
Upper Division, out-of-state	1,600	1,600	---
All Graduate Students	760	2,400	1,640
4-Year Independent Colleges			
All Undergraduates	1,600	1,600	---
All Graduate students	1,600	2,400	800

*( ) = Decrease

Table I-3

TOTAL AMOUNT OF FUNDS AVAILABLE FOR ALTERNATIVE FUNDING DUE TO TUITION INCREASES

(Based on 1972-73 Enrollment)

	FTE Enrollment 1972-73	Funds Available in Step 4 per student in dollars	Funds Available in Step 4 Total in $1,000
Community Colleges			
All Students	34,738	$1,000	$34,738.0
Total, Comm. Coll.	34,738	(ave) 1,000	34,738.0
State System Schools			
Lower Division, in-state	19,863	780	15,493.1
Lower Division, out-of-state	2,837	(200)	-567.4
Upper Division, in-state	16,079	980	15,757.4
Upper Division, out-of-state	2,365	---	---
All Graduate Students	6,148	1,640	10,082.8
Total 4-Year State	47,292	(ave) $ 862	$40,765.8
Total All Public Colleges	82,030	(ave) 920	75,503.8
Independent Colleges			
All Undergraduates	9,839	---	---
All Graduate students	856	800	684.8
Total Independent	10,695	(ave) $ 64	$ 684.8
Grand Total	92,725	(ave) $ 822	$76,188.6

Table I-4

FINANCIAL NEED AT TWO TUITION LEVELS
WITHOUT EXPANSION OF STUDENT GRANTS

Financial Need in $1,000*	Level of Tuition		Total Difference
	Current	Step 4	
In-state, lower division	$12,480	$43,913	$31,433
In-state, upper division	1,455	10,503	9,048
Total in-state undergraduates	$13,935	$54,416	$40,481
Out-of-state, lower division	2,078	4,490	2,412
Out-of-state, upper division	553	553	---
Total out-of-state undergraduates	$ 2,631	$ 5,043	$ 2,412
Total, lower division	14,558	48,403	33,845
Total, upper division	2,008	11,056	9,048
Total, all undergraduates	$16,566	$59,459	$42,893
Total, Graduates	490	8,737	8,247
Total, all students	$17,056	$68,196	$51,140

*After subtraction of present or expected parental support, whichever is highest, present level of aid at the colleges (which is largely of Federal origin) and standard self-help. "Present level of aid" includes some portion of Need Grant money dispersed under present program and ignores certain college aid granted after the term began. These relatively small amounts should cancel each other.

Table I-5

POTENTIAL ELIGIBILITY FOR NEED GRANT SUPPORT
by Type of Institution Attended

Base: 1972-73 Enrollment*	Community Colleges (34,738)	4-Year Public Colleges (47,290)	4-Year Indep. Colleges (10,695)	All Colleges (92,723)	FTE Students
	%	%	%	%	
In-state, Lower division	82	42	25	55	50,988
In-state, Upper division	--	34	16	19	17,617
Total, Eligible Students	82%	76%	41%	74%	68,615
Out-of-state, Lower division	13	6	31	12	11,127
Out-of-state, Upper division	--	5	20	5	4,636
All Graduate Students	5	13	8	9	8,345
Total, Ineligible students	18%	24%	59%	26%	24,108
TOTAL	100%	100%	100%	100%	92,723

*FTE (Full Time Equivalent), not headcount enrollment.

Table I-6

BREAKDOWN OF GRANTS TO OREGON CITIZENS BY TYPE
IN STEP 4 of PROPOSED PLAN

	In $1,000	In Percentage
Available for Alternative Funding	$76,189	100%
Available for Need Grants	$49,523	65%
Available for Scholarship Grants	$26,666	35%

Table I-7

NEED GRANTS' COVERAGE OF IN-STATE UNDERGRADUATE FINANCIAL NEED

	Present	Step 4
Total need before Need Grant expansion	$13,935	$54,416
Need Grant expansion by State	---	49,523
Remaining unmet need	$13,935	$ 4,893
Percentage of need met by expansion of Need Grant program	0%	91%
Percentage of remaining unmet need	100%	9%
	100%	100%
Number of eligible students		68,615
Average additional Need Grant available per eligible student	---	$722
Average amount of remaining unmet need per eligible student	$203	$71

CHAPTER 2

POST-SECONDARY EDUCATION IN OREGON: PAST AND PRESENT

Summary

By any objective standard, Oregon citizens can well be proud of their colleges and universities. They are good to excellent. There are many to choose from. It is easy to enter Oregon post-secondary education and college attendance is high. Oregon colleges have costs of operation which are lower than the national average.

Nevertheless, there is room for improvement. Paradoxically the state and local tax rates for post-secondary education are relatively high.* And the local property tax which provides about a third of the revenue for the community colleges is unjust. There, as in the support of primary and secondary education, there is virtually no relation between the relative tax effort per $1,000 of property and the amount available per student.

The existence of public and private institutions of higher learning today is indicative of the needs and wants of society at different times in our history. Originally, the private college dominated, usually with a church connection. But increasing concern about professional training led to the establishment of a new type of college, the secular and public. Except for offering the practical training that the expanding economy called for, the public college emulated the private college for a long time. But eventually the public institutions came to dominate and became the model for the

*In post secondary education as in other areas Oregon citizens tax themselves at relatively high rates yet those tax rates provide relatively low levels of support per student.

private colleges. Many of the latter, striving to compete with the low-cost, subsidized public institutions have become virtual mirror images of them. Therefore, the terms public and private as applied to different curricula have lost most of the real meaning they once had. Consequently, similar educational and economic benefits can be derived from studies at either type of institution. It may be proper to grant public money to institutions in either category, as is in fact already done to a slight extent. When no attention is paid to the identity of the original sponsors of public and private colleges, it can be seen that most provide pretty much the same education.

Yet the students apparently perceive the various types of institutions as quite distinct from each other. Some indication of this is found in the fact that the student populations in each type of college have different characteristics and expectations. The peculiarities inherent in the different financing methods used in post-secondary education may have something to do with this, as may other factors such as the reputations gained by individual institutions in years past.

The final section of this chapter contains summary descriptions of "typical" students in each type of institution, public and private four-year, community colleges, and private vocational schools.

The Early Years: Dominance of the Private Colleges

Historically speaking, secular, publicly funded institutions of higher education are relative newcomers. From colonial times until well into the 19th century the predominant form of college was the classical-sectarian model. This type of college can be characterized as follows:

1. It was tied to its local community and to the orthodoxy of the particular religious sect of that time and place.
2. Its curriculum reflected a determination to educate the whole man rather than just the intellect. Substantial dosages of classical language, moral philosophy and mathematics were standard items of instruction. (Science was not unheard of but was very subordinate.) Frequently the college maintained nearly total control over the student's personal life.
3. With rare exceptions, professional training in the industrial and agricultural sciences was not offered.

(See Bailyn 1960, Brickman 1972.)

Through the years, institutions had largely depended on grants from private donors, which often included land donated by local communities. This was not as strange as it may sound now; most communities were then marked by a high degree of ethnic and religious homogeneity and did not interpret their support of a church-affiliated college as a violation of the doctrine of church and state separation. To someone living in the early 19th century, our present insistence on total separation of church and state might have seemed a bit obsessive.

The lack of specialized training for managers in America's industries and the private colleges' lack of interest in agricultural education and research were what fueled the drive for passage of the Morrill Act in 1862. Up to that point, there had been no systematic attempt at non-sectarian funding at either the state or the federal level. The Morrill Act, which promoted the establishment of the Land-Grant college, marked the start of publicly-supported higher education in the United States.

Higher education in Oregon began with the founding of private church-related schools and academies in the late 1840's. Willamette University appeared in the 1850's and by 1911, according to newspaper reports of the time, Oregon became known as the state of the small college.

The earliest trade school in Oregon was a night school for adults which opened in 1884. By the early 1900's several more had begun and by 1972 at least 165 private vocational schools were based and operating in Oregon.

Several of the early public institutions of higher education began as private religious academies or colleges. For example, Oregon State University, designated as the land grant institution of the state in 1868, began as Corvallis College, chartered under the auspices

of the Methodist Episcopal Church South. The church fathers retained some control of it until 1885. The state colleges in Monmouth, Ashland, and La Grande also originated as private denominational institutions.

Dominance of the Public Schools

The passage of the Morrill Act reflected the unfilled need for education to serve America's developing industries and agricultural base. In addition to these factors, there was a general effort after the Jackson period to strip away the trappings of the old order. The concepts representative of the land-holding semi-aristocracy seemed to be expressed most fully in the classical curriculum of the sectarian colleges.

Nevertheless, the private colleges, having acquired the reputation of providing a more traditional, humanistic education continued to attract students and remained in fact dominant well into the 20th century. But slowly the base was built for the post World War II dominance of the public institutions.

World War II was the turning point in the growth of public colleges. Congress passed the G.I. Bill, which provided money for veterans' schooling. This resulted in a massive increase in demand for post-secondary education.

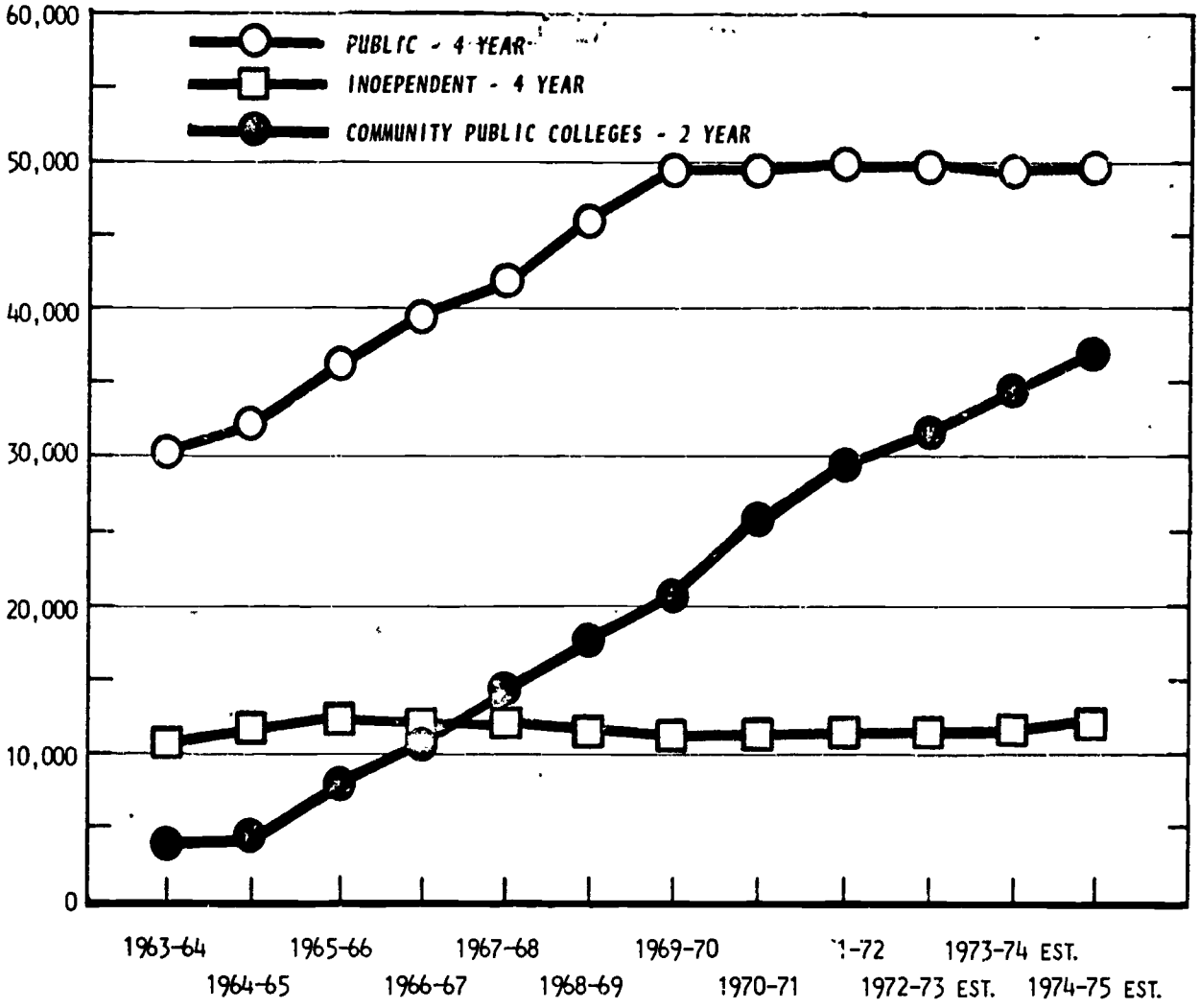
In several states, including Oregon, the legislatures responded to the demand by rapidly increasing their appropriations for the public colleges. At this time independent colleges were often unwilling to expand, or else chose to expand at a slower rate than the publicly supported colleges. The public college growth was especially

pronounced in Oregon and other Western states. That growth continued in the public colleges during the sixties so that in 1970, Oregon's independent colleges, in terms of their share of enrollment, were only half as important as they had been ten years before (see graph II-1).

Graph II-1

STUDENT ENROLLMENTS IN OREGON COLLEGES

(Average FTE), 1963 to 1974



State financial policies were partly responsible for the relative decline of the independent private colleges. Public college

tuition was deliberately kept low; thus the average difference in tuition between Oregon's public and independent colleges increased significantly. At the beginning of the sixties independent college tuition averaged 2½ times the average charged at public colleges. Ten years later it was 4½ times.

Federal policies also played their part in the relative decline of Oregon's private colleges. For example, the Korean War and Vietnam G.I. Bills provided maintenance grants rather than tuition grants, in contrast with the earlier World War II G.I. Bill.* This change, along with the increase in private college tuition, undoubtedly influenced the shift of veterans away from the private sector (Cheit 1971 and Jellema 1971).

The independent colleges found themselves in a difficult situation. The rising cost of education and the direction of government funding forced them to raise tuition to higher and higher levels. At the same time, the increasing distance between tuition charges at the private colleges and public ones created a considerable incentive for students to choose the latter. The ways in which most private colleges chose to cope with this development have been summarized as "The Homogenization of Higher Education" (USO 1971,** chapter 4). As public

*Maintenance grants meant that the students themselves now felt the bigger bite that private college tuition took out of their budget, when before the Federal government had paid tuition directly. See paper by Mike Guy, The G.I. Bill: Its Origins and Impact on Higher Education, 1972, available through Consumer Research Center.

**U.S. Office of Education. This is also referred to as the "Newman Report."

colleges expanded their curricula to include a wide range of both professional training and liberal arts education, the independent colleges did the same. When in earlier years the private colleges had set the standards in higher education, they now competed directly with the public schools by offering opportunities for training which were very similar, if not identical. Some observers have stated that whatever uniqueness the private schools might have offered in training and/or environment has been deleted in fair measure by the need to survive (see Cheit 1971, Jellema, 1971).

Most of Oregon's independent colleges continue to exist. Several have been in financial difficulties over the past several years.* Since 1969, most of these colleges have received a limited amount of state aid. This state aid, which has been increased yearly since its inception, will amount to about $1.5 million annually at $350 for each FTE Oregon resident this year.

Post-Secondary Education - Oregon 1972

Oregon has many schools in relation to its population; 48% of Oregon's 18-21 year-olds were in college in 1970. (See Carnegie Commision, Capitol and the Campus, 1971.) Attendance in college is a function of several variables including available space, distance from home, ability to get in, and cost of attendance. Oregon's colleges are well located in relation to the population.

Propinquity is an important determinant of college attendance,

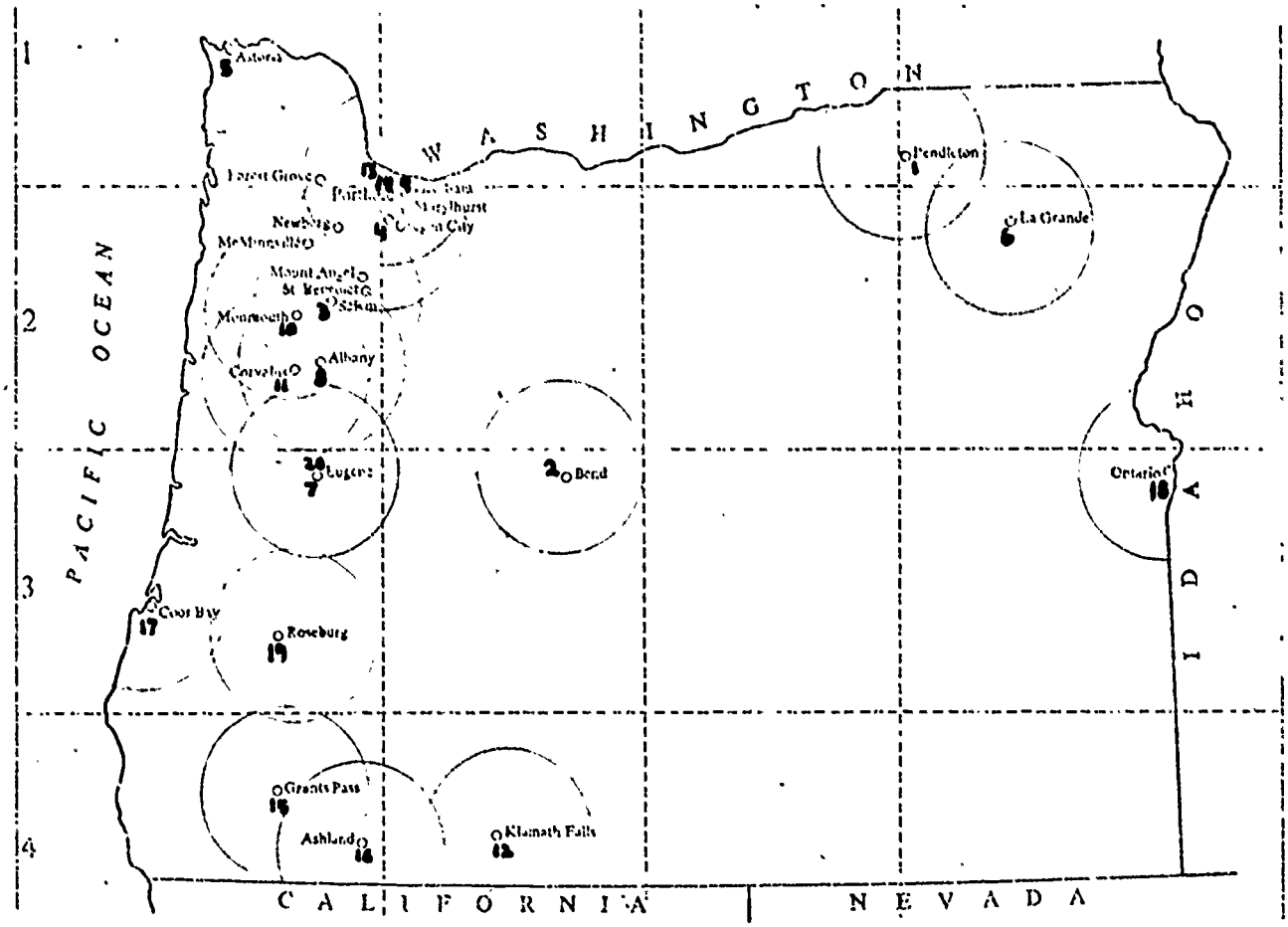
*See Issues of Grants and Loans, 1971.

and in graph II-2 on the next page we have placed a 30-mile radius circle (estimate of maximum feasible commuting distance) around each of the public colleges. One can surmise from the graph that the distribution of public colleges follows the distribution of Oregon's population quite closely. In fact, except for The Dalles and Baker, residents of every Oregon city with a population of 10,000 or more have a public college within commuting distance, and residents of many smaller towns do also.

