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ABSTRACT

The Financial Aid Study Committee of the Ohio Board of Regents was impaneled in October 1987 to determine if the state's major financial aid investments, principally the Ohio Instructional Grant Program, are an adequate resource in addressing state access objectives. Significant changes in the Ohio economic base have given rise to renewed emphasis on the role which higher education can play in preparing Ohioans for the 21st century. Ohio must develop strategies to expand access to higher education and ensure equality in its benefits. This responsibility must be shared by state and federal government, colleges and universities, and the private sector. Following an executive summary and a summary of 13 recommendations, the focus is on: cost of attending college; sharing the cost; growth and trends in student assistance programs; growing reliance on student loans; growth and change in the Ohio Instructional Grant Program; packaging financial aid; access and the availability of financial aid; delivery of state grant assistance; part-time students; new options; and proprietary schools. Future study needs are also identified, including: determining the financial need of Ohio's part-time students; exploring the feasibility of further reducing a growing reliance on student loans by creating a work-study program to supplement the federal college work-study program; and exploring other options for families who do not qualify for need-based financial aid. An appendix defines new federal support status criteria. Tables and charts are included. (SM)

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June 16, 1988

Office of the President

Mr. William B. Coulter
Chancellor
Ohio Board of Regents
3600 State Office Tower
30 East Broad Street
Columbus, OH 43215

Dear Chancellor Coulter:

Tr Regents' Financial Aid Study Committee is pleased to forward to you this report of findings, conclusions, and recommendations regarding the role f state financial aid investments in expanding higher education opportunities for the people of Ohio.

The Committee's work focused primarily on the Ohio Instructional Grant Program in the context of financial access. We concluded that state investments in the OIG Program do serve to expand educational opportunity by removing financial barriers which can confront all students, especially those from low and moderate income families. As the "buying power" of federal student assistance declines, the OIG program will become an increasingly significant resource in the state's campaign to widen educational oppc.tunity and ensure economic stability in the state by training Ohioans to deal with a growing, information-based economy.

The thrust of the Committee's recommendations in this first consultation since 1975 is to ensure that inflation does not continue to erode the value of Ohio Instructional Grant Benefits. We have also suggested several ways to make the financial aid delivery system more responsive to students and their families.

We hope that you will view this report and the work which it represents as a first step in an ongoing evaluation of all state investments in student financial aid. Continuing study on a biennial basis is needed to ensure sound financial aid policy in a time of rising college costs.

Sincerely,

Ed Florak

Edward L. Florak, Ed.D.
Chairman
Fina .ial Aid Study Committee

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Enclosure

THE ROLE OF STUDENT FINANCIAL AID IN EXPANDING OPPORTUNITIES FOR HIGHER EDUCATION IN OHIO

REPORT OF THE

FINANCIAL AID STUDY COMMITTEE

OF THE

OHIO BOARD OF REGENTS

JULY 1988

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FINANCIAL AID STUDY COMMITTEE REPORT

EXECUTIVE SUMMARY

Significant shifts in Ohio's economic base from manufacturing to service and technology have given rise to renewed emphasis on the role which higher education can play in preparing Ohioans for the future. Central to this role is educating future workers and leaders to manage an increasingly knowledge intensive economy and transmitting new technology into the marketplace. To create an adequate, well-trained workforce for the 21st century the state must find ways to increase the participation of its citizens in higher education at all levels, especially those who have been historically underrepresented in the higher education system. To accomplish this, ways must be devised to eliminate obstacles to access. One such obstacle is cost. Since paying for college is problematic for many students and their families, the state must address the questions of how the responsibility of paying for college should be shared and how the state can best carry out its prescribed responsibility in this matter. The state's investments in student financial aid, principally through the Ohio Instructional Grant Program, are a key component of the access question.

The Financial Aid Study Committee was impaneled in October of 1987 to consider how the state can most effectively respond to the financial need of Ohio's students at a time when the "buying power" of federal financial aid is on the decline and college costs are on the rise. The Committee was directed to look closely at the state's major investments in student financial aid to determine if these programs are an adequate resource in meeting state access objectives.

The deliberations of the Financial Aid Study Committee focused on four principal areas. These were: first, developing a cogent financial aid philosophy which can give direction to state policy; secondly, assessing growth and trends in federal, state and institutional financial aid and determining how these resources interact; thirdly, determining the adequacy of Ohio Instructional Grant benefits in lowering financial barriers for the state's needy students; and lastly, determining how to reduce the complexity of financial aid delivery systems to make these systems more responsive to students and their families.

The statement of Financial Aid Philosophy which is included in the Report was developed early in the Committee's deliberations. This philosophy apportions the responsibility of paying for college among the student and his or her family, federal and state governments and the student's college or university to ensure that no student will be denied access to higher education on the basis of the family's ability to pay.

In its assessment of growth and trends in all financial aid programs, the Committee observed that growth in federal programs, and in the OIG Program, has not kept pace with rising college costs. The Committee found that as the "buying power" of federal grant assistance declines, student loans have emerged as the most common form of student financial aid. In the 1975-1976 academic year, loans accounted for 17% of all financial aid awarded nationally; by the 1986-1987 academic year, approximately 40% of all financial aid awarded was in the form of loans. This growing reliance on loans is problematic for all students and especially for those from low income families. The Committee found that the specter of heavy loan indebtedness can discourage students from participating in higher education. Research suggests a strong positive correlation between a student's self-confidence and the willingness to assume a loan burden. During enrollment a growing loan indebtedness can have a negative impact on persistence. In

California's Eureka Project, researchers found that most students do not consider their first loan assumption to be a difficult step, but many students "draw back" when they perceive that the loan burden has become too large. After graduation, heavy loan burdens may discourage some students from entering lower paying service occupations. The Committee believes that recommended increases in the Ohio Instructional Grant Program will help to offset this growing reliance on student loans and bring college costs within reach of more Ohioans.

When evaluating the effectiveness of the Ohio Instructional Grant Program in removing financial barriers, the Committee found that the value of these benefits has been eroded over time by the effects of inflation. For example, in the current program, maximum grant benefits are awarded to only a portion of students from families who have no measured ability to share in the cost of college. Today, all students from families with incomes below $5,000 automatically receive maximum grants. This is the OIG "income floor," the point at which grants begin to decline. However, data compiled by the College Scholarship Service of the College Board indicate that, generally, all families with incomes <u>below $15,000</u> have inadequate income and assets to contribute to the student's cost of attendance while maintaining even a <u>low</u> standard of living. To address this problem, the Study Committee has recommended that in the upcoming biennium, maximum OIG benefits should be awarded to all students from families whose incomes place them below the federal poverty level, roughly $10,000. The estimated cost of this recommendation is approximately $30,000,000. The Committee further recommends that the "income floor" should be adjusted on a biennial basis to more accurately reflect the income level at which a family can reasonably be expected to share in the cost of college.

Upon examining the delivery of all student financial aid, the Committee found that, when taken together, these delivery systems are complex and intimidating to many families, especially those who have had little or no exposure to higher education. To reduce this complexity in the financial aid application process, the Study Committee recommends that students should have the opportunity to apply for state grant benefits by using either the state grant application or a "need analysis" form which must be completed for federal financial aid consideration. In addition, the Committee recommends moving the OIG application deadline to better respond to students who make late decisions to enroll in college.

The work of the Financial Aid Study Committee was the first major consultation on financial aid issues since 1975. Much work has yet to be done. In this report, the Committee recommends ongoing study on several major financial aid issues.

Finally, the Committee acknowledges that financial aid programs and state subsidies which bring college costs within reach of Ohio's citizens are only one part of the access equation. Continuing efforts must be made to motivate students at a very early age, to encourage and support strong career aspirations and to ensure that all students are academically prepared for the paths which they choose. Achieving access to higher education for all Ohioans who will need it is now an economic and social imperative.

FINANCIAL AID STUDY COMMITTEE

SUMMARY OF RECOMMENDATIONS

June 1988

Recommendation #1:

For the 1989-1990 academic year, the federal poverty benchmark of $10,000 should be used to begin the process of raising the OIG income floor. This floor should be raised each subsequent biennium to more accurately reflect the income level at which a family may be reasonably expected to contribute to the cost of college.

Recommendation #2:

Starting in the 1989-1990 academic year, the OIG income ceiling should be adjusted to reflect the number of dependents in the applicant's family as well as to ensure that no precipitous withdrawal of grants occurs at higher income levels. Periodic review should be made in order to adjust the income ceiling for inflationary factors as well as for the number of dependents.

Recommendation #3:

The Board of Regents should adopt a long-range goal of closing the gap between the maximum Ohio Instructional Grant and the average, undergraduate tuition charges at Ohio 4-year public universities. Ultimately, the maximum award should equal 100% of these tuition charges.

Recommendation #4:

The Board of Regents should consider a modification in the OIG Program to more accurately measure the relative financial need of families with more than one child in college.

Recommendation #5:

The Board of Regents should implement programs designed to ensure the timely dissemination of financial aid information to students and their families. The Regents should also cooperate with other agencies, organizations and institutions in the delivery of such programs. These programs should give special attention to those who are underrepresented in the state's colleges and universities.

Recommendation #6:

The Ohio Instructional Grant application process should be modified to enable students to apply for state grant assistance by completing either the Ohio Instructional Grant application or a federally approved need analysis form.

Recommendation #7:

The Ohio Instructional Grant application deadline should be moved to October 1 to accommodate students who make late decisions to attend college.

Recommendation #8:

The Board of Regents should adopt new federal criteria for determining the support status of OIG applicants. These criteria should be reviewed periodically to determine their continuing appropriateness for state use.

Recommendation #9:

The Board of Regents should support legislation to establish a program of financial assistance for needy part-time students who are single heads-of-household.

Recommendation #10:

The Board of Regents should adopt a long-range goal of providing state grant assistance to all needy part-time students who enroll for at least half-time study.

Recommendation #11:

The Board of Regents should support efforts by the Ohio General Assembly and the United States Congress to encourage increased saving by parents who plan to send their children to college.

Recommendation #12:

The Ohio Board of Regents should explore an appropriate role for the state in supporting "young scholar" programs.

Recommendation #13:

The Ohio Board of Regents should encourage legislation which requires all degree programs offered in the state to meet current minimum standards established by the Board of Regents. Until such time that Ohio proprietary schools are made subject to these standards, these schools should not benefit from increased funding in the Ohio Instructional Grant Program. Once uniform minimum standards are applied, each Ohio proprietary institution should have a reasonable opportunity to show compliance with these standards or lose OIG funding.

INTRODUCTION

In the decade of the 80's, the connection between social and economic distress in the American society and the relative success of our educational institutions has become increasingly self-evident. As Americans gain a clearer understanding of this connection and the inevitability of competing in a "global economy," greater demands are made to reform our primary and secondary schools so that all Americans will be empowered with the essential skills needed to succeed in a time of dramatic change and uncertainty. As we prepare to enter a new century, institutions of higher education will be instrumental in preparing the workers and the leaders of tomorrow and transmitting the knowledge which will be needed to manage an increasingly technological society.