Willingham (1970) indicates that about half of Oregon's population lives within commuting distance of a free-access college, but he underestimates Oregon reality for he considers only community colleges as free-access colleges. In fact, every Oregon public college accepts most Oregon residents. Only three public universities require more than a 2.0 GPA (C average) and a high school diploma. And those three require only a 2.25 GPA, and that in fall term only. In addition, according to The College Handbook, six of the independent Oregon colleges admitted 85% or more of those applying and the other independent colleges admitted 67% of those applying. Thus, most Oregon colleges, unlike those in California and many other states, have what we choose to call de facto open admission. There is available college space within commuting distance for the vast majority of Oregon citizens, even though in many areas the full spectrum of colleges--two- and four-year, private and public--is not available.

Graph II-2

GEOGRAPHICAL DISTRIBUTION OF OREGON'S PUBLIC COLLEGES



1. Blue Mountain Community College
2. Central Oregon Community College
3. Chemeketa Community College
4. Clackamas Community College
5. Clatsop Community College
6. Eastern Oregon College
7. Lane Community College
8. Linn-Benton Community College
9. Mount Hood Community College
10. Oregon College of Education
11. Oregon State University
12. Oregon Technical Institute
13. Portland Community College
14. Portland State University
15. Rogue Community College
16. Southern Oregon College
17. Southwestern Oregon Community College
18. Treasure Valley Community College
19. Umpqua Community College
20. University of Oregon

Circles approximate a thirty mile radius.

In the past a variety of demands has been made of the state legislature with regard to higher education. In response to these demands, four different executive agencies have developed, each of which deals with its own specific aspect of Oregon higher education.

1. Statewide Coordination

Statewide coordination of educational matters has been the responsibility of the Educational Coordinating Council. This council, created in 1962, brings together representatives of the public at large and of state and private schools. It was given the task of preparing a master plan for the Oregon State System of Higher Education.* It is intended to function as a coordinating advisory body to all educational institutions in the state, both public and private. It aids in formulating educational policy, makes recommendations concerning educational programs and publishes a considerable amount of research on specific problems related to post-secondary education. Its concentration on research and on its advisory role put it in a somewhat disadvantaged position vis-a-vis other state agencies, however, This is particularly evident in its lack of budgetary control.

On the board of the ECC are members from the Oregon independent colleges and the private vocational schools, as well as representatives from the State Board of Higher Education and the State Board of Education.

*This plan is contained in Education Beyond the High School, A Projection for Oregon, ECC Oct. 7, 1966. See also Goals, Guidelines and Recommendations for Education in Oregon (1969). As this report was being written, the ECC staff was preparing a new master plan. ECC has also published a listing of courses of study and degrees offered (see Westine, 1971).

2. The State Board of Higher Education

In 1929 Oregon was a leader in moving towards centralized control of public higher education. The legislature established the Oregon State Board of Higher Education and its administrative arm, the Department of Higher Education (Byrne, 1940). Before, each public college had pretty much set its own policies, although the University of Oregon and Oregon State had made agreements to reduce curricula duplication.

Presently, the Oregon State Board of Higher Education receives its appropriation from the legislature and determines policies for the seven public four-year colleges. Its jurisdiction includes such things as curricula, tuition, transfer, staffing, finance and buildings. The Board is composed of eleven members appointed for six year terms by the governor with the concurrence of the state senate. The statutes establishing the Board charge it with the ultimate responsibility for managing the affairs of the publicly supported four-year institutions. To assist it in carrying out its responsibilities for the state system, the Board employs the Chancellor and his staff as its administrative arm. This Board is separate and distinct from the Board of Education which coordinates community college policies.

3. The State Board of Education

The State Board of Education, operating through its administrative arm, the State Department of Education, supervises public schools from elementary through the community colleges. All of these schools are organized into districts. Each district has a locally elected

board to which teachers and administrators of the schools are responsible. In turn, all the districts operate within the policies established by the legislature as elaborated and interpreted by the State Board of Education. Furthermore, the State Board of Education coordinates requests, sets priorities, and submits to the legislature a budget which includes state assistance for the above-mentioned public schools. A separate part of this budget is for community colleges. In this report we are concerned only with post-secondary education, so we must ignore a large part of the board's work.

Community colleges may be established by the residents of an area who are not, in the opinion of the State Board of Education, adequately served by an existing community college or private school and who can provide adequate facilities before classes begin. The area's enrollment in grades 9-12 must be at least 1,500.

In recognition of the fact that community colleges are financially supported by appropriations from the state's general fund and by local property taxes, both the state and the residents of the tax district in which the institution is located exercise a voice in the governance of community colleges.

Another office in the Department of Education is responsible for the state supervision, such as it is, of the private vocational schools.* Much of this work is done under contract to the federal

*The Oregon Student Public Interest Research Group plans to publish in 1974 a study of certain private vocational schools in the Portland area, together with recommendations for changes in the law.

government. (The Veterans Administration is especially interested that G.I. Bill monies be spent only in bona fide schools.) The State Department of Education checks on the private vocational schools both for state purposes and for the federal officials.

The State Board of Education is also responsible for the setting of standards and policies concerning the publicly supported elementary and secondary schools.

4. The State Scholarship Commission

The Oregon State Scholarship Commission, established in 1959, originally was given the task of channeling state scholarship funds to students of superior academic potential. Since then, the scope of its function has been enlarged so that at the present time it is charged with insuring equal access to post-secondary education for all Oregon residents. The Commission presently administers a Need Grant program for the economically disadvantaged and a Scholastic Grant program which takes both need and academic aptitude into consideration. In addition, it manages a guaranteed loan program which is 80% backed by the federal government and has become one of the commission's major functions. At present it has no direct connection with the administration of the Federal Basic Educational Opportunity Grant program.

The Commission acts as a clearing house for aid applicants who have applied to more than one school. The Commission also works in close liason with the financial aid officers of Oregon colleges and universities.

Some Figures About Oregon's Colleges*

1. Expenditures

College education is expensive. The cost in the U.S.A. in 1970 averaged $3,300 per student and was rising. Oregon's colleges spent less. In 1972, the average total spent per student by each of the three segments for which data was available was $1,702 at community colleges, $2,763 at State System schools, and $3,080 at the independent colleges.

From these figures some might incorrectly conclude that the cost of instruction in the community colleges is $1,000 to $1,300 less expensive than in the other two groups of colleges. However, only about two-thirds of four-year public and private colleges' funds are spent for instruction. For the community colleges, the figure approaches 90%. The differences are accounted for by more spending for auxiliary enterprises, financial aid, and research in the four-year colleges. The sums spent for such purposes in the community colleges tend to be much smaller. (See Table II-1 on the following page.)

Line one of Table II-1 shows that the average expenditures for instruction only were much closer together than total expenditures per student. The average cost of instruction in the independent colleges, which have the highest overall cost, exceeded the cost of instruction in the community colleges by only one-fourth, approximately.

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*There is limited information in this section on private vocational schools as they have not submitted financial figures to the U.S.O.E. as the other schools have for several years. See technical appendix for our study of Oregon's private vocational schools.

Table II-1

AVERAGE EXPENDITURES PER FTE STUDENT FOR THE THREE SEGMENTS OF OREGON HIGHER EDUCATION (Fiscal Year ending 1972)

Expenditures	Thirteen Community Colleges	Seven State System Colleges	Thirteen Independent Colleges
1. Overall average cost of instruction:	$1,471	$1,732	$2,072
2. Student financial aid:	68	140	303
3. Research & related programs:	45	212	40
4. Extension, public service, other major services & auxiliary enterprises:	117	679	665
TOTAL EXPENDITURES:	$1,702	$2,763	$3,080

Notes: 1. The figures for the Medical and Dental schools have been excluded from these averages.

2. Not included in the independent colleges are: Oregon Graduate School, Judson Baptist, Mt. Angel Seminary and College, Multnomah School of Bible, Western Baptist Bible, Western Conservative Baptist and Western Evangelical.

3. Instructional cost is the combination of direct instructional cost, departmental research, plus all library and physical plant costs.

Source: Higher Education General Information Statistics, U.S.O.E.

But it appears that this comparison still overstates the actual difference in the cost of instruction. Academicians agree that, all other things being equal, the higher the class, the more expensive the teaching tends to become. Most consider graduate classes as particularly expensive to offer. The State Department of Higher Education estimates the relationship as follows:

"The assumptions (based on the student-teacher ratios used to allocate staff) are that upper division instruction (on

the average) costs 25% more than the cost of lower division instruction and that graduate instruction is twice as expensive as lower division instruction."*

Private conversations with persons who wrote the above report indicated that these approximations probably understate rather than overstate the actual differences. However, we used them in drawing up Table II-2 below, which compares average calculated instructional cost by level of instruction among the different types of colleges.

Table II-2

ESTIMATES OF INSTRUCTIONAL COST PER FTE STUDENT, BY CLASS LEVEL
(by Type of College, Fiscal Year ending 1972)

(1) For All Students	Community Colleges	State System Colleges	Independent Colleges
Total expenditures per FTE student:	$1,702	$2,763	$3,080
Proportion devoted to instruction:	86%	61%	64%
Average cost of instruction per FTE student:	$1,471	$1,732	$2,072
(2) By Class Level			
Lower division:	$1,471	$1,409	$1,696
Upper division:	---	$1,770	$2,117
Graduates:	---	$2,812	$3,384

Notes:
1. Same as Table II-1, #'s 1, 2 and 3.
2. Source of expenditures in (1) For All Students: HEGIS
3. Figures in (2) By Class Level derived by weighing FTE class levels as follows: Lower Division; Upper Division; Graduates = 1; 1.25; 2.00.
4. Enrollment figures used were FTE Fall 1972, as provided by ECC, excluding "special undergraduates" who comprised no more than 2% of total FTE enrollment.

*Page 17, "Alternative Tuition and Student Financial Assistance Policies," A Staff Report to the Oregon State Board of Higher Education, October 1972, 50 pp., Litho, Eugene, Oregon.

In the preceding table we can see that the instructional costs at a given class level are fairly comparable. (The State System Schools continue to have the lowest average cost of instruction at each class level because the relative cost differentials in State System and private colleges were held to be identical.)

The calculation in Table II-4 is not a recording of our actual situation but an approximation partly based on facts, partly on informed judgments. Up to the time of this writing, no actual studies had been conducted of precisely this subject. One study was made about four years ago which compared costs of roughly equivalent types of programs at the University of Oregon and at Lane Community College. The study indicated that the two colleges had virtually the same costs for similar programs: Humanities had the lowest cost; vocational technical and upper division professional were next; medical and graduate programs were most costly. However, the State Board of Higher Education is adopting a new accounting system (RRPM) which will provide accurate estimates of cost of instruction by level, major, and department. Such work will result in a much more precise estimation of levels of instructional cost.

2. Revenues

Table II-3 on the following page shows the average per student revenue for each of the three segments of Oregon's colleges in 1972. It is interesting to note that tax support from all levels of government at the community colleges exceeded that received by the public four-year schools, both in dollars and as a percentage of total income.

Table II-3

INSTITUTIONS' SOURCES OF FUNDS
Fiscal Year 1972, per Student

BASE: Total Sources, per Student:	Community Colleges $ 1,789		State System Colleges $ 2,872		Independent Colleges $ 3,143	
Sources	in $	%	in $	%	in $	%
State funds	$ 632	36%	$1,197	41%	$ 78	2%
Local funds	573	32	--	--	--	--
Federal funds	100	5	11	1	38	1
sub total	$1,305	73%	$1,207	42%	$ 116	3%
Tuition and fees	263	15	479	17	1,529	49
Endowments and gifts	2	--	3	--	496	16
Income for student aid	57	3	145	5	126	4
Auxiliary enterprises	89	5	496	17	642	20
Major service programs	--	--	190	7	--	--
Other sources	74	4	351	12	234	8
TOTAL	$1,789	100%	$2,872	100%	$3,143	100%

Notes: Notes 1 and 2, Table II-1, apply.

Source: HEGIS (Higher Education General Information Statistics)

The four-year colleges received more money for student aid per student, however. Particularly noteworthy is the fact that on the average, independent colleges derived half their income from tuition, a proportion about triple the equivalent percentages at the public colleges, both two-year and four-year. Auxiliary enterprises, service and research were large sources of income for the four-year colleges.

3. State and Local Tax Fund Sources, Year Ending 1974

Oregon has been rated as a "high effort" state as far as taxation

and spending for post-secondary education are concerned (see Carnegie Commission, 1971). Table II-4 represents an estimate of taxpayer support for Oregon higher education which is mostly derived from state appropriation figures for the current biennium. From this it can be readily seen that state support is going primarily to colleges rather than students. Also, it is interesting to note that state support for the state system schools amounts to almost two times the combined state and local support for community colleges and private colleges.

It may be mentioned that the 1973-75 state appropriation for the state system colleges was about 15% higher than the figure for the preceding biennium. In view of the stable enrollment pattern seen in Graph 2-1 we may wonder about the future trend of the cost of instruction per student in Oregon.

Table II-4

CURRENT ESTIMATED TAX SUPPORT OF OREGON POST-SECONDARY EDUCATION, 1973-74, in thousands of dollars

	Total	Community Colleges	State System Schools	Independent Colleges	State Scholarship Commission Admin. & Aid
Education, General Programs*					
State Funds	$100,400	21,900	76,900	1,600**	---
Local Funds	22,500	22,500	---	---	---
Construction	7,600	3,100	4,500	---	---
Need Grants	1,600	---	---	---	1,600
Cash Awards	350	---	---	---	350
NDSL State funds	280	---	---	---	280
State Aid Admin.	200	---	---	---	200
	$132,930	$ 47,500	$ 81,400	$ 1,600	$ 2,430

*Includes funds for institutions as well as centralized activities, teaching research and OEPBS but excludes debt service, support for hospitals and other items as per HB 5093.

**These funds are administered by the Scholarship Commission as the purchase of educational services.

4. The Local Property Tax as a Revenue Source for Community Colleges

Quite a bit has been written about the relative inequity of using local property tax for support of public elementary and secondary schools. But little attention has been paid to inequities involved in the local property taxes raised for community colleges. Treasure Valley, the community college with the highest tax rate in 1972 ($2.47), ranked in the bottom half of the list when it came to local tax revenue available per student. Clatsop, the college that had the largest amount of local tax dollars to spend per student, ranked only fifth in local property tax rate level. However, Portland Community College had the lowest tax rate ($ 0.74) and received the smallest amount of local tax funds per student as well, which, as one school of thought holds, should be the case. In any case, if it can be argued that the use of the local property tax creates inequities as far as elementary and secondary schools are concerned, certainly this appears to be true for Oregon community colleges as well.

Table II-5

RANKING OF COMMUNITY COLLEGES BY AMOUNT OF LOCAL TAX FUNDS RECEIVED PER STUDENT AND LOCAL TAX RATES (1972)

Community College	Local Tax Revenue per FTE Student	Ranking	Local Comm. Coll. Property Tax Rate	Ranking
Clatsop	$ 913	1	$ 1.69	5
Central Oregon	813	2	1.38	9
Southwestern Oregon	779	3	1.43	8
Clackamas	768	4	1.70	4
Linn-Benton	667	5	1.61	6
Blue Mountain	636	6	1.73	3
Chemeketa	601	7	1.27	10
Umpqua	513	8	1.04	11
Treasure Valley	498	9	2.47	1
Rogue	399	10	1.03	12
Lane	387	11	1.49	7
Mount Hood	338	12	2.01	2
Portland	128	13	.74	13

5. Recommendations Regarding Publication of Annual Figures About Oregon Colleges

We recommend that the Educational Coordinating Council publish annual comparisons of expenditures and sources of funds for all of Oregon's colleges. We have made assertions in this section about expenditures and sources of funds based on one point in time. However, needs for funds as well as local tax rates may vary from one year to the next. To determine the extent of the variations and extrapolate trends would be extremely useful for college administrators as well as for legislators and interested citizens.