In Ohio, significant changes in the state's economic base have given rise to renewed emphasis on the role which higher education can play in preparing Ohioans for the 21st century. As the state develops strategies to respond to these changes, attention is focused on the following realities:

- The major decline in employment in the state will occur in high-wage, low-skill manufacturing jobs, and major employment growth will occur in service occupations. From 1980 to 1987, Ohio's service sector expanded by some 252,000 jobs while manufacturing lost approximately 231,000 jobs. However, a strong manufacturing base is needed to sustain a service economy since approximately one-fourth of all jobs in the service sector are directly related to manufacturing.

- By the year 2000 the number of available jobs in the state will be greater than the workforce. Three-fourths of all new jobs will require some postsecondary education. While the service sector will support both high- and low-wage occupations, a stronger relationship will exist between training and education and salary levels.

- The majority of workers in the year 2000 are currently in the work force; these workers are likely to change jobs several times during their working lives. About one million workers in Ohio's current workforce need to be retrained to keep the jobs they have or to qualify for new jobs in the changing workplace.

- By the year 2000 the majority of new workers in the state will come from groups which have been historically underrepresented in occupations requiring higher levels of education and job training -- Blacks, Hispanics and women.

- An increasing portion of the state's youth population comes from family environments which put them at risk of failure in preparing for a career.

- The number of young Ohioans pursuing postsecondary education is insufficient to sustain a knowledge-based economy in the year 2000. This problem is especially acute among minority youth who continue to be underrepresented in the state's higher education system. Currently, 40-45 percent of Ohio high school graduates go directly to college compared to a national average of 66 percent. Only about 42 percent of Ohio's current workforce have some college education compared with the national average of 46 percent.

These realities create a serious challenge for the people of Ohio, a challenge to sustain and revitalize the state's economy at a time when the state's economic base is shifting and its workforce is growing smaller. Ohio's institutions of higher education will play a critical role in meeting this challenge. In partnership with the private sector, Ohio's colleges and universities must develop and transfer new technology to the marketplace and produce an educated, well trained workforce to sustain an increasingly knowledge-intensive economy. At the same time, these institutions must continue to produce the leaders for all sectors of society, to conduct research and scholarly activity which stimulates new ideas, processes and products, and to widen the circle of opportunity for all of the state's people.

To succeed in meeting this challenge, Ohio must develop strategies to expand access to higher education and ensure equality in its benefits. This responsibility must be shared by state and federal government, colleges and universities and the private sector. In developing these strategies, particular attention must be given to minority groups who are currently underrepresented in Ohio's higher education system. If access to higher education is to be achieved for all of Ohio's people who will need it, state government must go about the task of eliminating obstacles which prevent equal educational opportunity. The issue of geographical access has already been addressed. In past decades the state's commitment to open access for all Ohio high school graduates fostered the expansion of a publicly supported higher education system which provides educational services to all Ohioans within a reasonable distance from their homes. With a diversified public system of over 60 permanent campuses and a private non-profit sector which includes some 50 institutions, the state must now ensure that financial access to higher education is afforded to all Ohioans, especially those from low-income families. At the state level, the issue of financial access is addressed in two principal ways: first, state subsidies to public two- and four-year institutions which reduce the cost of education for the student and the student's family and second, state funded financial aid programs which supplement the student's and his or her family's own financial resources.

The Regents' Financial Aid Study Committee was impaneled in October of 1987. Chancellor William Coulter's central charge to the Committee was to determine if the state's major financial aid investments, principally the Ohio Instructional Grant Program, are an adequate resource in addressing state access objectives. Earlier, in 1986, Chancellor Coulter spoke of the need to develop a "decision system" to address a wide range of issues related directly to the influence of student financial aid on access to Ohio's colleges and universities and the role of state funded student assistance programs in that matter.

THE COST OF ATTENDING COLLEGE IN OHIO

The cost of attending college includes the charges and expenses which are faced by the student and his or her family. "Direct" costs include instructional and general fee charges (tuition), laboratory fees, and the cost of books and supplies; "indirect" costs include the student's living expenses, transportation expenses to and from the campus and miscellaneous personal expenses. In the financial aid vernacular, these charges and expenses are called the student expense budget. The average 1987-88 institutional student expense budgets which appear in Table A are for full-time, dependent, undergraduate Ohio residents living away from home.

The cost of attending a publicly supported college or university in Ohio is higher than the cost of attending public colleges in most other states. In the 1986-1987 academic year Ohio ranked 40th among all states in per capita appropriation support to higher education. (Basic Data Series, Ohio Board of Regents, 1987.) At Ohio's public colleges and universities, state funded institutional subsidy covers a portion of the student's actual total cost of instruction. The tuition charged by each institution is the student's share of these costs. In the period from 1980 to 1987 the student's share in Ohio has fluctuated with a low of approximately 33% in 1980, a high of approximately 47% in 1983 and a current student's share of approximately 40%. The Regents' goal is to provide institutional subsidy which will bring the student's share down to 30%.

STATEMENT OF SUPPORT: THE FINANCIAL AID STUDY COMMITTEE SUPPORTS EFFORTS BY THE OHIO BOARD OF REGENTS TO REDUCE THE COST OF PUBLIC HIGHER EDUCATION FOR ALL OHIOANS BY REDUCING THE STUDENT'S SHARE OF THE COST OF INSTRUCTION THROUGH INCREASED SUBSIDY SUPPORT.

TABLE A

Ohio Student Expense Budgets For Students
Living Away From Home

1987-1988

	4-Year Public	2-Year Public	4-Year Private
	$	$	$
Direct Educational Expenses			
Instructional & General Fees (Tuition)	2,017	1,240	6,833
Books, Supplies & Lab. Fees	450	450	450
	2,467	1,690	7,283
Indirect Educational Expenses			
Room & Board	2,870	2,870	2,933
Transportation & Misc. Expenses	1,200	1,200	1,000
	4,070	4,070	3,933
Total	$6,537	$5,760	$11,216

SHARING THE COST OF ATTENDANCE

The ability to pay for college differs from family to family and is directly related to each family's financial resources and the total cost of attendance which varies significantly among institutions as suggested by the institutional student expense budgets which appear in Table A. The Regents' Financial Aid Study Committee supports a philosophy which apportions the responsibility of paying for college among the student and his or her family, federal and state governments and the student's college or university in order to ensure that no student will be denied access to higher education on the basis of the family's ability to pay.

STATEMENT OF PHILOSOPHY: THE STATE OF OHIO RECOGNIZES THE VITAL ROLE WHICH HIGHER EDUCATION PLAYS IN BUILDING AND MAINTAINING A VIABLE, PROGRESSIVE SOCIETY. BECAUSE THE BENEFITS OF HIGHER EDUCATION IMPACT THE INDIVIDUAL, THE FAMILY, THE STATE AND THE LARGER SOCIETY, THE RESPONSIBILITY OF PAYING FOR A COLLEGE EDUCATION SHOULD BE SHARED AMONG THESE ENTITIES WITH THE PRIMARY RESPONSIBILITY FALLING TO THE STUDENT AND THE STUDENT'S FAMILY. WHEN FAMILY FINANCIAL RESOURCES ARE INADEQUATE, IT IS APPROPRIATE AND NECESSARY TO SUPPLEMENT THESE RESOURCES WITH FEDERAL AND STATE FUNDS. AT THE STATE LEVEL, FINANCIAL AID INVESTMENTS SHOULD PROMOTE EQUAL EDUCATIONAL OPPORTUNITY BY ELIMINATING FINANCIAL BARRIERS TO ACCESS WHICH CONFRONT STUDENTS FROM NEEDY FAMILIES, ESPECIALLY THOSE WHO HAVE BEEN HISTORICALLY UNDERREPRESENTED IN THE STATE'S COLLEGE-GOING POPULATION. WHILE IT IS APPROPRIATE TO INVEST STATE FUNDS IN FINANCIAL AID PROGRAMS WHICH ACHIEVE OTHER GOALS -- ENSURING FREEDOM OF CHOICE AMONG INSTITUTIONS OR REWARDING ACADEMIC ACHIEVEMENT, FOR EXAMPLE -- THE MAJOR PORTION OF STATE STUDENT ASSISTANCE FUNDING SHOULD BE INVESTED IN PROGRAMS DESIGNED TO ENHANCE ACCESS TO HIGHER

EDUCATION, ESPECIALLY AT THE UNDERGRADUATE LEVEL, BY APPORTIONING GRANT ASSISTANCE TO ELIGIBLE FAMILIES ON THE BASIS OF MEASURED NEED. THE STATE SHOULD ALSO MAKE OTHER OPTIONS AVAILABLE TO ASSIST STUDENTS AND FAMILIES IN PAYING FOR A COLLEGE EDUCATION.

Federal Student Assistance

The United States Government has provided financial assistance to college students since 1944. Milestones in the history of federal student assistance include the following:

- 1944: Passage of the Servicemen's Readjustment Act also known as the "G.I. Bill." This was the first federal program which provided assistance directly to students rather than to institutions. Students received funds for tuition and fees, books and supplies and living expenses.

- 1958: Passage of the National Defense Education Act in response to the launching of the Sputnik Satellite by the Soviet Union. This Act created the National Defense Student Loan Program (which later became the National Direct Student Loan Program and is now the Perkins Loan Program).

- 1964: Passage of the Economic Opportunity Act of 1964. The College Work Study Program was created by this Act.

- 1965: Passage of the Higher Education Act of 1965 which reauthorized existing financial aid programs and created the Supplemental Educational Opportunity Grant Program (SEOG) and the Guaranteed Student Loan Program.

- 1972: Passage of the Higher Education Amendments of 197 'he Basic Educational Opportunity Grant Program (now the Pell Gr. .c Program) and the State Student Incentive Grant Program (SSIG) were created by this legislation.

- 1978: Passage of the Middle Income Student Assistance Act of 1978. This legislation expanded Pell Grant eligibility to middle income families and lifted the income ceiling on the Guaranteed Student Loan Program. (The income ceiling has been reinstated.)

- 1980: Passage of the Educational Amendments of 1980. This legislation reauthorized all financial aid programs, created a common system for determining student eligibility and created the PLUS Program (Parent Loans for Undergraduate Students). These amendments also gave institutions greater flexibility in awarding some federal student aid funds.

- 1986: Passage of the Educational Amendments of 1986. This Act reauthorized existing student assistance programs, authorized a new system for determining student eligibility for federal financial aid (the Congressional Methodology) and revised the definition of an "independent" student.

The following major Federal Financial Aid Programs are classified as either grant assistance or self-help (work and loans). Grants are non-repayable; loans must be repaid.

Grant Assistance

The Pell Grant Program provides grants to undergraduate students enrolled for at least half-time study. Grants are awarded on the basis of financial need. Grants range from $200 to $2,200 (1988-1989 academic year). The Pell Grant is intended to form the base of federal assistance in the student's financial aid "package."

The Supplemental Educational Opportunity Grant Program provides grant assistance to students with financial need. This is a "campus-based" program; awards are made by the institution.

The State Student Incentive Grant Program provides funds which are matched by state programs to provide awards to students with substantial financial need as determined by the state grant agency.