SOME FIGURES ABOUT OREGON STUDENTS

The varying patterns of financing and the historically based differences in reputations of the colleges seem to have their corollary in differences between students in each type of college. Of course, there is no one standard community or private college student. Nevertheless, from a statistical analysis profiles can be obtained which characterize students in each group of institutions. These profiles follow below. Most of the data, except where otherwise indicated, was drawn from the SRS.* Summary tables of the data are found at the end of this chapter.

The Independent College Student

The independent college student is most likely to be from a high income family, and to be financially dependent on his parents. Independent college students tend to be younger than students in other institutions and very few are married. They are not very likely to be

*Student Resource Survey conducted in Fall 1972.

veterans. The proportion of non-residents, over half, is largest here.

Although the proportion of students from high-income families is largest at the independent colleges, the proportion of students from low-income families in these institutions is almost comparable to that in the state institutions. The active financial aid policies of independent colleges probably account for this. As a result, the percentages of aid applicants and aid recipients are highest here. Also, almost a third of independent college students stated they could not have attended their college without financial aid, a proportion far greater than that found in other types of institutions. Of course, the generally higher cost of tuition in these colleges is likely to generate more financial need anyway.

Regardless of whether or not the curricula of the independent colleges represent distinct alternatives to those of the state system schools, independent college students are considerably less concerned with acquiring job skills than either state system or community college students. Instead, they are more likely to give "idealistic" reasons for attending college: service to society and self-development seem more important to them than directly marketable job skills (Siler 1973, p. 4).

As is the case in the state schools, the largest minority group is oriental. However, blacks still account for about a quarter of the minority population.

Few independent college students live with their family, and the vast majority live in college housing. About two thirds work during

the school year.

Enrollment in upper division is about 40% less than in lower division, which suggests a high dropout or transfer rate. Academic and high school performance of independent college students is similar to that of state system students, on the whole, which means it is higher than that of community college students. Independent college students have slightly higher degree aspirations than do state system students.*

The State System Student

The State System student is likely to come from a family in the higher income brackets, but not as likely as the student who is in an independent college. State system students are a bit older than independent college and community college students generally, except that the group of students over 30 in the state system is not as large as it is in the community colleges. About one fourth of state system students are married. State system students are more likely to be male than female, in contrast with the community college students who are about equally divided by sex.

About one sixth of state system students are non-residents. Among these are considerable numbers of foreign students. The largest single ethnic minority group is oriental.

About half of the state system students plan to get a Bachelor's degree. Another fourth plan on a Master's as their highest degree. The proportion of Doctoral aspirants is a bit smaller, but sizeable.

*The SRS from which these conclusions are drawn did not include the Law Schools of Lewis and Clark and Willamette.

These proportions are larger than among community college students but slightly smaller than among independent college students. In contrast with the community colleges, the number of people here who have no degree aspirations at all is quite small.

About one third of state system students live in college-owned or associated housing. The others live off-campus, but not many of these live with parents or relatives. Most of them walk or bike to school.

Well over half of state system students expect to work during the school year.

State system students are more similar to community college students than to independent college students in the reasons they give for attending college. The acquisition of job skills to improve earning power dominates here.

State system students are less likely to apply for financial aid than independent college students but more likely than community college students. They are also less likely than independent college students to be financially dependent on their parents, but more likely than community college students. Veterans are found somewhat less frequently in the state colleges than in the community colleges, but considerably more often than in the independent colleges.

The Community College Student

Almost all community college students claim to be Oregon residents. They are most likely to be 19 years of age or younger, but there are also sizeable groups of older students in the community colleges.

Particularly conspicuous are those over 30, which are nowhere found as frequently as they are at the community colleges. Probably for this reason, the community college student body contains the largest percentage of people who are or have been married. Some of these people may have incomes considerably above the normal student income, and many are veterans.

These characteristics of the student body reflect the multiple missions of the community colleges, which are to provide lower-division education for a degree or possible later transfer, as well as adult education and vocational training.

Community college students' reasons for attending college tend to be mostly practical: the dominant reason is to gain skills and improve their earning power (Siler '73, p. 14). People's reasons for choosing a community college rather than some other type of institution are centered on the convenient location of the community college. This contrasts with people's reasons for choosing a four-year institution, which are dominated by the school's reputation (Lincicum 1972, p. 16), with much less regard for its location.

Community college students are more likely than other students to have been involved in a career cluster program in high school (Siler 1973). One fourth are not interested in obtaining any type of degree. Another quarter plan to go no higher than the two-year Associate of Arts degree. However, about half of all community college students do not remain in school longer than a year, a proportion far greater than anywhere else. Financial reasons and changes of plans are reasons given

most often for leaving school (Kennedy 1972).

The parental income of community college students follows the pattern for Oregon as a whole. This means that community colleges attract a greater proportion of low and middle income students than do the independents and four-year public schools.

Blacks and American Indians each account for a quarter of the community colleges' minority population. However, American Indians are more likely than any other group to consider community college after high school (Lincicum 1973, p. 12).

Large numbers of community college students expect to be living with their parents during the school year rather than in some other type of housing. Accordingly, they live farther away from college than do other students and most of them drive to school.

The more limited financial means of community college students are reflected in their working plans. They are somewhat more likely to be working during the school year than are other types of students and they plan to work more hours. Evidently, there is a hard-core of needy people at the community colleges. Some of them may go there because it was the least expensive alternative, because more frequently than at four-year colleges one is told that the cost of college played a big role in the students' choice of schools. On the other hand, the proportion of students who apply for financial aid is lowest at the community colleges, and the percentage of those who say they did not need financial help to attend college is largest. This seeming paradox may be partially explained by entering freshmen students' ignorance of the

expenses other than tuition which are involved in college attendance, and by some ignorance of financial aid possibilities. In addition, there is the possibility that this situation reflects the contrasting economic circumstances of the two distinct student groups: young ones, often from low-income families, and older students, often veterans who have G.I. benefits or some other income, and do not feel they need additional aid.

As a group, community college students had lower grades in high school than did other students. This difference tends to be maintained at the college level, but there are community college students who do considerably better in college than they did in high school. These are mostly older students and veterans.

The Private Vocational School Student

Whether proprietary school students are more likely to be male or female depends on the individual school attended. For example, beautician schools enroll more female students while males dominate in more technical training. In many other ways, however, proprietary school students are quite similar to community college students. For one thing, proprietary school students more often are living with their parents than are students in four-year institutions. They live a little closer to school than do community college students, but not nearly as close as students in four-year colleges. About one third are or have been married, and their age distribution (a large group of young students, plus a substantial group of somewhat older students) is very similar to that of community college students. Their parental income distribution

is much like that of community college students too, which is to say they are more likely to come from low-income families than are students in the four-year colleges. Proprietary school students who are self-supporting tend to come from lower-income families yet. However, on the whole, financial aid is uncommon here.

The largest minority group is the American Indian, but orientals are not common among minority group students. This is consistent with some other findings which show students of oriental background to be most academically inclined and to prefer the four-year colleges (see Lincicum 1972).

Private vocational school students cite their main reason for attending school (to learn skills for a job) with about the same frequency as do community college students. However, only a little over 15% have any degree aspirations beyond the certificate offered by their school. High school achievements of proprietary school students may be slightly higher than of community college students but on the whole they are below those of students at four-year colleges.

The different characteristics of proprietary schools (relatively short but intensive courses, high cost) are reflected in the financing pattern of the students. Evidently, the common pattern is to get in and out as quickly as possible. Full-time attendance without working is much more common here than in public institutions. Parents of proprietary students contribute more to the cost of school over the short term than do parents of community college students, but of course the latter's contributions may continue for a longer period.

Table II-6

ACADEMIC LEVEL OF STUDENTS
--by Type of Institution

	Community Colleges	State System Schools	Independent Colleges
BASE: FTE Fall 1972 Enrollment	(31,609)	(51,722)	(13,494)
	%	%	%
Lower Division	100	48	53
Upper Division	--	39	33
Total Undergraduates	100%	87%	86%
Graduate School	--	13	14
	100%	100%	100%

Source: Post-Secondary Enrollment Distribution in Oregon - Fall 1972, ECC 13 - 73

Table II-7

AGE, SEX, MARITAL STATUS AND RESIDENCY
--by Type of Institution

	Community Colleges	State System Schools	Independent Colleges
Age of Students*			
19 or under	43%	27%	47%
20 - 21	17	31	35
22 - 29	26	35	15
30 or over	14	7	3
	100%	100%	100%
Sex of Students**			
Males	52	59	46
Females	48	41	44
	100%	100%	100%
Marital Status*			
Presently Married	27	24	11
Separated, Widowed or Divorced	7	3	1
Total Ever Married	34%	27%	12%
Never Married	66	73	88
	100%	100%	100%
Residency**			
Residents	98	83	46
Non-Residents	2	17	54
	100%	100%	100%

*Source: 1972-73 SRS

**ECC actual enrollment figures, Fall 1972, as quoted in 1972-73 SRS

Table II-8

TYPE OF HOUSING

	Community Colleges	State System Schools	Independent Colleges
BASE: Total Respondents:	(8,030)	(13,184)	(6,307)
When at college, where do you normally live?	%	%	%
With parents/relatives	49	13	10
In college-owned/affiliated residence; fraternity, sorority	5	32	69
Off-campus, alone or with spouse	28	26	10
Off-campus; other	18	29	11
	100%	100%	100%

Source: 1972-73 SRS, p. 21

Table II-9

ETHNIC BACKGROUND
--by Type of Institution

	Community Colleges	State System Schools	Independent Colleges
BASE: Total Respondents:	(10,112)	(14,570)	(6,677)
Described himself/herself as Caucasion/White	90%	91%	89%
Other description (for breakdown, see below)	10	9	11
	100%	100%	100%
Breakdown of Non-Caucasians			
BASE: Total who gave description other than Caucasian/White	(956)	(1,336)	(739)
Described himself/herself as:			
Oriental	9%	21%	29%
American Indian	25	11	12
Black	25	9	23
Chicano	9	8	7
Other	34	51	29
	100%	100%	100%

Source: 1972-73 SRS, Table 8, p. 16

Table II-10

PERSONAL INCOME OF STUDENTS AND SPOUSES
--by Type of Institution

Approximate 1971 income from employment, before taxes:	Community Colleges	State System Schools	Independent Colleges
Below $100	11%	10%	16%
$100 - $999	25	28	43
$1,000 - $3,999	33	40	31
$4,000 - $6,999	13	10	5
$7,000 or over	19	12	6
	100%	100%	100%
WORK EXPECTATIONS			
Expect to work during school year*	72%	59%	65%
Mean length of working week, in hours	20	16	13
Mean expected school year earnings**	$840	$950	$680

*Includes less than half-time students

**According to 1972-73 SRS (p. 62) employment earnings are underestimated.

Source: 1972-73 SRS, pp. 19-20

CHAPTER 3

THE EFFECTIVENESS OF STUDENT AID IN PROVIDING ACCESS

Summary

Oregon has done a good job in providing educational opportunity. However, some citizens cannot afford college because of inadequate aid. Chances of receiving aid vary greatly, but specific information about availability of aid and the probability of receiving it is not readily available. Hence, many students' needs are not met.

There are six problems with student aid.* 1) The majority of available aid is tied to particular institutions which have very different amounts to distribute. 2) Thus prospective students do not know what aid they will receive until they have been admitted to a college. Even then they do not have sufficient facts about financial aid available at other colleges. 3) Oregon colleges use very different techniques for determining how much aid will be given, and 4) Oregon college students are generally uninformed about the procedures used by the colleges in determining how aid is distributed. 5) The amounts parents pay toward college expenses do not follow the tables on "expected parental contributions" developed by the College Entrance Examination Board, which are at the very heart of the financial aid system. 6) The paper work required for student financial aid can actually be a barrier to potential recipients.

All of these factors clearly indicate that a student's chance of getting aid depends largely on his choice of institution. Students from the same economic background (and with the same academic abilities)

*This account is based on figures for the school year 1972-1973.

but attending different colleges are not afforded an equal chance to obtain financial assistance.

The procedures under which colleges have applied for federal student aid have led to many inequities and possible avoidable losses of the federal funds. Clever "grantsmanship" has been rewarded. The Oregon legislature's 1973 instructions to the Coordinating Council and the State Scholarship Commission for a statewide review of the institutional applications and coordination may help in spreading federal funds more equitably among the colleges.

Parents' contributions to college costs are different from the College Entrance Examination Board expectations. They are above expectations at lower income levels and substantially below at higher income levels. The empirical evidence shows that parents' contributions are highly dependent upon tuition--the higher the tuition the more parents help out.

Recommendations

1. Short term. We recommend that federally funded student aid be closely supervised and coordinated by the State Scholarship Commission. Certainly the coordinating work directed by the 1973 legislature (mentioned above) should be continued. Information on the amount of aid available, the procedures used for determining financial need, and the probability of getting aid should be widely disseminated, perhaps through the expanded Career Information Service (see Chapter 1). In addition, we see the need for state review and probably the setting of uniform revised standards regarding:

- Student living costs ("maintenance budgets") on which amounts of aid given are based (see Graph III-2, p. 95, for the wide discrepancies among colleges in 1972).
- Expected contributions from students and their parents.
- Which students are "self-supporting."

2. Longer term. We recommend that the State Scholarship Commission receive and process a single application for determining eligibility for the various financial aid programs at all colleges. As long as amounts of available aid and chance of receiving it continue to vary from one college to the next, however, it will remain necessary to process aid applications for each college. For this reason, we feel it is most desirable to eventually channel most public funds going to students through the State Scholarship Commission.

The Role of Student Aid

Student aid is an area of considerable complexity. Because of the sheer number of aid programs directed to students attending Oregon post-secondary institutions, it is difficult to obtain a comprehensive view of these programs' total scope and effectiveness. Their final count probably exceeds 1,000 and may go considerably higher. They range from small fraternal associations and P.T.A. awards to full graduate scholarships that carry substantial living stipends. Student aid can take the form of an outright grant, guaranteed employment, or subsidized interest on student loan programs. If the general state subsidy of education is recognized as an across-the-board tuition waiver (which is one way of categorizing below cost pricing), then better than 90% of the students attending Oregon institutions of higher education are receiving assistance of some sort.

Student Aid Defined

Student aid can be categorized by funding source (federal, state, or private dollars), by type of aid (grants, loans, jobs) or by eligibility criteria (undergraduate, graduate, need-based or non-need-based). A strict constructionist would call only those programs student aid that offer assistance to students who have objectively demonstrated their need for it. Programs that help students on criteria other than need could then be called categorical assistance programs. Included in the categorical assistance programs (which we will refer to as "Benefits") are such major fund sources as the G.I. Bill and payments under the Social Security Act, as well as some athletic scholarships

and awards to exceptionally able students (some National Merit awards). Based on the student responses to the Oregon SRS, it appears that better than half of the funds awarded to students for the 1972-73 school year were of the "benefit" kind. While some of the money probably went to students who could have proven need, their need was extraneous to the purpose of the programs.*

Federal categorical assistance programs such as the G.I. Bill and social security** are outside the scope of the institutional financial aid offices and the Oregon State Scholarship Commission. So are most of the private awards and scholarships. Thus none of these will be discussed in any detail. Here we are concerned with need-based programs funded with public money.

Federal and State Need-Based Aid Programs

Of the need-based government aid funds which are administered through the colleges and the State Scholarship Commission, about 90% is federal money with state aid funds making up the rest. When we consider the data on funding in the section of Chapter 2 (starting on p. it thus appears that the dominant direction of federal funding for higher education in Oregon is student-oriented while most of the state money goes directly to the institutions.

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*Nevertheless, in the more detailed analysis of aid distribution later in this chapter, we have considered student aid the total of both kinds of aid, need-based as well as categorical.

**These two large categorical grant programs provided some $35,000,000 ($9,000,000 Social Security, $26,000,000 G.I. Bill) income to Oregon residents in 1972. (See Technical Appendix, "The Use of Social Security and the G.I. Bill in Oregon Higher Education.")

In addition, the Oregon colleges have varying amounts of institutional funds available for student aid (see Table II-3).

Three federal need-based aid programs (SEOG's, CWSP, NDSL's*) are campus-based, that is they are handled through the colleges' financial aid offices. The offices apply for federal funds for these programs in the fall of each year. They give their estimates of how much financial need their students will have during the next school year, how much of it will be covered by other sources, and how much federal aid will be needed to cover the remainder. The federal government, through the Office of Education, then awards funds to each institution on the basis of a review of the applications. The funds awarded invariably are considerably less than the applications call for. Thus the "smart" financial aid officer applies for more than he "needs." For the 1972-73 school year the funds awarded amounted to $13.6 million and the figure for the 1973-74 year was expected to be approximately the same (Dent '73).

The state student aid programs are also handled through the colleges' financial aid offices, under the supervision of the State Scholarship Commission. The aid vehicles involved are Oregon Need Grants, Community College Grants (discontinued this year), Cash Awards and some private awards.

In 1972-73, the total of the state funds awarded amounted to approximately $1.5 million. In 1973-74 the expected amount is $1.9

*Supplementary Educational Opportunity Grants, College-Work-Study Program, National Direct Student Loans.

million.

In addition to these funds, the State Scholarship Commission and financial aid offices administer the Guaranteed Loan program which is funded by the state and 80% guaranteed by the federal government.

The latest form of federal aid, BEOG's (Basic Educational Opportunity Grants) represent a significant departure from the practice of channeling federal student aid funds through the colleges' financial aid offices. For BEOG's, the federal government, via a regional contracting agency, deals with the student directly rather than through the college. BEOG's therefore signify the introduction of the portable grant concept in federal financing: the student can "carry" his grant to any institution he wants as long as it is on the approved list. The amount of BEOG's available for Oregon students this year is expected to be $1 million.

The Aid Application Process

Except for the state cash awards which also rely on scholastic achievement, the state programs and the federal programs mentioned earlier all rely solely on financial need as a determinant. The way that the disbursement of all the funds except the federal BEOG's is handled, therefore, is through the Uniform Application Process. This is a cooperative endeavor between the Oregon colleges, private as well as public, and the State Scholarship Commission. A student who wants to apply for any of the kinds of aid mentioned fills out one application form for each Oregon college to which he is applying. Along with this form, he submits a document called the Parents' Confidential

Statement, which contains data provided by his parents concerning their income, assets and financial obligations. These figures serve as the basis for what is called a Financial Need Analysis Report (FNAR). This report adjusts his parents' income by their obligations, number of children, assets, etc. and comes up with an adjusted parental income which varies but is about 20% lower on average. Using a table of "expected parental contributions" it is then determined how much the parents, given their adjusted income, may be expected to contribute to their child's education (this can be a negative figure, as it often is for the student population that receives aid).* The amount of the student's remaining financial need is then determined by subtracting from his budget the "expected parental contribution" along with any other available resources.

The institution at which the student has applied receives this information and composes a package of aid to cover the financial need determined by the FNAR. Normally, this package includes aid from several sources. For instance, one student may get some federal SEOG money, work in a campus-based work-study job, get an Oregon Need Grant and a loan. The reasons for the "packaging" are that all of these programs have provisions concerning maximum amounts but also are targeted to a particular income group. Finally, SEOG's must be matched by other, non-grant funds.

Students are generally notified by the institution at which they

*See also Technical Report 9, "The Adequacy of the Parents' Confidential Statement in Determining Financial Need."

applied about the outcome of their aid applications. About one-third of aid applicants receive state aid. The percentage that receives federal aid is generally higher. But in all cases the chances of a particular student getting aid and the amount of aid received depends on the particular college he is attending, as we shall see later on in this chapter.

Need vs. Ability

The listing of student aid programs on the preceding pages should have indicated to the reader that the emphasis in current financial aid policies is primarily on financial need rather than academic superiority, as was once the case.

This shift of emphasis took place rather recently. Historically, higher education was the preserve of privileged young people. They might have been privileged in several ways: in family income and/or family appreciation of education, which motivated financial sacrifices; or they might have been poor but exhibited unusual talents which came to the attention of some sponsoring individual or agency. Invariably, in the latter case, the student's scholastic ability or achievement determined the sponsor's willingness to assist him financially.

In this country, scholastic ability was measured by high school grades since it was common knowledge that high school achievement correlated positively with college achievement. It followed that achievement-oriented awards, such as scholarships, would direct society's resources to those who would make the best use of them. Hence the historic emphasis on past grades in the management of

financial aid. But that thinking, if it has not been invalidated, finally lost favor. Its limitations were exposed, perhaps accidentally, by research on the success of the federal G.I. Bill programs.

When the college grades of G.I. benefit students were compared with the grades they had received in high school, it was found that low achievers at the high school level as a rule did considerably better in college. The same could not be said of the group of non-G.I. benefit students. In addition, while G.I. Bill veterans as a group tended to perform better in college than non-veterans, veterans from poverty-level families did better yet than most other students (Guy '72, p. 22).

What these results pointed up, of course, was not the importance of army experience in itself but the influence of maturity, age, and above all motivation in turning a previously unpromising student into a high achiever. But the more pertinent and sobering thought was that without the monetary support from the G.I. Bill, most of these high achievers would never have had a chance to demonstrate their abilities. This posed a nagging question just at a time when many people were becoming more preoccupied with equality of opportunity. The question concerned the general objective and direction of public support of students. If the G.I. Bills with their indiscriminate provisions supplied the one missing resource, money, that turned many people who looked unpromising by conventional standards into high achievers, then how many non-veteran potential achievers were being wasted every year? For our discussion, this boils down to two interrelated questions that we will try to answer:

1. Are there groups of worthy people who do not get a chance at higher education, simply because of economic constraints?
2. Is our present financial aid system working less than efficiently so that equality of opportunity is not maximized?

Evidence from past surveys and from our own study seems to answer these questions affirmatively. We will discuss the merits of several types of evidence below.

Some Caveats Concerning the Evidence

There will be several types of evidence employed in this chapter. Some inaccuracy and liberal amounts of judgment are involved in any of these, but these factors are after all inherent in the entire financial aid process.

The first major type of evidence rests on students' own opinions, given in the SRS, of the sufficiency or insufficiency of aid provided and their judgments of the role it played in their decision to attend college. This type of evidence is obviously somewhat subjective.

The second type of evidence employed is not based on students' interpretations of income vs. outgo, but on our own interpretation of such figures provided both by students (in the SRS, mainly) and by Oregon institutions. This approach is not necessarily more objective but we used it because it seemed safer to have more than one approach.

The SRS (Student Resource Survey) was conducted during registration in the fall of 1972 and included large numbers of students in all three types of Oregon colleges. It collected self-reported data on student finances during the coming school year. However, the time of

the study did not enhance accuracy because many students may not have had a complete picture of their financial situation during the coming year, at a time when classes had not even started yet. This means that both income and expenses may have been understated.

The other source of data, the information provided by the Oregon institutions, was derived from the applications filed to obtain federal student aid funds which we referred to earlier. These applications are a bit ambiguous so that an aid officer who is experiened in "grantsmanship" can understate some sources of student aid, primarily state-guaranteed loans. This might have happened in some cases because understating student aid would make a large request for federal student aid funds more persuasive. Thus, these data also may understate aid somewhat. However, we believe this understatement is not too serious because the data concerning the federal share of student aid, which were also given on the applications, show the same tendencies as the figures for other aid. It is unlikely that there was any misrepresentation in the federal aid figures because here the financial aid officers were stating things that the federal government already should have known.

It is obvious, then, that we cannot take any one of the figures as given. Still, these are valuable data as long as we pay more attention to their general direction than to their internal consistency.

We have also compared the above sources with some figures drawn from a sample of 1970 Census responses. Finally, two surveys were made as part of this study. One was taken in October, 1972, of 1971

high school graduates (it will be referred to as the "Kennedy Study"). The other is evidence by McFall (1973) in his follow-up of financial aid applicants made in Spring, 1973.

A Lack of Funds Still Limits Educational Opportunity in Oregon

Various figures show that Oregon has done relatively well in providing educational opportunity.

Whereas nationally, 7.4% of all adults over 18 are in college, in Oregon the figure is 8.4% (1970 Census). With 48% of its 18-21 year-olds in undergraduate college, Oregon ranks eighth among the 50 states on a scale which goes from a top percentage of 53% (Utah) to 14% (Alaska). And even though Oregon ranked 23rd in per capita income in 1970, it ranked 6th in state appropriations per capita for higher education (Carnegie 1971, pp. 134, 144).

There seems to be more opportunity to go to college in Oregon for students from poverty-level families than there is in many other states. Although college-age people from such families in Oregon are not as likely to be in college as people from high-income families, their chances are considerably better than for poverty-level people in the nation as a whole.

It might be suggested that true educational opportunity will not be achieved until the percentage of 18-24 year-olds going to college in the under $3,000 group (38%) is as high as it is in any other income group. As we will demonstrate later, it is quite likely that the percentage in the poverty-level group should be higher than it is. How high it should be, however, nobody knows.

Table III-1

COLLEGE ATTENDANCE IN SELECTED INCOME GROUPS
U.S. vs. OREGON

	Family Income Below $3,000		Family Income $15,000 or More	
	Oregon	U.S.	Oregon	U.S.
Percentage of dependent 18-24 year-olds attending college	38%	13%	62%	61%
Not attending college	62%	87%	38%	39%
	100%	100%	100%	100%

Source: 1970 Census

What we are dealing with here is basically a "quota" argument. It says that if 10% of the total population is in the under $3,000 group, 10% of college students should be from that group, and so on. To illustrate this, let's look at the table below.

Table III-2

FAMILY INCOME OF COLLEGE STUDENTS vs. ALL OREGONIANS

	Family Income All Oregonians*	Students at Community Colleges	Students at State System Schools	Students at Independent Colleges
BASE: Sample	(5,413)	(10,329)	(14,962)	(6,952)
Parental Income Group	%	%	%	%
$15,000 or over	17	21	35	43
$9,000 - $14,999	36	36	35	30
under $9,000	47	43	30	27
	100%	100%	100%	100%

Source: 1970 Census, and 1972-73 SRS, Table 9, p. 17

*This is virtually the same as Income of Oregon Families with children aged 14-17 in 1970.

It might be facile to interpret this as a success in egalitarianism for the community colleges and a serious failure of the other institutions. The magnitude of the failure of the four-year state schools would then be measured by the difference between the percentage of lower-income students attending them (below $9,000 in this table) which is 30% and the percentage of families under $9,000 in the Oregon population (46%). The difference, 16%, would be interpreted as the gap to be bridged.

However, this line of reasoning makes no allowance for the fact that low-income children less frequently plan on going to college than do children from higher-income families (Kennedy '72).* In addition, the low-income children who do plan on continuing their education may well have a greater preference for vocational, directly job-oriented training than do those from higher-income families, and so more often prefer community colleges (McFall 1973, pp. 74-75). Therefore, it is too simplistic to expect exact proportional representation from every income bracket in every institution.

There is some evidence that low income may not act as a barrier to the realization of college plans when they do exist. The table on the next page compares the average family incomes of college attenders and non-attenders. It is clear that whether or not these Oregon high school graduates had originally planned to attend college, they were less likely to actually go if their parents' incomes were low.

*The degree to which this is a result of economic constraints is a current subject of debate. But whatever the reason, it seems plain that institutions should not attract people who don't want to attend.

Table III-3

PLANNED AND ACTUAL COLLEGE ATTENDANCE
by Average Family Income

	Mean Family Income
Total who originally did not plan to attend	$11,959
of these,	
did actually attend	12,437
did not attend	11,746
Total who originally planned to attend	13,671
of these,	
did actually attend	14,526
did not attend	11,020

Source: Kennedy Study, 1972

In the case of those who had planned to attend originally, we may have an indication that financial limitations do interfere with college plans once they are made. Those who did not realize their plans came from lower income families, on average. The fact that these students had nurtured college plans not too long ago seems to rule out a real absence of motivation.

In the case of those who had not been planning to go to college, the motivation factor obviously becomes unclear. Had they not been planning to go because they didn't want to or because they felt they couldn't afford it? Another study provides the answer that some may have felt that way; approximately one-seventh of high school students who did not plan on going to college said this was because they could not afford to (Lincicum 1973, p. 17).

Furthermore, once students are in college, economic factors may still cause them to drop out. This was found to be true for about one-

third of college dropouts (Kennedy 1972). It may be well to suggest here that in some cases, students may rationalize scholastic failure as money problems. However, over 25% of the in-state undergraduate state system respondents in the Fall 1972 SRS indicated a shortage of resources to pay for college. We made a special computer run and found that these students made realistic but "tight" estimates of their costs. The average total of these was $1,874, but these students claimed to have an average of only $1,289 in resources. They were $585 short, or 31% of costs. (See Table below)

Table III-4

ESTIMATES OF COSTS AND RESOURCES FOR STUDENTS WHO INDICATED LOW RESOURCES

Costs	
Tuition and Fees	$ 572
Books	135
Room and Board	807
Transportation	166
Clothing	194
Costs	$1,874
Resources	
Parents	$ 293
Spouse	157
Employment	481
Savings	158
Grants and Scholarships	70
Loans	130
Resources	$1,289

What happened to these students? We really don't know. Perhaps they found enough money to continue. Perhaps they dropped out. But 13,000 students in the State System is a sizeable number and they represented

all income groups. Even though they were working and/or receiving parental help, there just wasn't enough money available. Interestingly, however, Table III-5 below indicates that it was the student from the middle-income family who was most likely to have financial problems.

Table III-5

STUDENTS IN FINANCIAL TROUBLE AS COMPARED TO TOTAL STUDENT BODY BY PARENTAL INCOME

Parental Income	Students in Public 4-Year Colleges	Students Having Financial Trouble
$15,000 and over	35%	35%
$9,000 - $14,999	35%	42%
Under $9,000	30%	23%
	100%	100%

Chances of Getting Aid

As mentioned earlier, institutions have funds from various sources available for student aid. While most of these are supposedly targeted specifically to low-income groups, the total amount available for each program often determines how far up the income scale funds can be distributed.

1. The Example of State Need Grants. For example, in 1972-73, a first-time aid applicant from a family with an adjusted income below $6,000 could be certain that he would receive an Oregon Need Grant in his financial aid package. If his family's adjusted income was more than that but less than $10,000, his chance was about 33%. If the income amounted to $10,000 or more, he had no chance at all. Overall, about 3 out of 10 applicants received Need Grants.*

*Figures provided by the Oregon State Scholarship Commission.

This does not mean that there was no financial need in the higher income groups, for all these figures concern people who had applied for financial aid. According to State Scholarship Commission personnel, at least half of the applicants turned down for state financial aid have significant amounts of need.

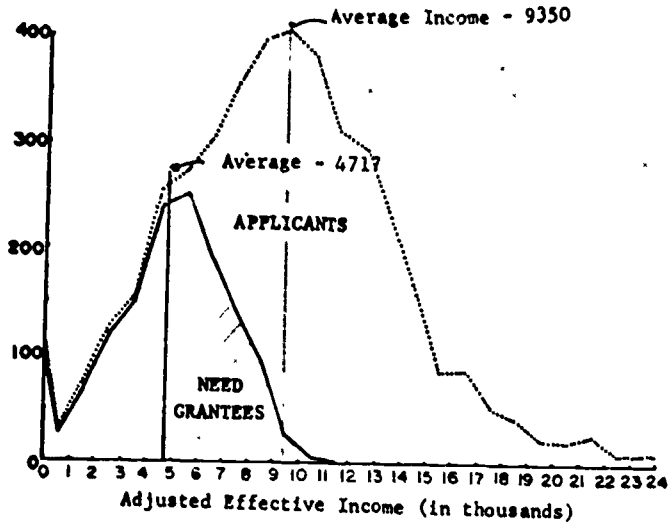
A recent report on the Commission's activities stated that:

> Examination of Need Grant Awardees and non-awardees . . . uncovered a broad spectrum of our society which neither qualify for financial aid nor possess sufficient family financial resources to pursue higher education (OSSC '73, p. 41)

Graph III-1 gives a good indication of the nature of the problem. While the number of aid applicants peaks at an adjusted income of $9,350, the number of applications honored drops sharply above an income of approximately $6,000.

Graph III-1

ADJUSTED EFFECTIVE INCOME OF TOTAL POPULATION OF 1972 APPLICANTS FOR STATE AID, AND ITS RELATIONSHIP TO NEED GRANTEES



For a definition of adjusted effective income, see p. 90.

(Reprinted, courtesy of the Oregon State Scholarship Commission, Dr. Dewey Newman.)

Now the fact that many aid applicants did not receive state aid does not mean they did not get aid at all.* Some of them may yet have received aid from the more liberally funded federal programs. Furthermore, the colleges, especially the private ones, often spend substantial amounts of their endowment income on student aid. And then, some people may have received aid from one of the categorical sources, or from private scholarships.

2. Aid Depends on what Type of School is Attended. The table below has two rows of percentages for each group of institutions. The first row is the share of the total student enrollment from each parental income group: high, middle and low. The next row of percentages represents students who reported they received aid, also broken down by parental income group.

Table III-6

PARENTAL INCOME GROUP OF TOTAL ENROLLMENT vs. AIDED STUDENTS

	Community Colleges		State System Schools		Independent Colleges	
Income Group	Total Enrld. %	Total Rptd. Aid %	Total Enrld. %	Total Rptd. Aid %	Total Enrld. %	Total Rptd. Aid %
High ($15,000 & over)	21	13	35	21	43	25
Middle ($9,000-$14,999)	36	31	35	36	30	37
Low (below $9,000)	43	56	30	43	27	38
	100%	100%	100%	100%	100%	100%

Source: 1972-73 SRS

*One of the major jobs of the college financial aid officer is "packaging"--finding the combination of aid, grants, work and loans that will maximize the college's objectives. And college objectives do vary. One desires to help the greatest number, another wants a certain proportion of minority students, while a third desires to target its help on the most needy.

The reason for relating the income breakdown of the aid recipients to that of the total college population is that a heavy representation from a certain income group among aid recipients does not necessarily reflect an aid policy geared to that group. Instead, if the total student body contains a similar percentage of people from that income group, the size of their representation among aid recipients may indicate merely a rather random distribution of aid funds among all students regardless of need. However, the percentages for aid recipients are not completely random, but indicate some concentration of aid among low-income students in each type of institution.

The chances that students have of receiving any aid are summarized in the table below in some more detail. This table makes it clear that these chances depend heavily on the type of institution attended (although, as we shall see later, they can also vary considerably among institutions of the same type). The "Chances in 100" represent the percentage of people from each income group who received aid but makes no reference to whether or not they had applied for it.