Work and Loans

The College Work Study Program provides jobs for undergraduate and graduate students. Students may work on-campus or off-campus in non-profit organizations and agencies; students must be paid at least the current minimum wage.

The Perkins Loan Program (formerly the National Direct Student Loan Program) provides low interest loans to undergraduate and graduate students with financial need. The loan maximum for undergraduates is $9,000 and $18,000 for graduate/professional students (including undergraduate borrowing). Students have up to ten years to repay these loans. This is a "campus-based" program; loans are made by the institution.

The Guaranteed Student Loan Program (Robert T. Stafford Loan Program) makes federally subsidized, low interest loans to graduate and undergraduate students. At the undergraduate level, annual borrowing may not exceed $2,625 for the first two years or $4,000 for the third, fourth and fifth years. The cumulative undergraduate limit is $17,250. Students must show financial need to participate. The GSL Program is a cooperative effort which involves private lenders, a guarantee agency such as the Ohio Student Loan Commission and the federal government.

The PLUS and SLS Programs (Parent Loans for Undergraduate Students and Supplemental Loans to Students) provide educational loans to the parents of undergraduate and graduate students and to independent students. Parents may borrow up to $4,000 per year for each student for a total of $20,000 per student. Independent students may borrow up to $4,000 annually for a total of $20,000. A test of family financial need is not required in this program. These loans are not subsidized. Borrowers pay current interest rates.

Restricted federal financial aid programs include the Paul Douglas Teacher Scholarship Program, grants and fellowships for Indian Students, National Science Foundation pre-doctoral fellowships, National Health Service Corps Scholarships and Nursing Fellowships. Additional federal loan programs include the Health Professions Student Loan Program, the Health Education Assistance Loan Program and the Nursing Student Loan Program.

State Programs

The Ohio Instructional Grant Program, which was created in 1969, continues to be the state's major financial aid investment in removing financial barriers to access. When combined with Pell Grant benefits, this Program is intended to provide a base of financial assistance upon which a "package" of financial aid can be built. These grants, which are awarded on the basis of family income, are restricted to a student's instructional and general fee charges (tuition) and are available to full-time, undergraduate students.

Other state funded student assistance programs are designed to enhance choice among the state's public and private colleges and universities; to promote academic excellence and to promote access for specific categories of students. These programs include the Ohio Academic Scholarship Program, the Ohio Student Choice Grant Program, the Ohio War Orphans Scholarship Program and the Regents' Graduate/Professional Fellowship Program. Table B lists the state funded financial aid programs administered by the Board of Regents. Other state funded programs include the Governor's Dislocated Workers Retraining Loan Program, the Ohio National Guard Scholarship Program and the Ohio Teacher Education Loan Program.

TABLE B

STUDENT ASSISTANCE PROGRAMS ADMINISTERED BY
THE OHIO BOARD OF REGENTS

		1980-1981		1986-1987	
PROGRAM	YEAR CREATED	RECIPIENTS	EXPENDITURES	RECIPIENTS	EXPENDITURES
Ohio Instructional Grant	1969	58,657	$27,401,941.17	71,155	$47,846,634.26
Choice Grant	1984	--	--	24,141	$13,207,889.00
Ohio Academic Scholarship	1978	2,767	$ 2,767,090.00	3,500	$ 3,582,657.00
War Orphans Scholarship	1954	616	$ 680,209.00	884	$ 1,458,192.98
Regents Graduate/ Professional Fellowship	1986 (First Awards Made for 1987-1988 Academic Year)				

Institutional Aid

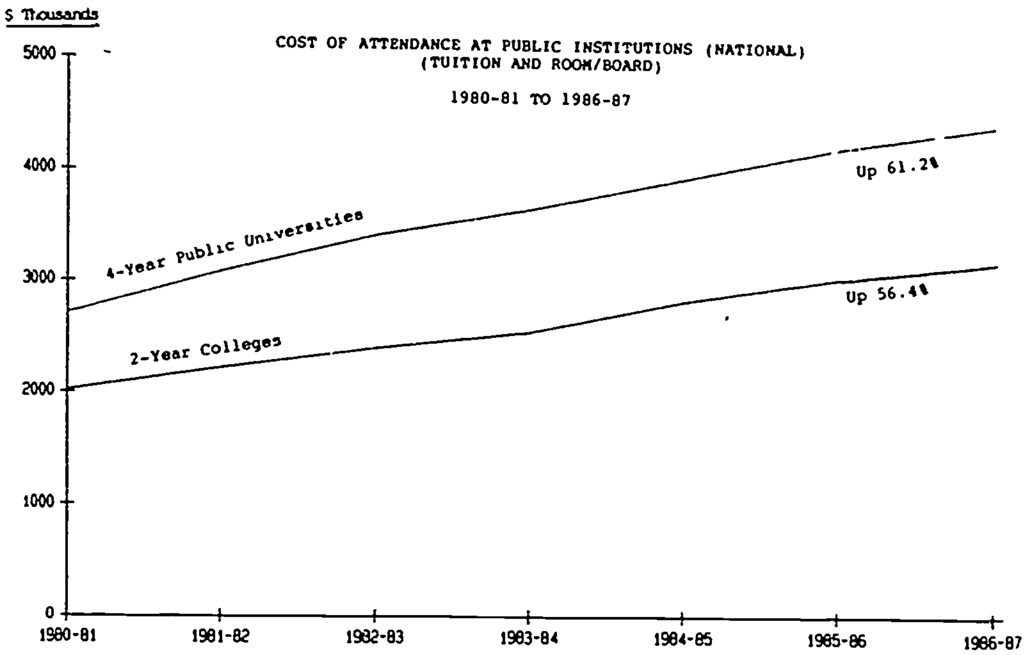
Many colleges and universities use institutional funds to award aid to students on the basis of financial need or academic merit or both. For example, in the 1986-1987 academic year public and private institutions throughout the nation provided approximately $3.2 billion in institutionally funded financial aid. Institutions also assist students by providing tuition waivers, fellowships and research assistantships, undergraduate student employment programs and low interest or interest free long- and short-term loans.