Table III-7

CHANCES IN 100 OF RECEIVING AID, by PARENTAL INCOME

Parental Income	Students Attending		
	Community Colleges	State System Schools	Independent Colleges
$18,000 and over	12	16	22
$15,000 - $17,999	15	26	50
$12,000 - $14,999	18	28	55
$9,000 - $11,999	20	38	66
$6,000 - $8,999	28	43	69
Below $6,000	31	49	78

Source: 1972-73 SRS

According to this, students in the very lowest parental income groups in the four-year institutions have chances of receiving aid which are between three and four times better than those of people in the very highest income groups. But in the community colleges, the difference is the least dramatic. People from families below $6,000 annually still have about a 2½ times better chance than people from families in the over $18,000 income group, but even so, only a third of the under $6,000 group receive aid. In fact, an independent college student with a family income of between $15,000 and $18,000 has a lot better chance of receiving aid (50-50). Aside from that, the independent institutions aid more of their students than do public institutions, and they also seem to do at least as well or better than the public institutions in targeting aid to the neediest students.

This line of reasoning has ignored, for the moment, the related facts that it costs least to attend community college and community college students as a group are less likely to apply for aid. As we will see later, available aid as a percentage of the cost of attending college is lowest at the community colleges. The number of aid applicants are lowest at the community colleges too. Based on the SRS responses, only 29.1% of the community college students applied for some sort of financial assistance. This is somewhat surprising because the community colleges enroll more low-income students than the senior segments. (Table III-2, p. 96.) However, the reasons why people do not apply for aid may be complex and be related to factors other than their own need for funds, as we will discuss in the next section.

The Availability of Aid

In order to qualify for need-based aid, four steps are necessary:

1) The student must apply for aid, and

2) prove need;

3) the institution must have aid funds available, and

4) decide to offer aid to that particular student.

Some of these factors obviously influence others. More particularly, the availability of aid funds may influence the number of applicants. Whenever it is known that these funds are limited, it is likely that some students are discouraged from applying for them. Such students would not show up in the statistics concerning needy students who were turned down.

The table following expresses the relative availability of student aid within each segment. This was arrived at by dividing the total of aid funds given by each institution by the total of more than half-time students attending. It is obvious from this that the variations in available aid not only between the segments but within them are extreme. For example, total aid available per student in community colleges varies all the way from $128 to $505. In other words, the amount available in the community college at the top of the range is four times as large as the amount available in the college at the bottom (Southwestern is at the top and Clackamas at the bottom). Similar variations are found in the other segments. Finally, the variation between the state system schools and the community colleges as a group seems a bit out of line.

Table III-8

AVERAGE TOTAL AVAILABLE AID PER STUDENT

	Community Colleges (10)*	State System Schools (7)	Independent Colleges (12)
Average total aid available, per student	$262	$449	$625
Institution with:			
Highest total aid available, per student	505 (SWOCC)	835 (OCE)	1,730 (Warner-Pacific)
Lowest total aid a available, per student	128 (Clckams)	157 (OTI)	364 (U. of Ptld.)

Source: Applications to Participate in Federal Student Aid Programs, November, 1972.

The aid process does not operate in a vacuum, of course. Figures on aid availability can be made more meaningful by relating them to the cost of going to college. As part of the federal institutional applications, institutions were asked to compute a weighted total cost of attendance (budgets). A comparison of these budgets with available aid per student indicates how much of these expenses could be covered by the amount of available aid.

*Blue Mountain, Rogue and Treasure Valley not included.

Table III-9

AVAILABLE AID AS A PERCENTAGE OF THE COST OF COLLEGE ATTENDANCE

	Weighted Cost of Attendance*	Average Aid per Enrolled Student	% of Weighted Cost
Community Colleges	$2,507	$262	10.4%
State System Schools	2,866	449	15.7
Independent Colleges	3,490	625	17.9

Source: Federal Applications

The table shows that the proportion of community colleges cost that can be covered by aid is considerably lower than the figure for the four-year institutions.

So far we have concentrated on the availability of aid per student. It is also important to find out how much of the cost of college attendance was actually covered by aid for each successful applicant. The figures found in Table III-10-a, on the following page, would lead one to believe that a student who gets aid can expect to get between 40 and 50% of his total expenses covered, and that the differences among the colleges in this respect are slight. And

*These weighted budgets vary not only with tuition, but also with the percentage of aid applicants who live at home versus in private or college housing and the relative proportion of high budget students (e.g. married students, graduate students, etc.) in the population. There are relatively more of these in the public sector, which may explain why the budgets there look high in comparison with the high-tuition private sector. On the other hand, most community college administrators assume it costs more to "live." (See Graph III-2, p. 116.)

apparently, students are under the impression that colleges do have the same amounts of aid available.

Table III-10-a

AVERAGE SHARE OF COLLEGE EXPENSES COVERED BY AID PER AID RECIPIENT, 1972-73

	Community Colleges (10)	State System Schools (7)	Independent Colleges (12)
Average Weighted Cost of Attendance	$2,507	$2,866	$3,490
Average Aid per Aid Recipient	1,167	1,415	1,515
Net Cost	1,340	1,451	1,975
Aid as a Percentage of Total Cost	46.5%	49.3%	43.4%

Source: Federal Aid Applications, 1972

But the next table, III-10-b, shows that this is not so. That table lists the lowest and the highest average shares of expenses covered in individual institutions in each segment. This way, it becomes clear that an aid recipient at an individual community college may get as much as 70% of his expenses covered or as little as 28%, depending on the college he is attending. The spread is a little less extreme, but still considerable, for individual state system schools but more extreme within the independent group.

Table III-10-b also clearly indicates an anomaly in the aid distribution in the community colleges. As indicated by asterisks, the community college that covers the smallest share of recipients' expenses (Lane) has both the highest cost of attendance of those surveyed

and the lowest amount of aid per recipient. On the other hand, the community college that covers the highest share of expenses (Southwestern), has the highest average aid awards but a cost of attendance which is below average when we compare it to Table III-10-a.

Table III-10-b

LOWEST AND HIGHEST SHARES OF COLLEGE EXPENSES COVERED PER AID RECIPIENT

	Community Colleges (10)		State System Schools (7)		Independent Colleges (12)	
	Lowest Share	Highest Share	Lowest Share	Highest Share	Lowest Share	Highest Share
Average Weighted Cost of Attendance	$2,985*	$2,381	$2,520**	$3,342*	$3,884	$3,000
Average Aid per Aid Recipient	-846**	-1,673	-960**	-1,905*	-834**	-2,404*
Net Cost	$2,139	$ 708	$1,560	$1,437	$3,050	$ 596
Aid as a Percentage of Total Cost	28% (Lane)	70% (SWOCC)	38% (EOC)	57% (U of O)	21% (Willam.)	80% (W. Pac.)

*Highest within institutional segments
**Lowest within institutional segments

Source: Federal Aid Applications

The smaller variation in percentages--and therefore seemingly less capricious aid distribution--within the state system is accounted for by the fact that the institution with the highest attendance cost (U of O) also has the highest aid awards, and the institution with the lowest attendance costs (Eastern Oregon) has the lowest awards.

The range within the group of independent colleges is the most extreme, but it is less easy to put the blame on a lack of coordination here because of the tuition differences in this group and the individual colleges' reliance on widely varying amounts of private funds for aid programs.

Some Reasons for the Differences in Available Aid

The major sources of variations in total available aid funds are differing amounts of college-generated aid and federal aid funds.

College-generated Aid

Independent institutions have traditionally dedicated part of their endowment and gift income to student aid. Many of them have also dedicated a portion of current revenues to student aid programs. Thus, the independent institutions report a substantial college-generated aid commitment averaging $270 per enrolled student.

State system institutions report an $89 per student average, or one-third of the independent average. Institutional assistance should be somewhat even among public institutions within the same segment but the state system schools reported a low of $13 per student to a high of $147. Part of the difference reflects institutional endowment, but it is also possible that several state system schools included items in institutional aid that did not in fact belong there. If anything, the $89 state system average probably overstates available college-generated aid.

College-generated aid in the community colleges is extremely sparse with a segment average of $18 per student (a low of $6 and a

high of $41). Few community colleges have been able to attract gift or endowment money in any substantial amount. College-generated aid for community college students is negligible.

Federal Aid

In comparison with their share of the enrolled eligible students, the community colleges clearly receive a disproportionately low portion of the federal aid dollars (see table below). It is possible that changes in federal legislation will tend to distribute student aid more equitably in the future.

Table III-11

SHARES OF TOTAL FEDERAL AID FUNDS
(Campus-based Programs 1972-73)

	Total Federal Aid (Millions of Dollars)	Share of Federal Aid Dollars	Share of Eligible Students Enrolled
Community Colleges	2.34	17%	29%
State System	8.80	63	59
Independents	2.50	18	12
	13.64	98%	100%

Source: Federal Aid Applications

In addition, the community colleges will have to become more enthusiastic about the National Direct Loan program if they are to obtain larger shares of federal dollars. Witness the breakdown of federal aid dollars per student in Table III-12-a (following page).

College Work-Study amounts are quite similar among the three types of institutions. The dollar amounts of Equal Opportunity Grants

are not too different, either, although the independent college students clearly receive the largest amounts. However, the widest divergence by far is between NDS loan amounts per student in the different institutions. Community college students more often come from low-income backgrounds and fairly sizable numbers of community college students drop out for financial reasons (Kennedy, 1972), so the lower amounts borrowed in community colleges cannot be explained entirely by lower needs. Greater reluctance to borrow among students or less enthusiasm for this program among financial aid officers may be the reason.

Table III-12-a

AMOUNTS OF DIFFERENT TYPES OF AVAILABLE FEDERAL AID PER STUDENT

	Community Colleges	State System Schools	Independent Colleges
College Work-Study	$41	$49	$44
Equal Opportunity Grants	27	32	50
Nat'l. Direct Student Loans	32	76	130
	$100	$157	$224

Source: Federal Aid Applications

The table following shows some figures concerning the variation in federal aid available in individual institutions of the same type. It is fascinating to note the widely varying figures among similar institutions. Again, it seems unlikely that these differences are accurate reflections of the needs of the different student bodies.

Table III-12-b

VARIATIONS IN AVERAGE AVAILABLE FEDERAL AID PER STUDENT

	Community Colleges	State System Schools	Independent Colleges
Average Federal aid available per student	$100	$157	$224
Institutions with:			
Highest Federal aid available per student	149 (Lane)	242 (OCE)	575 (Warner)
Lowest Federal aid available per student	49 (Ptlnd.)	101 (OTI)	95 (Reed)

Source: Federal Aid Applications

Some Background on the Variations in Federal Funds

A major reason for these dramatic differences is the federal application process. The bulk of federal aid money is targeted to states according to a legislative allocation formula. Institutions prepare the applications and justify a fund request which is reviewed by a panel composed of peer aid officers, other educators, and personnel of the U.S. Office of Education.

Federal appropriations have been sufficient to meet only part of the panel-approved requests (under 50% in Oregon for the last two years). Each individual panel-approved request is therefore scaled down to the same percentage of the amount approved. As a result, some institutions may have been more aware than others of the fact that, in order to maximize their chances of receiving what they actually needed, they had to justify a request twice as large.

This process put an undue emphasis on gamesmanship, and the

variations in federal funds among different institutions may have been largely a result of the different abilities of financial aid officers to play this game. However, during the last session of the legislature action was taken which provides for statewide review of all of these applications. This is expected to bring about a more equitable distribution of federal funds among the different institutions.

How High--Really--Are Students' Living Costs?

Except for some students in high-tuition independent colleges, living costs are the biggest simgle item in a student's budget.* According to students' estimates in the SRS, living costs for single students are the lowest in the community colleges.

Table III-13

AVERAGE LIVING COSTS (MAINTENANCE BUDGETS) REPORTED BY STUDENTS, by Marital Status

Marital Status:	Community Colleges	State System Schools	Independent Colleges
Single	$1,250	$1,520	$1,440
Married, no children	1,790	2,170	2,220

Source: 1972-73 SRS, p. 47

If single students' maintenance costs in community colleges are lowest, then we should expect living allowances for such students as

*There is another major cost factor which is called "foregone income"--the income forfeited by attending college and not working full-time. However, the importance of this may have been exaggerated. One of the appendices to this report deals at greater length with foregone income and is available upon request.

set by the financial aid officers to be lowest too. But this is not the case at all.

Apparently, it is in the community colleges where single, dependent undergraduates are awarded the largest maintenance budgets. On average, these budgets are about $200 higher than the ones awarded at the state system schools. Yet community college students reported living costs that were $270 lower than that of state system students. Thus there is a $470 discrepancy. In addition, there is considerable variance in living cost allowances approved by financial aid officers within the group of community colleges (see Graph III-2).

The fact that the private colleges make the smallest awards is consistent with the differences in living cost found between them and the state system schools. But the community colleges represent a puzzle because, according to student-reported living costs (Table III-13), we would have expected them to award the lowest budgets of any type of institution. The next graph, III-3, represents an attempt to rationalize the variance in living cost awards by location. In other words, living costs should be approximately the same in one geographic area, for instance Portland. On that basis, one might expect the awards made by different types of colleges in that area to be more consistent.

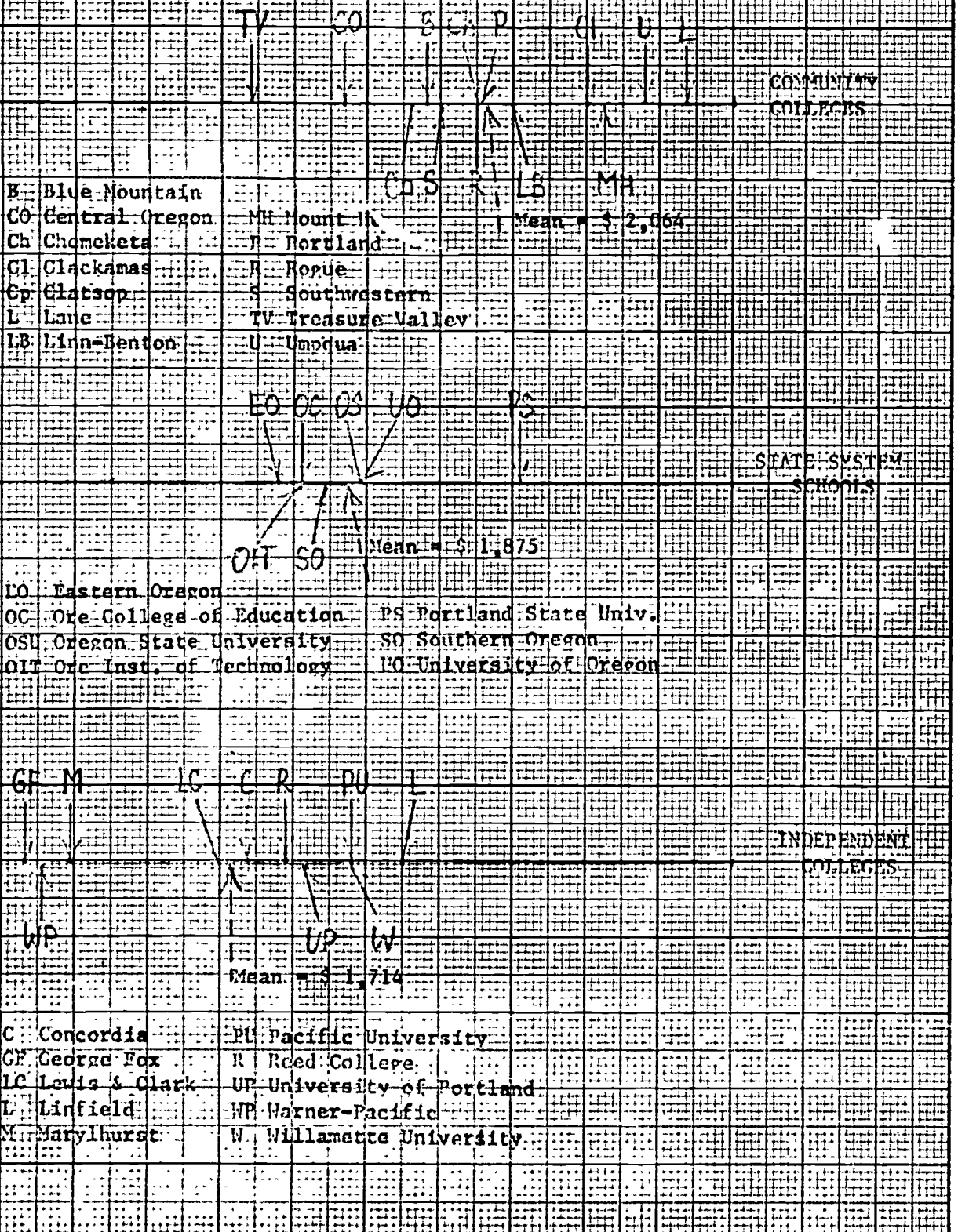
As the graph shows, there is indeed a bit more consistency within the group of community colleges in one area. However, in each area living cost allowances approved by financial aid officers and on which the amounts of aid awarded are based were still the highest in the community colleges. For example, in Eugene, according to the respective

Graph III-4

LIVING COSTS (MAINTENANCE BUDGETS) APPROVED BY FINANCIAL AID OFFICERS for Single Dependent Undergraduates, 1972-73 — by Type of Institution

Scale marked at intervals of $ 100

14 15 16 17 18 19 20 21 22 23 24 25 26



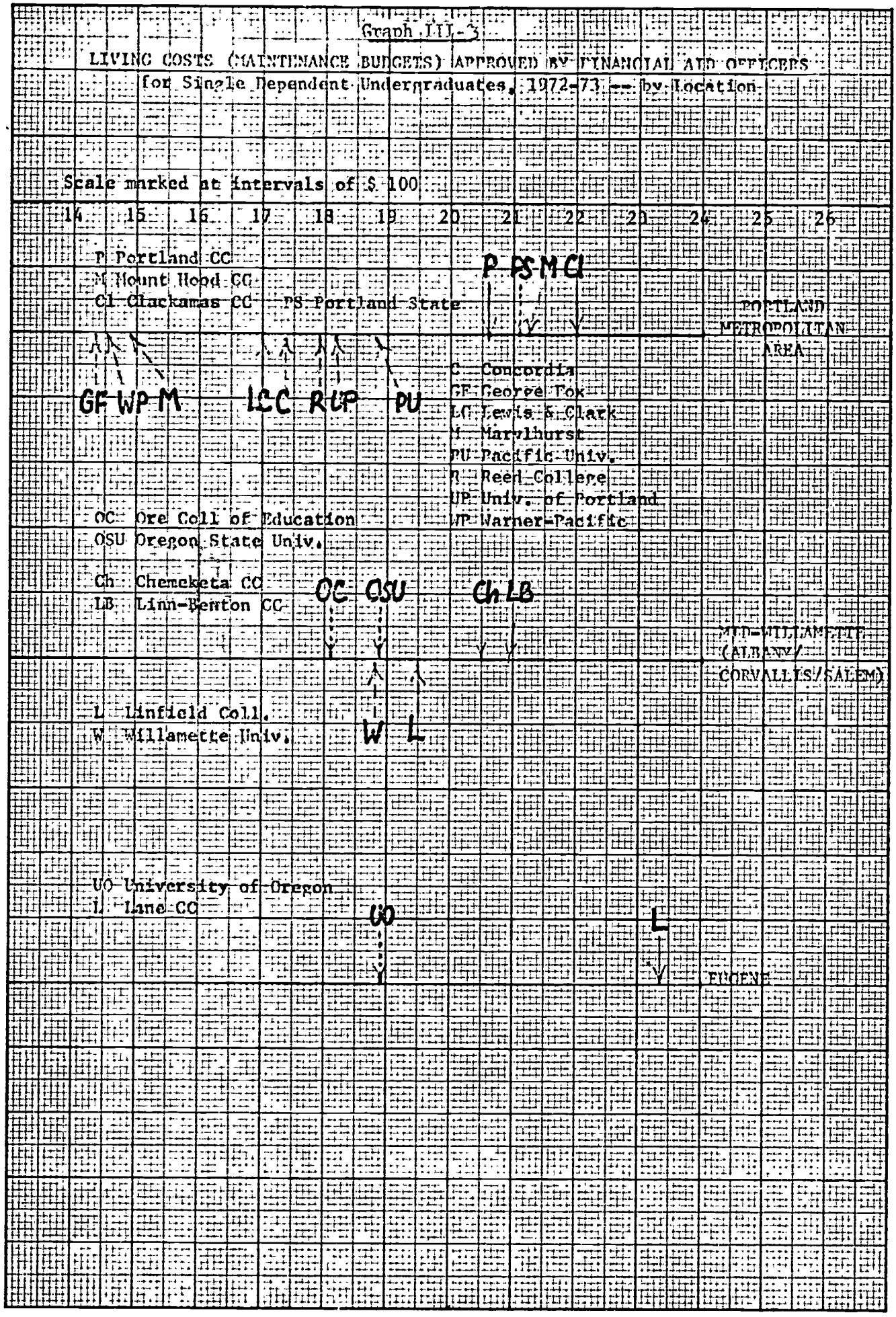
B Blue Mountain
CO Central Oregon
Ch Chemeketa
Cl Clackamas
Cp Clatsop
L Lane
LB Linn-Benton
MH Mount Hood
P Portland
R Rogue
S Southwestern
TV Treasure Valley
U Umpqua

EO Eastern Oregon
OC Ore College of Education
OSU Oregon State University
OIT Ore Inst. of Technology
PS Portland State Univ.
SO Southern Oregon
UO University of Oregon

C Concordia
GF George Fox
LC Lewis & Clark
L Linfield
M Marylhurst
PU Pacific University
R Reed College
UP University of Portland
WP Warner-Pacific
W Willamette University

Graph III-3

LIVING COSTS (MAINTENANCE BUDGETS) APPROVED BY FINANCIAL AID OFFICERS for Single Dependent Undergraduates, 1972-73 -- by Location



financial aid offices, it costs about $450 a year more to live if you go to Lane Community College than if you are attending the University of Oregon. We doubt that reasonable student living costs differ much, and therefore have assumed a particular set of figures (Table V-5b, p. 151).

There are several possible explanations for this apparent discrepancy between SRS data (Table III-13) and the practices of financial aid offices.

1. Many students in the SRS survey actually had no idea about their living costs and were merely guessing. This was concluded also in the SRS summary and it was mentioned at the beginning of this chapter. The percentage of wrong (low) guessers was possibly largest among the community college respondents because this group, at the beginning of the school year, would contain the largest proportion of freshmen who would be the least experienced in budgeting (SRS 1972-73, p. 7).

2. The SRS indicated that community college student bodies contained by far the largest percentages of students living with their parents. This type of living arrangement usually results in lower costs for room and board. However, the SRS data only reflect guesses at what will happen during the coming year, not what actually happened. One community college aid officer we talked to indicated that she expected many students from outlying areas to get discouraged with their commuting early in the school year and move out of their parents' home to be closer to campus. This would naturally boost their cost of living, and the aid officer made some allowance for this at the beginning of the year.

3. Evidence to justify some of the variance in awards among

the individual community colleges is provided by the distribution of these colleges on the scale in Graph III-3. Treasure Valley awards the lowest maintenance budgets while Central Oregon is the next lowest. Very possibly, the fact that these colleges provide on-campus housing accounts for this. Treasure Valley requires students under 21 who are not living with their family to live on campus. Central Oregon does not require this but offers dorm-type housing to students. The relative position of these two community colleges on the graph would seem to be consistent with the facts.

4. Transportation should be a sizable item in community college students' budgets. This is because they live farther from campus and drive rather than bike or walk as the students at other institutions do (1972-73 SRS, pp. 37, 211). However, their estimates of transportation costs were about the same as those made by students in the other institutions (ibid, p. 37). The SRS concluded that this represented an underestimate, which seems plausible. Incidentally, the unique transportation problems of community college students are recognized by at least one community college, Clatsop, which, at the end of the year, pays students who live within the district but over 20 miles from the campus 2¢ a mile for their mileage.

When we started exploring the topic of living costs, it appeared that there might be substantial opportunities for savings if living costs were more standardized among colleges. This may still be true, but we also want to caution that the subject needs further study. Obviously, the SRS data would be an unsatisfactory basis for any state-

coordinated system of living costs determinations. We can see three ways in which more reliable data could be gathered:

1. An existing organization* could collect students' answers after they have had some time to settle in their living arrangements and find out about expenses. Ask them to put together a typical monthly budget at the beginning of winter term, spring term, or both. These data could then be projected on an annual basis.

2. Another way would be to have groups of students in every type of institution maintain income and expense diaries. This is often done in some types of market surveys where subjects receive some remuneration. However, it could probably be done at little cost here if it involved mostly students receiving some form of aid and if maintaining the diary for a few months were made conditional on receiving this aid. Some additional information on the accuracy of perception of expenses and the perceived adequacy of resources could be gathered by means of brief pre- and post-diary questionnaires.

3. An existing organization* could have public hearings and on the basis of these hearings the legislature or that organization could mandate the approved living costs to be used by all public colleges.

How Much Should Parents Contribute?

Parental contributions and student aid administration are closely connected, as was described earlier in this chapter in the

*The State Association of Financial Aid Officers, the State Scholarship Commission, or the Educational Coordinating Council are the most likely candidates.

section concerning the financial aid application process.* This is why one of the more important and surprising findings of the 1972 SRS was that parental contributions tended to be the final instead of the first ingredient in most students' financial support packages. The reason this conclusion was important was that, as we have seen, financial aid officers have assumed that parents will, after some inspection of their financial situation, contribute to their children's education according to their financial ability. (This is the contribution determined by the FNAR procedure, designed by the College Scholarship Service--p. 90.) Student self-help and any other income are then added to this amount and the difference between this total of student revenues and student needs may be made up by some form of outside financial aid at the discretion of the financial aid officer.

But in practice, the procedure seems to be for students to first see how much they can get from outside sources, through work, financial aid, loans, etc. Finally the parents may then fill the gap between resources and need, but quite often they don't contribute anything at all. However,

> . . . The key question, and one not answered by the survey, was the degree of parental willingness to contribute versus their economic ability to contribute. (SRS p. xviii)

Nevertheless, it could not be concluded that parents were "under-contributing" in relation to their children's needs. Many did contribute but only after it was clear that this contribution would be needed

*See also Technical Report 9, "The Adequacy of the Parents' Confidential Statement in Determining Financial Need."

because other resources would not be sufficient. It thus appeared that parental help was largely tied to the type of institution and its cost rather than to parental income.*

Table III-14

AVERAGE PARENTAL AID - In Different Income Groups

Income Group	Ave. CSS Expectation	Average Parental Contribution		
		Community Colleges	State System Schools	Independent Colleges
$18,000 and over	$2,720	$210	$770	$1,450
$12,000 - 14,999	1,330	170	400	740
Below $6,000	---	80	160	280

Source: 1972-73 SRS

Realistically speaking, we cannot fault parents in any income group for trying to minimize their outlays for education or for any other purpose. Obviously, the way the educational system is structured (with low tuition, particularly) has led to this situation. But we may wonder if an alternative system of educational financing could not elicit more parental generosity in the higher income groups.

On the other hand, some financial aid professionals feel that the College Scholarship Service (CSS) expectations concerning parental

*Interestingly, somewhat different parental attitudes are reflected by the parental contribution pattern for oriental students in all institutions. Though the incomes of this group of parents were very similar to those of other parents with children in college, their parental contributions were from 50 to 150% higher (1972-73 SRS, p. 185).

contributions are unrealistic both as to parental ability and willingness to pay (McFall 1973, pp. 13-15, 36-37). McFall found this confirmed by opinions of parents in higher income brackets but his findings concerned families of aid applicants only (McFall 1973, pp. 72, 80-81). In other words, these parents had let their children apply for financial aid in spite of their relatively high incomes and ipso facto must have had some reasons for doing so.

Therefore, it is possible that if families of current non-aid applicants were surveyed, they would evidence more agreement with the CSS standards. One way in which this could be verified would be by a survey similar to McFall's but covering both aid-applicant and non-aid-applicant families from all income groups. Useful additions to the questionnaire would be a structured and an unstructured question, both of which would explore the magnitude of additional contributions which could be expected, if any.

Still and all, instead of speculating about how much more parents might--or should, by someone else's standards--contribute, we might wonder if some indication of parental willingness is not already expressed in the current distribution of students among the different types of institutions. In other words, those high-income parents who have their offspring attend low-tuition public schools quite obviously are not willing to burden themselves to the degree proposed by CSS, because if they were, they could be sending their children to private colleges. And if we should raise tutition charges on them, such parents still have the option of not increasing their contributions for it is hardly likely that they will all agree with the idea that they should make up all of the difference.

CHAPTER 4

WHO SHOULD PAY FOR POST-SECONDARY EDUCATION?

Summary

Most often in the history of financing higher education, students' families have had primary responsibility for out-of-pocket expenses. More recently there has been increasing acceptance of state responsibility for ensuring access to post-secondary education for all citizens. Questions to be asked are how far each party's responsibility extends and for how long. Inextricably connected with these questions is the issue of the degree to which the recipient of education, and his family, and the society at large each benefit from the education.

Graduate education now appears to have been subsidized at the expense of undergraduate schooling. The reasons for this conclusion are, first, that graduate studies and higher income are related. The actual cost of graduate instruction, too, is higher than it is at the undergraduate level; nevertheless, the former is often priced no higher than the latter. Secondly, graduate students are likely to be more aware of the personal benefits to be gained from additional studies than are undergraduates, whose experiences are more limited. It follows then that graduate students should pay something nearer the full cost of their education without recourse to state subsidies--other than loans.

The family should pay for undergraduate education only in relation to ability to pay. State financed portable grants should be available to those in need (see Chapter 1). In short, the primary state responsibility should be to equalize opportunity for all citizens while maintaining the vitality of a diverse system of post-secondary education.

That state responsibility includes also an effective information system on educational alternatives, costs, benefits, and financial aids (see Chapters 1 and 3). Too often, high school graduates are unaware of the many career and educational alternatives available to them.

While state responsibility for college access needs to be expressed differently, we feel that it should definitely be expanded in the area of "lower division" vocational education. It simply is not fair to have a total absence of state aid for those attending the many private vocational schools while those pursuing graduate degrees can be subsidized at the former's expense until the day they leave college.

In summary, the state should be the primary insurer of accessibility to all undergraduate institutions, which includes public colleges, independent colleges and vocational schools. Where possible, students or their parents should help finance these studies. In addition, long-term state loans should be available to any student who prefers or needs such a loan.

There is a further state government responsibility which lies in the area of tuition. Open debate is needed in the legislature to establish proper tuition levels at Oregon's public colleges. Students at the public colleges pay very different prices for their education, when prices are expressed as tuition minus per capita student aid. Average out-of-pocket costs for medical students are less than 1% of instructional costs while the average freshman or sophomore pays above 20% of costs at public four-year colleges. The imbalance becomes more pronounced when the differences in earnings in later life are taken into account.

History

Throughout most of American history, financing of students' living costs and incidental expenses was a family responsibility. Parents and relatives contributed as well as they could and students helped themselves through part-time earnings. Scholarships and loans were not an important element. Financing the institutions, on the other hand, was largely a responsibility of "patrons," such as churches, private donors, and more recently the state government.

Tuitions were almost non-existent in state institutions and represented only a fraction of institutional cost in private ones. Generally, it was felt that while the finances of students were largely the responsibility of themselves and their families, the finances of the institutions were the responsibility of "society." In this traditional system, education was fairly easy to come by for those young people whose families could manage to pay all or most of their living expenses. These families were, however, generally those in upper-income groups and those (such as families headed by clergymen and teachers) who were poor but highly motivated and willing to make a great sacrifice.

In this system, higher education was largely the preserve of privileged young people--privileged in income or privileged in family appreciation of education. The encouragement of "society" came through free or low tuition and not usually through scholarships or loans. In the 19th century, Federal Land Grant Institutions were established to teach the mechanical and agricultural applied arts. As the tuitions of private institutions rose, educational opportunity was thought to be

kept open through the low-tuition public institutions. In the 1920's, tuition for state colleges was only $10 per year--but scholarships and loans were few and these were usually based on scholastic performance, not on financial need. The main problem connected with going to college then was primarily to get admitted and then present oneself to the institution with adequate funds for living and incidental expenses, but not to help support the institution. This system persisted until World War II.

The first great change came with the G.I. Bill which provided massive public funds for the finance of students. The returning veterans were no longer considered dependent on their parents, and it was felt that they deserved the opportunity for higher education. Furthermore, there was a fear of massive unemployment, so grants were provided to cover living costs, incidental expenses and tuitions. As noted before, state colleges rather than independent institutions met most of this newly generated demand for higher education. The spectacular success of the G.I. Bill in bringing higher education to a generation of young men and women undoubtedly changed American attitudes about higher educational finance.* Thereafter, in the 1950's, grants to students based on financial need became widespread, and beginnings were made in expanding the use of loans. Some new credit schemes were available to parents and to students.

In the 1960's, the Federal Government greatly expanded its role

*See Consumer Research Center monograph--Michael Guy, "The G.I. Bill." 1972

in the finance of students by providing grants and loans in substantial amounts. The granting of loans to students became a firmly established part of the financial system. However, loans were generally used in conjunction with parental contributions, work, and grants, and the total indebtedness of any one student was usually held down to one or two thousand dollars. Loans have been considered a supplemental, rather than primary source of student finance.

In the post-war period, tuitions were pushed up steadily and substantially in both private and public institutions. But the prevailing opinion continued to favor low tuitions, and the raising of tuitions was considered an unfortunate necessity. In recent years this opinion has been changing, and some proposals have been made to raise tuitions boldly so that institutional funds would be derived primarily from tuitions. Funds with which low-income students could meet their costs would then be provided by grants or long-term loans according to financial need.

Issues on Which There is Agreement

Wide agreement seems to have been reached on several propositions concerning the role of the family in the financing of higher education. First, there seems to be little disagreement on the historical concept that parents should help to the extent they are able. Second, it is generally felt that the student should contribute as much as possible through part-time work,* though this work should not

*This is in sharp contrast to the practices in many other countries where most college students do not work.

interfere unduly with his studies and other valuable activities of college life. Third, some form of aid should be available, either grants and/or long-term loans, to cover living expenses and college costs beyond the family's capacity. Finally, instructional costs should be distinguished from expenses for research and public service not closely related to instruction, and the latter should not be charged to families by means of tuitions but rather should be financed by government funds and other grants.

Unresolved Issues

There are differences of opinion on three major issues: 1) who should be subsidized for post-secondary schooling and for how long; 2) the proportion of the instructional costs of colleges and universities to be met from tuitions regardless of who pays these charges; and 3) how should subsidies be delivered--primarily through low tuition charges or primarily by paying individuals so they can pay higher charges. These issues depend upon the funds available (which goes beyond the scope of this report) and upon societal preferences in relation to certain facts which will now be discussed. The first two issues are dealt with in the next three sections, while the last question is dealt with at the conclusion of this chapter.

Who Benefits from Post-Secondary Education?

In recent years, considerable effort has been made by economists to measure societal benefits as compared to personal or private benefits.* Suffice it to say that the attempts to measure societal benefits have been largely inconclusive. But there is general agreement among economists that the largest proportion of economic benefits of post-secondary education comes to the individual. Table IV-1 below indicates the average earnings related to years of schooling completed in 1969.