GROWTH AND TRENDS IN STUDENT ASSISTANC' PROGRAMS

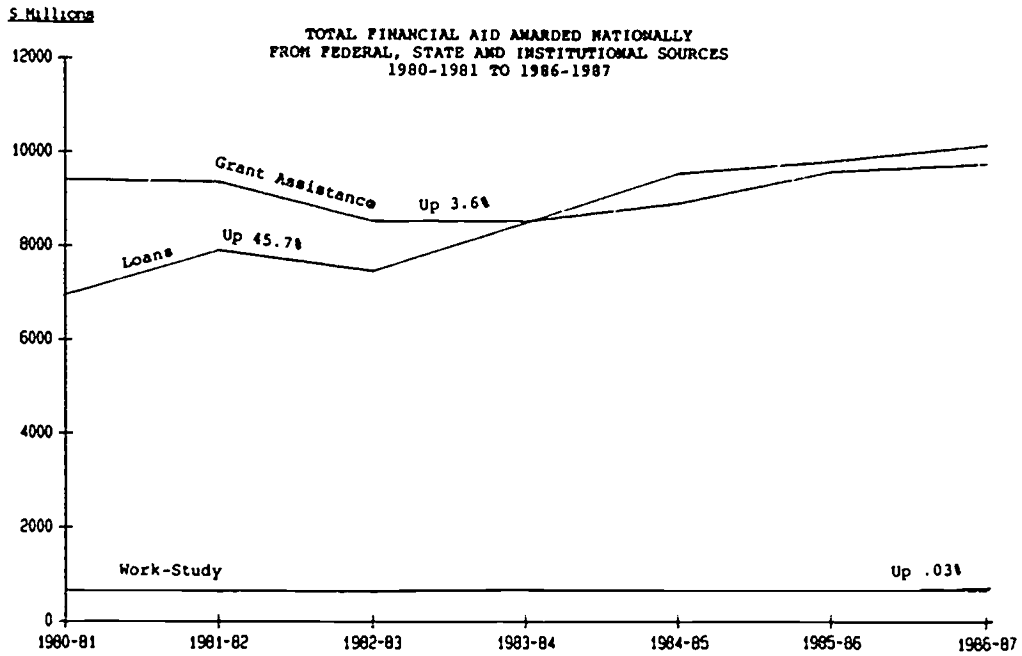
Student assistance funding from federal, state and institutional sources has not kept pace with the rising cost of attending college. The graphs on pages 17 and 18 illustrate the disproportionate increase in the cost of attendance (tuition/fees and room and board) when compared with increases in total available aid and median family income. These data show that between the 1980-1981 academic year and the 1986-1987 academic year, the percentage change in the cost of attending public colleges nationally ranges from a high of 61.2 percent at public universities to a low of 56.4 percent at public two-year institutions. The cost of attending a private university rose by 80.8 percent in this period. In this same period, total grant assistance from all sources increased by 3.6 percent. Loan assistance increased by 45.7 percent and work assistance increased by only .3 percent while median family income rose by 40.1 percent. When growth is measured in inflation adjusted dollars, the cost of attending a public university rose by 25.5 percent and the cost of attending a public two-year college rose by 21.8 percent while grant, loan and work assistance declined by 19.4 percent, 13.4 percent and 22.0 percent respectively. (Trends In Student Aid: 1980-1987, The College Board, 1987.)

While loans have become the dominant source of federal financial aid, the Pell Grant Program continues to receive the largest share of federal funding. Spending in the Pell Grant Program rose from $2.3 billion in the 1980-1981 academic year to approximately $3.4 billion in the 1986-1987 academic year. While the actual dollars awarded to all institutions increased in this period, the percentage of Pell grants awarded to students attending two-year public institutions remained constant while a declining percentage went to students at four-year public and private institutions. This shift in the distribution of Pell grants is due in part to tremendous growth in the proprietary school sector. In this period, the percentage of Pell grants awarded to students attending proprietary schools nearly doubled from 11.5 percent to 22.1 percent. (College Board, 1987).

CHART A

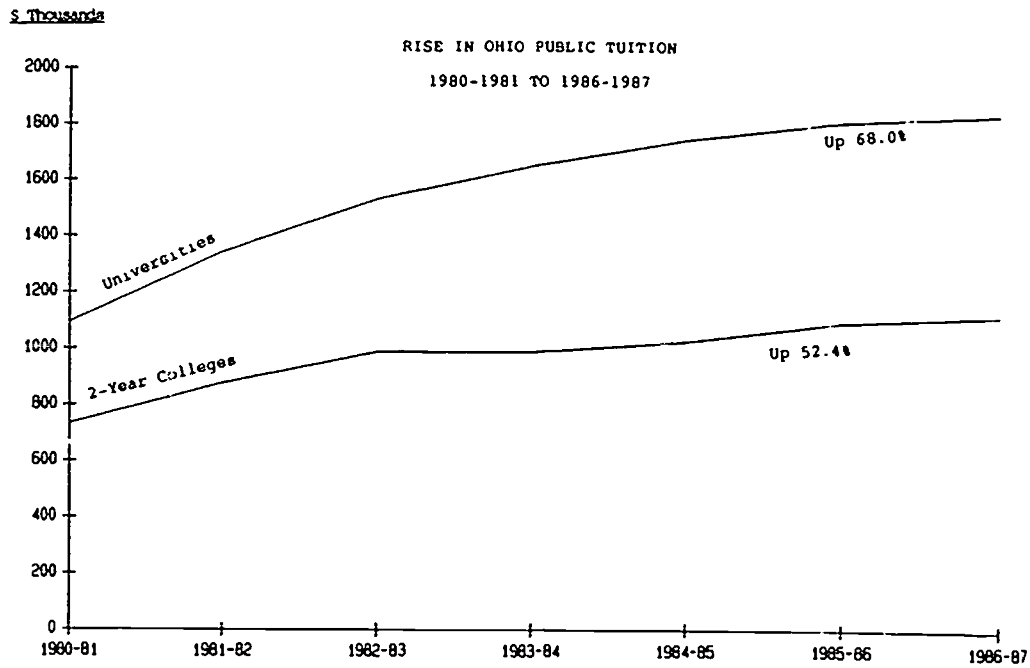


Source: Trends in Student Aid: 1980-1987, The College Board, 1987

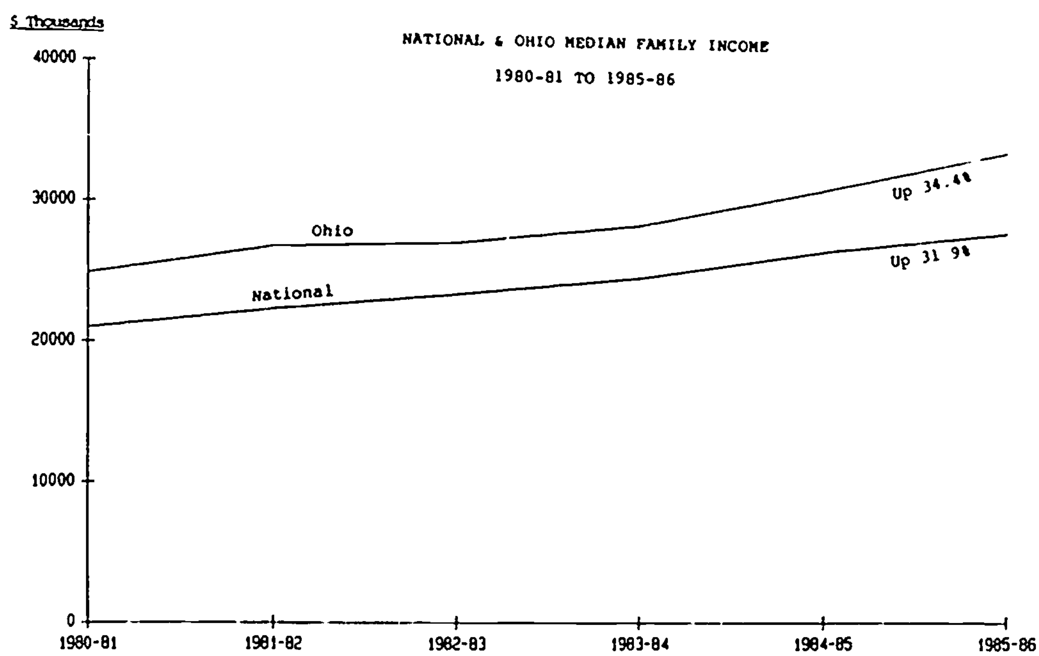


Source: Trends in Student Aid: 1980-1987, The College Board, 1987

CHART B



$ Thousands
RISE IN OHIO PUBLIC TUITION
1980-1981 TO 1986-1987
2000
1800
1600
1400
1200
1000
800
600
400
200
0
Universities
Up 68.0%
2-Year Colleges
Up 52.4%
1980-81
1981-82
1982-83
1983-84
1984-85
1985-86
1986-87



$ Thousands
NATIONAL & OHIO MEDIAN FAMILY INCOME
1980-81 TO 1985-86
40000
30000
20000
10000
0
Ohio
Up 34.4%
National
Up 31 9%
1980-81
1981-82
1982-83
1983-84
1984-85
1985-86

GROWING RELIANCE ON LOANS

As the aggregate "buying power" of federal grant assistance declines, student loans are emerging as the most common form of financial aid. In the 1975-76 academic year, loans accounted for 17 percent of all financial aid awarded nationally; by the 1986-1987 academic year, approximately 40 percent of all financial aid was in the form of loans (The College Board, 1987). Student loans are becoming an increasingly common component in the financial aid packages of low income students. Chart C illustrates the distribution of Guaranteed Student Loans (by income class) to the 21,000 full-time students included in the Regents' Financial Aid Survey database (1985-1986 academic year). These data indicate that approximately 40 percent of all recipients from families with incomes below $20,000 borrowed from the GSL Program. This average percentage rises substantially in income groups between $25,000 and $35,000.

This growing reliance on loans by all students is problematic for several reasons. These include:

1. The perception of a heavy loan burden may discourage students from participating in higher education. This may be especially true among low-income students. In a recent study of public attitudes about financial aid in the State of California, low income students expressed more apprehension about loan indebtedness than their middle class counterparts. These students often mentioned "how painful it has been for them to see their parents worry over debts" (The Eureka Project, Sacramento, California, 1988, p.24). This study found a positive correlation between a student's self-confidence and the willingness to assume a loan burden. Students with high self-confidence were more likely to believe that life would be "good for them" and

that, therefore, they would have little difficulty in repaying student loans.