Table IV-1

1969 MEAN AVERAGE EARNINGS OF WHITE MALES 35-54 BY NUMBER OF YEARS OF SCHOOLING

1 or 2 years of college	$11,919
4 years of college	15,856
6 years of college	18,482
Dentists	27,960
Physicians	37,439

Source: U.S. Bureau of Census, Census of Population: 1970 Subject Reports, Final Report PC(2)-8B, "Earnings by Occupation and Education" and Final Report PC(2)-5B, "Educational Attainment," U.S.G.P.O. Washington DC 1973.

There is still controversy among economists concerning why people who have more education do better economically in later life. Certainly, it is some combination of inheritance, learned skills, screening out by schooling, limited supply conditions, and luck.

*See Technical Report #2 "Benefits and Costs," and the Carnegie Commission Report Who Benefits Who Pays, 1973.

Taubman and Wales (1973), in a particularly thorough and well developed article, claim that approximately half the salary differential from more schooling is due to the screening (e.g. degree granting) process of colleges. And, the Census figures show relatively little difference between salaries of those with a high school diploma and those with 13 or 14 years of schooling, but the difference becomes quite pronounced at higher degree levels of schooling (e.g. medical and dental).

In spite of the humanistic aspects of college training, it should be realized that postgraduate training, even in the humanities, is job-related. It is vocational training which results in the student becoming a doctor, scientist, professor or some other professional--the kind of schooling which most often brings higher salaries.

A case can be made, therefore, for public subsidies being highest in the early years of post-secondary schooling, which schooling is, by itself, least likely to result in higher wages.

Who Pays?

If state resources for subsidizing post-secondary education are limited, and they certainly are, then one can raise legitimate questions about heavy subsidization of graduate programs. First though, one needs to know how much of the instructional costs are paid by student tuition and fees. In a society which applied the common-sense rules which we have described, one would expect that students at lowest division levels, where there is the least private benefit, would pay lower proportions of instructional costs. In Tables IV-2 and IV-3 we find the opposite.

Table IV-2

OREGON STUDENTS' CONTRIBUTION (TUITION AND FEES MINUS STUDENT AID) AS A PERCENTAGE OF THE COST OF INSTRUCTION - by Type of Institution, 1972.

	Lower Division	Upper Division	Graduate	Dentistry	Medicine
Community College	13%	---	---	---	---
Public 4-Year College	24%	19%	16%	13%	.5%
Independent College	72%	58%	36%	---	---

Source: Calculations from HEGIS data for Fiscal Year Ending 1972 and Published Tuition and Fee and Financial Aid Information.

Actually Table IV-2 contains two surprises. First, we see that the more "sophisticated" the training, the lower percentage of instructional costs paid in tuition and fees. We also see that the percentage of instructional cost paid by the student at any level, e.g. "lower division," is very much a function of the type of school attended.

Table IV-3

THE OREGON STUDENTS' AVERAGE CONTRIBUTION TO THE COST OF INSTRUCTION AT DIFFERENT LEVELS, AND AVERAGE EARNINGS OF INDIVIDUALS WITH THAT LEVEL OF INSTRUCTION - FISCAL YEAR 1972

	Average tuition & fees	Average student aid from institutions	Average contribution (out of pocket cost)	Average cost of instruction rounded to nearest $100	% of cost* contributed by students	1969 mean earnings of white males 35-54**
Column	1	2	3	4	5	6
13 or 14 Years of Schooling						$11,919
Community college	$ 263	$ 68	$ 195	$ 1,500	13%	
Public college, lower div.	479	140	339	1,400	24%	
Independent college, lower div.	1,529	303	1,226	1,700	72%	
16 Years of Schooling						15,856
Public college, upper div.	479	140	339	1,800	19%	
Independent college, upper div.	1,529	303	1,226	2,100	58%	
18 Years of Schooling						18,482
Public college, grad. programs	600	140	460	2,800	16%	
Independent college, grad. programs	1,529	303	1,226	3,400	36%	
Dentists	1,098	107	991	7,700	13%	27,960
Physicians	685	637	48	10,200	.5%	37,439

Source: Columns 1, 2 and 4, HEGIS Data for Fiscal Year Ending 1972. Column 4 is allocated the HEGIS specific education related expenditures of $1,471 @ community colleges, $1,732 @ 4-year public colleges and $2,072 @ independent colleges on a basis used by Oregon Educational Administrators of a weighted average of 1:00 for lower division courses; 1.25 for upper division and 2:00 for graduate courses.

*Same figures appear in Table IV-2.
**Same figures appear in Table IV-1.

For instance, fees at the four-year colleges are considerably higher than at the community colleges. Table IV-3 also indicates that, except for Oregon's independent colleges, this is not because their costs are much higher. The public four-year colleges of the Oregon State System of Higher Education have lower cost of instruction than the community colleges in lower division (Table IV-3, Column 4)--yet lower division students in the four-year public colleges pay almost twice what community college students pay for an education that is virtually the same.

On a rational statewide basis it is difficult to justify the above discrepancies in either dollar costs of tuition or the differences in the percent of instructional cost paid by students. These differences, to a large extent, reflect the crises and needs of the past. While the solutions were rational and progressive at the time they were made, they now appear to be piecemeal and perhaps need redefinition or reorganization in terms of the present needs of the entire Oregon post-secondary sector.

To meet the need for agricultural and mechanical arts, the land-grant four-year universities were established. To bring some semblance of rational planning to higher education, Oregon was ahead of its time in establishing a State System of Higher Education. To help meet the demands of Oregon veterans, the State System was expanded. To keep pace with statewide need for skilled scientists, teachers, lawyers and doctors, the graduate schools were expanded and tuition kept low. To meet the demands for low-cost practical training and college work in all parts of the state, community colleges were established under the

separate and distinct Board of Education. Finally, to coordinate all these and to plan at the state level, the Educational Coordinating Council was established, but it has no budget for carrying out those plans and no way to require the various entities in post-secondary education to develop a more rational basis for statewide tuition standards.

For post-secondary education as a whole, the question of whether student tuition should be 25%, 40%, 80% or even 100% of instructional costs has never been resolved. However, there is a growing body of evidence that low tuitions in public colleges transfer wealth from the poor and middle class to the rich.* The issue needs to be debated in the legislature and possibly mandated by law. However, before that debate gets under way, the E.C.C. (as suggested in Chapter 1) should make recommendations regarding a uniform accounting system that defines the methods and parameters to be used by all Oregon public institutions in determining institutional cost. This system would include cost, delineated by program, level of student, place of residence, and institution.

We have found that less specific but comparable cost information is available at the E.C.C. and that there are accounting systems which permit allocation of costs by virtually any method desired (e.g. RRPM). But since we did not have such cost figures available to us, in chapters one and two we made certain assumptions to construct the figures on which our recommendations are based.

In our calculations, we have defined "instructional costs" as

*See Technical Report #2, and Hansen and Weisbrod (1969).

the sums of HEGIS statistical data on "Instruction," "Departmental Research," + "Library Cost" + "Operation of the Physical Plant" (lines 2, 3, 8, 9, 10). Then, we assumed from data published by the Oregon State System of Higher Education* that there are cost differentials by level of students and we accepted the estimates that upper division instruction costs 25% more than lower division, with graduate instruction twice as expensive as lower division. Although we knew there were program differences, we have essentially ignored them.

We believe the kinds of institutional differences in funding and financial policies which we identified should be publicized. If our recommended system of portable grants were to be established, we also feel that an anti-trust type of law for higher education would be desirable. Anti-trust laws wouuld encourage institutions to keep costs low, but would not permit them to charge below costs. However, all of these areas need public discussion and debate, most appropriately in the legislature.

*"Alternative Tuition and Student Financial Assistance Policies, a Staff Report to the Oregon State Board of Higher Education," October, 1972, Litho, 51 pp.

How Should the Subsidies be Delivered

The Carnegie Commission's excellent report Higher Education: Who Pays? Who Benefits? Who Should Pay? argues that there should be a redistribution of subsidies. And, virtually all scholars in the field seem to be near consensus that the subsidies for post-secondary education ought:

1) to minimize the financial obstacles to college attendance;
2) to improve the equity in the funding pattern, both in direct charges to customers, and in indirect charges to taxpayers;
3) to retain and strengthen the vitality of the diverse system of public and private institutions of higher education.

Some argue that state subsidies should be given through institutions. Others argue that the subsidies should be delivered directly to citizens. The delivery of the subsidy is often, and frequently unknowingly, tangled up with the other two questions of who should be subsidized and what proportion of instructional costs ought to be met from tuitions. Regardless of any specific answers to the above questions, the delivery of subsidies is an identifiable political issue in which the efficiency and effectiveness of a diverse group of post-secondary institutions are of paramount importance.

There is conflicting evidence as to whether the subsidies would be used more efficiently and effectively if they were provided to citizens as we have proposed, rather than to institutions. Parent's research indicates that delivery of subsidies to individual citizens could be more effective in meeting the goals of equality of access.* And many economists argue that organizations are most efficient when

*See Parent (1973), especially Chapter six.

they are in a competitive environment and survival depends upon success in the market place. But others, including many university administrators, argue that universities are not businesses and therefore they can be most effective and efficient when they can plan and operate with the relative certainty of funds from direct subsidies, gifts and/or grants. Frankly, there is not yet any irrefutable argument or practical evidence of which way is the better one. To those of us who support the idea of subsidies to citizens the "success" of the G.I. Bill seems especially telling. But that is not enough, and because of this lack of irrefutable argument or practical evidence, we recommend a step by step eight-year transition towards subsidies to individuals. In short, this issue needs wide public discussion and debate, preferably in the state legislature.

> "While appreciable differences in wealth persist the real sacrifice in buying any asset, including a university education, is smaller for rich families than for poor ones. But the greater real sacrifice of the poor in buying higher education . . . is far less inequitable than a system under which the unprivileged working class is in effect compelled to finance the education of the well-off majority of students."
>
> E. J. Mishan
> (1973 - p. 55)

CHAPTER 5

THE COMPUTER SIMULATION

Summary

We have four objectives in this chapter. First we summarize the social policy goals that we think are acceptable to the majority of Oregonians and note some alternative ways of achieving those goals. Then we detail the data base, the arbitrary assumptions and the results of our simulation exercise which was first mentioned in chapter one. We note some problems that exist (which warrant legislative action). Finally, we conclude with a set of questions which will allow the interested reader to begin his own simulation exercise using his preferred estimates of any of the variables. The data base and computer simulation program is available and can be easily modified to determine the effects of several variables over many years. These simulations can be run for a small cost by contacting the authors of this report.

Social Policy Goals for Post-Secondary Education

The present system of financing post-secondary education with direct funding of public universities and colleges, and payments for services to the independent colleges is but one means of realizing educational goals. Our proposal, in which the price of college plays a larger role in rationing limited resources, is another means of realizing those same goals.

We have assumed that any proposal for change ought to be judged by reference to agreed upon goals. While we are not aware that these goals have been clearly and concisely spelled out, we have assumed that they included a desire to

1. minimize the financial and academic barriers for post-secondary education,
2. improve the equity in charges to students and taxpayers,
3. retain and strengthen the vitality of the diverse system of public and private post-secondary institutions,
4. create greater efficiencies in the operation of public colleges and universities.

There are obviously many ways to achieve these goals. We have considered seven possible alternative delivery systems.

Alternative Delivery Systems Considered

• Much Institutional Support and Little Direct Citizen Support

In essence this is what we have now.

1. The state could continue the current system of support for each segment of post-secondary education. Minor changes could be made where problems exist and the independent boards would be allowed to charge tuition as they deem necessary.

2. There could be a change to a centralized system of the public colleges--most likely with low tuition levels.

• Little Institutional Support and More Direct Citizen Support

3. There could be a change toward a more centralized system of public colleges--most likely with high tuition levels.

4. The Wisconsin Approach* might be used, which suggests a direct grant of $X to every student plus need-based grants to those with limited resources.

5. Let the organization and problems alone but reduce state-provided institutional support and transfer the state aid to a citizen-based program.

6. Remove all institutional support. Allow the public institutions to form themselves as independent colleges and use the money for a citizen-based Birthright. It would provide educational credits or X dollars to all Oregon citizens.**

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*For details see the Wisconsin Governor's Commission, "A Forward Look," Madison; 1971.

**See Technical Report #7, "An Argument for a State Provided Birthright."

Little Institutional Support and Little Direct Citizen Support

7. Remove most direct subsidies and establish long-term loan programs. These long-term loans could be paid off over 25 or 30 years at a constant percentage of annual income.

Although each of these alternatives is interesting and useful, we have concluded that no single one is adequate to the complex reality of post-secondary education. We have reason to believe that many Oregonians other than 18-21-year-olds want further education. We have discovered a general agreement that families ought to help with college costs to the extent they are able. We have discovered that low tuition at the public colleges subsidizes the rich to a greater degree than the poor and middle class. Thus we have a transfer of wealth from the poor and middle class to the rich.* Peltzman (1973) makes a very strong yet scholarly argument that low tuition at public colleges replaces private personal expenditures for post-secondary education.

Obviously, a plan was called for which recognized existing complexities and strengths. And because we wanted to emphasize service to Oregon citizens, utilizing existing agencies with a minimum of disruption, we designed a comprehensive program. The program we discussed in chapter one utilizes portions of most of the Alternative Delivery Systems. It seemed obvious to us, then, that a shift of some state tax dollars away from direct support of public colleges to Oregon citizens was justified

*The rich are more likely to attend college and once in college stay there longer. This transfer of wealth is much more pronounced in states like California where state colleges and universities have selective admissions. Selective admissions tend to keep out lower income students.

on grounds of both efficiency and equity. Furthermore, a phase-in period seemed desirable, one that corresponded to the state budgets' time frame--a biennium. After numerous conversations with various academic and state administrators, a four step, eight year shift, toward more citizen aid for undergraduate education looked quite reasonable. In the section that follows, the results of those four step (of two years each) changes are detailed.

The major changes are twofold: changes in tuition and in portable grants. 1) We assume an increase in most tuitions every two years and 2) in portable grants for undergraduate schooling of Oregon citizens, while removing subsidies for graduate education.

Simulation Results and Data Base

Table V-1 below indicates how we envision the changeover period. Component 1, Institutional Aid, drops from over 98% of state and local tax subsidies to just over 42% in eight years. The relative success and popularity of the citizen-based aid would determine whether or not the aid would increase beyond the 58% suggested for Step 4.

Table V-1

CURRENT & PROPOSED APPLICATIONS OF STATE & LOCAL FUNDS FOR POST-SECONDARY EDUCATION, CURRENT YEAR & IN EACH OF FOUR STEPS

	Current Yr.	Step 1	Step 2	Step 3	Step 4
	(in thousands of dollars)				
Institution-Based Aid					
Component 1) Education & Construction Funds for Institutions	130,000	121,500	109,319	84,084	55,811
Citizen-Based Aid					
Component 2) Portable Need-Based: a) Need Grants	1,600	10,500	16,330	29,708	49,523
b) Cash Awards	400	--	--	--	--
Component 3) Scholarship Grants	--	--	6,351	18,208	26,666
Total State General Funds & Local Funds for Post-Secondary Education	$132,000	$132,000	$132,000	$132,000	$132,000
	Percents				
Institutional Aid					
Component 1	98.5%	92.1%	82.8%	63.7%	42.3%
Citizen-Based Aid					
Component 2	1.5%	7.9%	12.4%	22.5%	37.5%
Component 3	--	--	4.8%	13.8%	20.2%
Total Percentages	100%	100%	100%	100%	100%
Component 4* - Guaranteed Educational Loans	$ 47,000	$ 60,000	$ 80,000	$100,000	$100,000

*This program is assumed to be self-supporting.

This transfer of funds from institutions to citizens will come about as higher tuition fees are charged. Table V-2 indicates the assumed tuition levels.

Table V-2

ASSUMED TUITION CHANGES DURING ADAPTATION PERIOD

	Average Tuition Per Student				
	1972-73	Step 1	Step 2	Step 3	Step 4
Community Colleges					
All students	$ 300	$ 500	$ 600	$ 900	$1,300
4-Year State Institutions					
Lower Division, in state	520	520	600	900	1,300
Lower Division, out-of-state	1,600	1,400	1,400	1,400	1,400
Upper Division, in-state	520	600	800	1,100	1,500
Upper Division, out-of-state	1,600	1,600	1,600	1,600	1,600
All Graduate students	760	1,200	1,800	2,400	2,400
4-Year Independent Colleges					
All undergraduates	1,600	1,600	1,600	1,600	1,600
All Graduate students	1,600	1,700	1,950	2,350	2,350

These tuition figures in Step 4 are based on our estimate of the average cost of instruction by level of student which we have described in earlier chapters. We have equalized tuition at the lower division public colleges.

We have used two major sources of data for our simulation runs: 1) The Source and Application of Institutional Funds (see Tables II-3 and II-4) and 2) The Student Numbers (from E.C.C. reports) and the reported costs and resources in the S.R.S. (see Chap. 3 and the Student Resource Survey).

Essentially, the computer simulation took presently available data on student finances and increased student budgets to include the changing cost of tuition during each of the four introductory steps of the proposed program. We had the computer program calculate the amount of financial aid which would become available to students during each of the steps and found that the state funds were more than adequate to cover resident undergraduate student need.

Specifically, we decided to use the student classifications that are used by various agencies in post-secondary education. We divided the SRS respondents into the three segments (two-year public colleges, four-year public colleges, and independent colleges). Then in each segment we split the sample according to dependency (dependent upon parents or self-supporting), class level (undergraduate or graduate), and resident status (Oregon resident or not). After looking over the first computer runs* of 28 different groupings of students in each of the three segments, we found that we could accurately represent over 90% in five mutually exclusive groups within each of the three segments. Those five groups were:

Dependent, Undergraduate Residents

Dependent, Undergraduate, Out-of-State Students

Dependent, Graduates, All

Self-Supporting, Undergraduate, Residents

Self-Supporting, Graduates, All

*The computer program allows the researcher to specify which student group(s) he wants from any one or combination of 99 institutions.

We then sub-divided the undergraduates into lower division and upper division, reflecting our view that there ought to be tuition differences by level of instruction. Thus, our analysis by computer was conducted upon eight undergraduate subgroups in each of the three segments. We then expanded our sample to the best estimate of actual full time equivalent students in each of the 24 subgroups, as shown in the ECC reports on enrollments modified by the student reports. (See Table V-3 below for the enrollment figures we used.)

Table V-3

ESTIMATES OF NUMBER OF STUDENTS IN EACH CATEGORY BY SEGMENT, FALL TERM 1972

		Two-Year Public Colleges	Four-Year Public Colleges	Independent Colleges
Oregon Resident Undergraduates				
Dependent, Lower Div.		19,453	14,187	2,246
Upper Div.		--	11,823	1,497
Self-Supporting, Lower Div.		9,032	5,675	428
Upper Div.		--	4,256	214
Total Eligible Students - Portable Need Grants:	68,811	28,485	35,941	4,385
Out-of-State Undergraduates				
Dependent, Lower Div.		4,516	2,837	3,315
Upper Div.		--	2,365	2,139
Total Out-of-State Undergraduates - Not Eligible for Portable Grants:	15,172	4,516	5,202	5,454
Graduates				
Dependent		695	2,365	535
Self-Supporting		1,042	3,783	321
Total Graduates:	8,741	1,737	6,148	856
Total Students:	92,724	34,738	47,291	10,695
Percentage of Students Eligible for Portable Need Grants = 68,811 ÷ 92,724 =	74%	82%	76%	41%

Source: ECC Report 39-72 Appendix A, and SRS, Computer Calculations.

Some readers are likely to question the categorization of 1,737 community college students (5%) as "graduates." These students categorized themselves as "graduates" on the SRS even though they were enrolled in community colleges and are students who already have degrees. In the interest of accuracy we have let the description stand, and in our calculations of persons eligible for state portable grants we have not included them. For simplicity, we have assumed that during the simulations enrollment will remain as it was in Fall 1972.

Throughout the analysis we have further divided the students on the basis of ten categories of family income* ranging from low (less than $3,000) to high ($25,000 and above). These income levels are very important to the simulations because they allow more precise estimates of financial need which are based upon the system presently used by Oregon colleges.

*Self-supporting students are divided on the basis of ten categories of their own income.

Estimates of Student Costs and Resources

The process of estimating total remaining need from which portable need grants would be allocated is the logically simple exercise of determining which eligible students have inadequate money for college.

Table V-4 below shows how the unmet need decreases with the addition of the portable need grants. According to student reports, over $13 million was needed in the academic year 1972-73 by students enrolled that fall quarter.*

Table V-4

PORTABLE NEED GRANTS COVERAGE OF RESIDENT UNDERGRADUATE FINANCIAL NEED

	Adaptation Period				
	Present	Step 1	Step 2	Step 3	Step 4
Total Need before Need Grants ($1,000)*	$13,935	$18,344	$22,706	$35,321	$54,416
Need Grants ($1,000)	--	10,500	16,330	29,708	49,523
Remaining unmet Need ($1,000)	$13,935	$ 7,834	$ 6,376	$ 5,613	$ 4,893
Percentage of Need met by expansion of Need Grant Program	0%	57%	72%	84%	91%
Percentage remaining of Unmet Need	100%	43%	28%	16%	9%
Total	100%	100%	100%	100%	100%
Number of Eligible Students**	68,615	68,615	68,615	68,615	68,615
Average Portable State Need Grant Available per Eligible Student	--	$153	$238	$433	$722
Average Amount of Remaining Need, per Eligible Student	$203	$114	$ 93	$ 82	$ 71

*After subtraction of present parental support, present level of federal and other institution-based aid and assumed self-help. Present level of aid includes some portion of Need Grant money dispersed under the present program.

**Elibible to apply are all undergraduate in-state students. As long as needs test is applied, however, not all of these will receive Need Grants.

*See Tables III-4 and III-5 for estimates of who are these students.

Assumptions about Costs and Resources

Table V-5a

STUDENT & FINANCIAL AID OFFICERS' ESTIMATES OF LIVING COSTS AT COLLEGE

(Dependent Students Living Away from Home)

Fall 1972 - SRS	Community Colleges	State System Schools	Independent Colleges
Lower-Division	$1,450	$1,400	$1,450
Upper-Division	--	1,700	1,570
Graduates	--	2,450	2,010
(Source: 1972-73 SRS)			
Spring Follow-up (Undergraduates only)	$1,306	$1,495	$1,715
(Source: McFall, 1973; p. 99)			
Average Financial Aid Office estimated living cost (Undergraduates only)	$2,066	$1,868	$2,066
(Source: Ibid.)			

The above range of estimates is quite wide. The SRS summary had indicated that students' estimates of living expenses were probably too low. Also, financial aid specialists warn that students, especially younger ones, frequently underestimate their true living costs for the year. Consequently, we felt it necessary to create our own estimates which we felt should vary only by class level and not by type of school, dependency status of the student or his sex. (See Table V-5b on the following page.)

Table V-5b

ASSUMED LIVING COSTS FOR AN ACADEMIC YEAR

	Lower Division	Upper Division	Graduate
Books	$ 150	$ 200	$ 350
Room and Board	1,000	1,050	1,200
Transportation	250	250	250
Clothing, Recreation and Incidentals	300	400	400
Total Living Costs	$1,700	$1,900	$2,200

Thus the total living costs of an academic year are assumed to be tuition and fees plus living costs, which are met from various resources.

These assumed living costs for the simulation ought to be compared to those in Graph III-2 (p. 116). Our assumed costs are substantially different from the living costs approved by the Financial Aid officers for the 1972-73 school year, but they are within the range of estimates. Financial Aid officers seemed to approve the highest living costs at the community colleges. We, on the other hand, assumed that living costs increased as the student stayed on at college regardless of the type of college he was attending.

Student Resources

We have identified and separated student resources into three different parts. There is student financial aid (e.g. benefits, grants and loans); student self-help (e.g. employment and savings); and parental contribution. Let us look at each in turn.

Student financial aid, most of which is administered by institutions, is assumed to remain constant as reported by students in Fall 1972. Table V-6 below indicates greater amounts of student aid for self-supporting students. Among the self-supporting undergraduates are a number of veterans, recipients of the G.I. Bill. Included in the self-supporting graduates are a number of "fellowship" recipients. The figures in Table V-6 are larger than the institutional aid figures noted in chapter two because of the inclusion of benefits and loans in addition to grants.

Table V-6

AVERAGE PER STUDENT AID AVAILABLE IN BENEFITS, GRANTS AND LOANS - STUDENT REPORTED

	Two-Year Public Colleges	Four-Year Public Colleges	Independent Colleges
Oregon Resident Undergraduates			
Dependent	$ 276	$ 415	$ 895
Self-Supporting	906	978	1,592
Out-of-State Undergraduates	306	495	701
Graduates			
Dependent	284	693	618
Self-Supporting	598	1,302	1,209

Source: Recalculated SRS data

Student self-help is the amount the student contributes from his own pocket. It includes personal savings as well as income from employment that the student is assumed to use for living and school expenses. Table V-7 below indicates that self-help reported by students was quite high. Essentially, the students reported paying all their own living expenses.

Table V-7

AVERAGE SELF-HELP - STUDENT REPORTED

	Two-Year Public Colleges	Four-Year Public Colleges	Independent Colleges
Oregon Resident Undergraduates			
Dependent	$1,099	$1,356	$1,359
Self-Supporting	1,543	1,929	1,906
Out-of State Undergraduates			
Dependent	1,216	1,339	1,215
Graduates			
Dependent	1,130	1,836	1,547
Self-Supporting	2,151	2,675	2,444

Source: All figures are from the SRS original data and a simple average of male and female responses.

In our simulation runs, we arbitrarily reduced the amount of expected self-help to the following amounts.

Table V-8

ASSUMED SELF-HELP - ALL INSTITUTIONS

Lower Division	$ 750
Upper Division	$1,350
Graduates	$1,850

We made the reduction for two reasons. First, we believe that neither the school a student attends nor his personal decisions about

dependency on parents should affect how much he contributes for his own schooling. Second, there is evidence that parents' contributions, on the average, are less than the amount expected by the College Scholarship Service.

What we have done with the amount of self-help by level is to allow about 70% of the amount that an average student claims to have contributed to his college costs in 1972-1973. Perhaps we were overly generous since students themselves claim to contribute more. Frankly, the setting of these expected allowances was purely arbitrary.

Therefore, before a system such as we have suggested is implemented, full public discussion leading to statewide standards must be introduced. Certainly, it should be recognized that those standards of expected self-help, as well as expected parental contributions, could be different from our proposals.

Parental help is expected from those families who can afford it. An elaborate system and accompanying rationale has been constructed to permit an objective estimate of how much the parents can afford to contribute toward the college expenses of their offspring. The evidence is that, on the average, lower income parents contribute more than expected and higher income parents contribute less. Furthermore, the higher the tuition, the higher is the contribution in all income levels.

Nevertheless, in our simulation runs, we used the highest of actual or expected average parental contribution in each of ten different family income categories. Here again, before a system is implemented, full public discussion leading to statewide standards is needed.

Some Problem Areas

Whether or not our recommendations find widespread acceptance, there are some problems that need careful analysis by the state legislature.

1. There are several anomalies in the current structure of student financial aid. There has been insufficient discussion and not enough candor regarding the accepted standard for:

living expenses

parental contribution

student self-help

Living expenses. Assumed living expenses, upon which grants are based, need to be standardized. We found that several community colleges provided student financial aid based on relatively high assumptions concerning living costs. This was done in spite of the popular wisdom and the students' own reports that community colleges have the lowest living costs. (See Graph III-2 on p. III- .) There needs to be a state standard; we have recommended a standard budget of $1,700 for all lower division students and $1,900 for those in upper division.

Parental Contribution. Expected parental contributions need to be made more realistic. All the Oregon colleges use the "Parents' Confidential Statement" developed and analyzed by the College Scholarship Service. Using the CSS procedure involves completion by the family of a complicated and detailed form concerning assets and income. The CSS analysis of expected parental contribution is based upon a national, moderate standard of living (as defined by the Bureau of

Labor Statistics). Parents are expected to give their children in college all necessary money above that level.* In essence it is a kind of expected but non-compulsory "tax." Table V-9 below indicates the maximum contribution CSS expected parents to make for the acedemic year 1972-73.

Table V-9

EXPECTED PARENTS' CONTRIBUTION - CSS

INCOME (before federal tax)	Number of dependent children									
	1	2	3	4	5	6	7	8	9	10
6,000	269	24	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
7,000	514	217	72	-0-	-0-	-0-	-0-	-0-	-0-	-0-
8,000	756	441	243	101	29	-0-	-0-	-0-	-0-	-0-
9,000	995	668	446	250	169	116	66	30	-0-	-0-
10,000	1,260	893	645	447	349	248	175	153	122	94
11,000	1,558	1,121	845	641	535	426	346	283	238	206
12,000	1,884	1,406	1,044	835	719	603	516	447	399	364
13,000	2,234	1,720	1,305	1,029	902	777	683	610	557	519
14,000	2,619	2,047	1,597	1,298	1,112	947	845	767	711	671
15,000	3,039	2,401	1,903	1,584	1,388	1,198	1,005	921	861	819
16,000	3,476	2,790	2,239	1,888	1,681	1,478	1,288	1,135	1,009	964
17,000	3,900	3,227	2,619	2,224	1,998	1,774	1,574	1,411	1,293	1,205
18,000	4,320	3,647	3,035	2,602	2,345	2,103	1,878	1,709	1,583	1,485
19,000	4,740	4,067	3,455	3,011	2,727	2,465	2,213	2,030	1,890	1,793
20,000	5,160	4,487	3,875	3,431	3,150	2,863	2,590	2,382	2,226	2,125

Source: p. 118, McFall (1973)

This student aid packaging process assumes that parents of equal income will make equal contributions. We did not find this. McFall (1973)

*For a more detailed description see Technical Report #9, "The Adequacy of the Parents' Confidential Statement in Determining Financial Need;" James L. Bowman, "Measuring the Financial Strength of Family Resources;" and the CSS explanatory booklet, "The Theory of Need Analysis."

shows that parents' contributions typically are related to tuition--the higher the tuition the higher the parental contributions.

Table V-10

AID FROM PARENTS AS DETERMINED BY THE SRS COMPARED TO THE CSS EXPECTED PARENTAL CONTRIBUTION

Family Income:	0-$6,000	$12,000-$15,000	$18,000+
Community Colleges	$ 80	$ 170	$ 210
OSSHE	160	400	770
Independent Colleges	280	740	1,450
Average CSS expected parental contribution	$---	$1,330	$2,720

Source: McFall, p. 27

Table V-11

AID FROM PARENTS: A COMPARISON OF SRS RESULTS IN OREGON, CALIFORNIA AND WASHINGTON

Family Income:	0-$6,000	$12,000-$15,000	$18,000+
Community Colleges			
Oregon (Av. Tuition $300)	$ 80	$170	$ 210
California	130	190	310
Washington	200	430	900
Four-Year Public Institutions			
Oregon (Av. Tuition $520)	$160	$400	$ 770
California*	210	480	830
Washington	220	620	1,030
Independent Institutions			
Oregon (Av. Tuition $1,600)	$280	$740	$1,450
California	340	970	1,840
Washington	330	840	1,610

Source: SRS as quoted in McFall (1973), p. 29.

*The California figures for four-year institutions are a combination of the University of California (tuition equal to Oregon) and the California State University and Colleges (tuition = $140-170).

Parents in low income families contribute more than CSS tables expect and higher income families contribute less. (See Tables V-10 and V-11 on previous page.) McFall (1973; p. 28) concludes:

> In reality the amount that parents contribute is determined by the amount of grants the student receives, the loans he can obtain, and his earnings over both the summer and the school year. It appears that many parents tend to fill in the gap after all (other) resources are ascertained. The aggregate of earnings, savings, borrowing and aid often reduces the amount that a student needs from his parents below the expected contribution level.

This view is reinforced by McFall's (1973; p. 78) finding that over 25% of the student respondents in each (of the three) income levels (low, medium and high) report that they received aid but would have attended the same school without aid.

> There are at least two alternative explanations for this: students are optimistic and believe they will find some way to pay college costs, or financial aid is going to students who do not have as great a need as the financial aid officers believe them to have.

Student Self-Help. As noted above, students may be optimistic about finding money to go to school. Certainly, students pay a substantial amount of their own living expenses. They claim to pay more than we expected. (See Table V-7.)

Certainly a thorough analysis of assumed living costs, parental contribution and self-help is necessary. Such an analysis could be reported to the legislature, which could then establish state standards.

2. We have discovered a series of anomalies resulting from the different treatment of the "segments" of post-secondary education. We see this as a fragmentation of post-secondary education. The state legislature and executive departments treat post-secondary funding in a disjointed and

compartmentalized manner which may not be in the best interests of Oregon citizens. The separate boards of education and higher education have each done a relatively good job of looking after their interests. However, a uniform state tuition policy set by the legislature has much to recommend it. There are, admittedly, good and proper historical reasons for all these separate parts; but, in our opinion, the time has come to look at post-secondary education as one entity to more rationally meet the needs of all citizens.

3. Finally, Oregon state funding virtually ignores private vocational schools, just as we have. We have argued, somewhat weakly, that private vocational schools should be included in funding decisions. Unfortunately, the data base was inadequate, so we have not provided the figures. But if the 10,000 private vocational school students were included in the Need Grant program and had the same requirements as students at Oregon's other colleges, the program would have to be increased as noted below.

Table V-12

ADDITIONAL NEED GRANTS PER YEAR IF PRIVATE VOCATIONAL SCHOOL STUDENTS WERE INCLUDED IN THE PORTABLE GRANT PROGRAM

	Step 1	Step 2	Step 3	Step 4
Average Need Grant Available Per Student	$ 153	$ 238	$ 433	$ 722
X 10,000 Students (need in $1,000)	$1,530	$2,380	$4,330	$7,220

We propose that this money be available through component 3, "Scholarship Grants."

Do-It-Yourself Simulation

We hope that readers are interested enough to think through their ideas of state subsidies. We will be happy to help you begin a simulation if you will answer the following questions.

1. How much state and local funds for post-secondary education per annum? _____

2. What estimates do you want for student numbers? If you are satisfied with our estimates in Table V-3 indicate YES. If not, submit your estimates. _____

3. What segments do you want analyzed (check one):
   All segments together _____
   or the three we have used _____
   or some other (submit instructions) _____

4. What proportion of funds noted in question 1. should be allocated to each of the following programs (indicate percentage):
   Component 1, Institutional Subsidies _____
   Component 2, Portable Need-Based Grants _____
   Component 3, Portable Scholarship Grants _____
   Component 4, Educational Loans _____
   Total: 100%

5. If Component 2 is assigned any number other than "zero" in question 4.

   What self-help figure is to be used? (choose a, b or c) -

   (a) All students $_____

   (b) Lower Division $_____
   Upper Division $_____
   Graduate $_____

   (c) Other choice (attach details) $_____

   Are graduate students to be included in Components 2 and 3 (indicate YES or NO) _____

(continued next page)

5. (continued)

What parental contribution is expected? (choose one)

- CSS Norms _____
- Higher of actual or CSS expected _____
- Actual average for all students _____
- Some other system (attach details) _____

What is the living cost for an academic year? (fill in all)

- All students $ _____
- Lower Division $ _____
- Upper Division $ _____
- Graduate $ _____

Is there a difference in living costs of males and females? (indicate YES or NO) _____

If YES, fill in:

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