2. During enrollment, a growing loan indebtedness may have a negative impact on persistence. Researchers in the Eureka Project found that while most students do not consider their first loan assumption to be a difficult step, some students may "draw back" when they perceive that the loan burden has become too large. At that juncture, a student may drop out temporarily or permanently, lower the course load or take on additional work.

3. Heavy loan burdens can influence career choices made by students. Students who face heavy loan indebtedness after graduation are often reluctant to enter service occupations like teaching which typically pay less than jobs in private industry.

4. Because low-income students face continuing disparities in income after graduation, these students face a heavier burden than their middle-income counterparts in loan repayment. Consequently, there is a greater potential that loan repayment will adversely affect life decisions made by low-income students and that these students will be unable to repay their loans.

While GSL borrowing increases, growth in other programs, especially "campus-based" aid, has not been strong enough to offset this trend. The value of Pell Grant awards increased by 45.9 percent between the 1980-1981 and the 1986-1987 academic years while the cost of attending all colleges and universities rose by approximately 67 percent. The value of SEOG and College Work-Study awards did not increase substantially in this period. The value of SEOG awards increased from $370 million in 1980 to $412 million in 1986 while College Work-Study awards rose from $550 million to only $592 million. Chart D illustrates increases in federal financial aid awarded to all postseconary students between 1980 and 1986. Chart E illustrates the distribution of federal financial aid to the 21,000 full-time, undergraduate students included in the Regents' 1985-1986 Financial Aid Survey. The inadequacy of federal College Work-Study and Supplemental Educational Opportunity Grants to offset a growing reliance on loans is suggested by the relatively small percentage of students receiving assistance from these programs.

CHART C

REGENTS' FINANCIAL AID SURVEY
DISTRIBUTION OF GSL BY INCOME GROUP

1985-86 FULL-TIME STUDENTS (N=21,456)

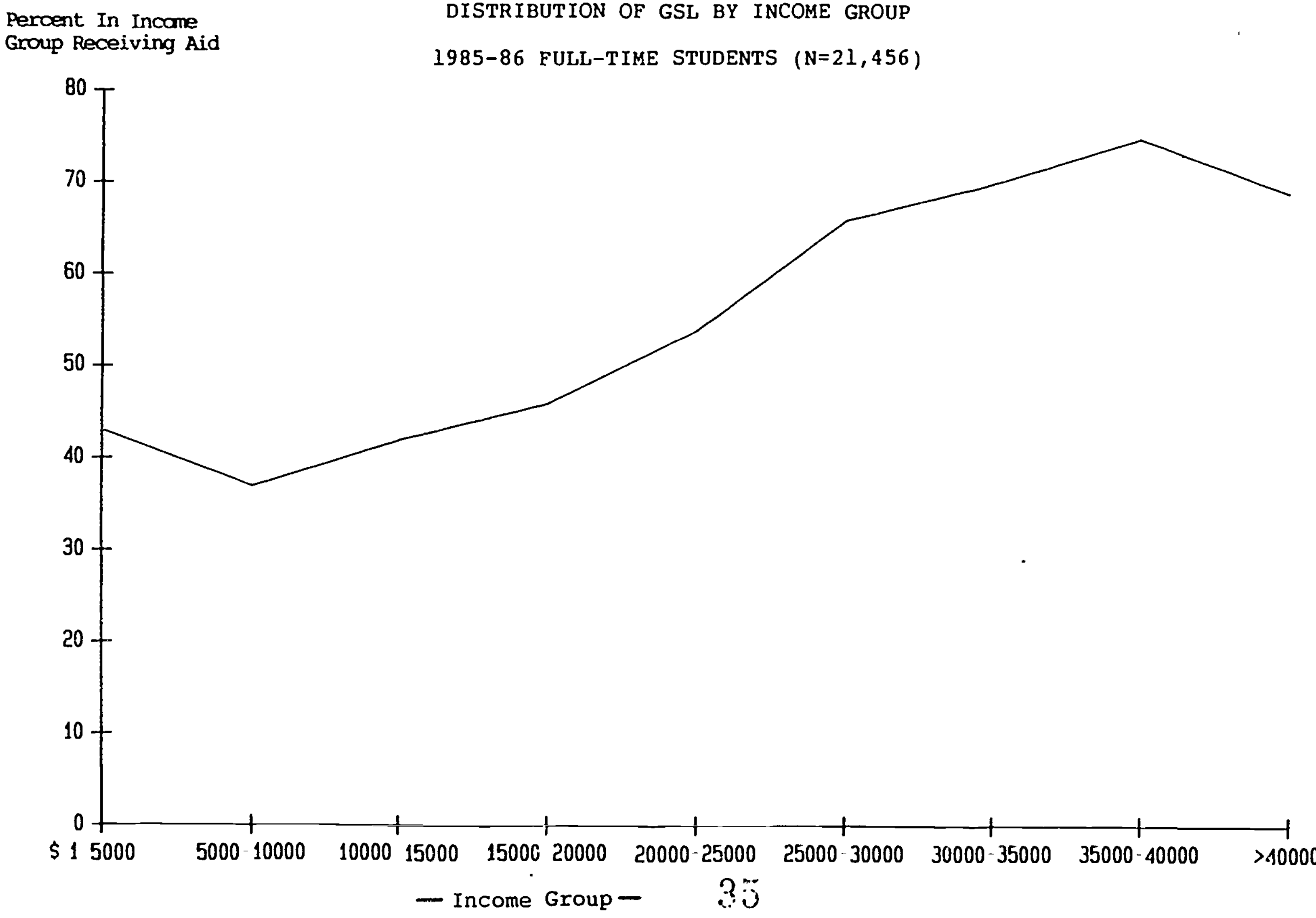
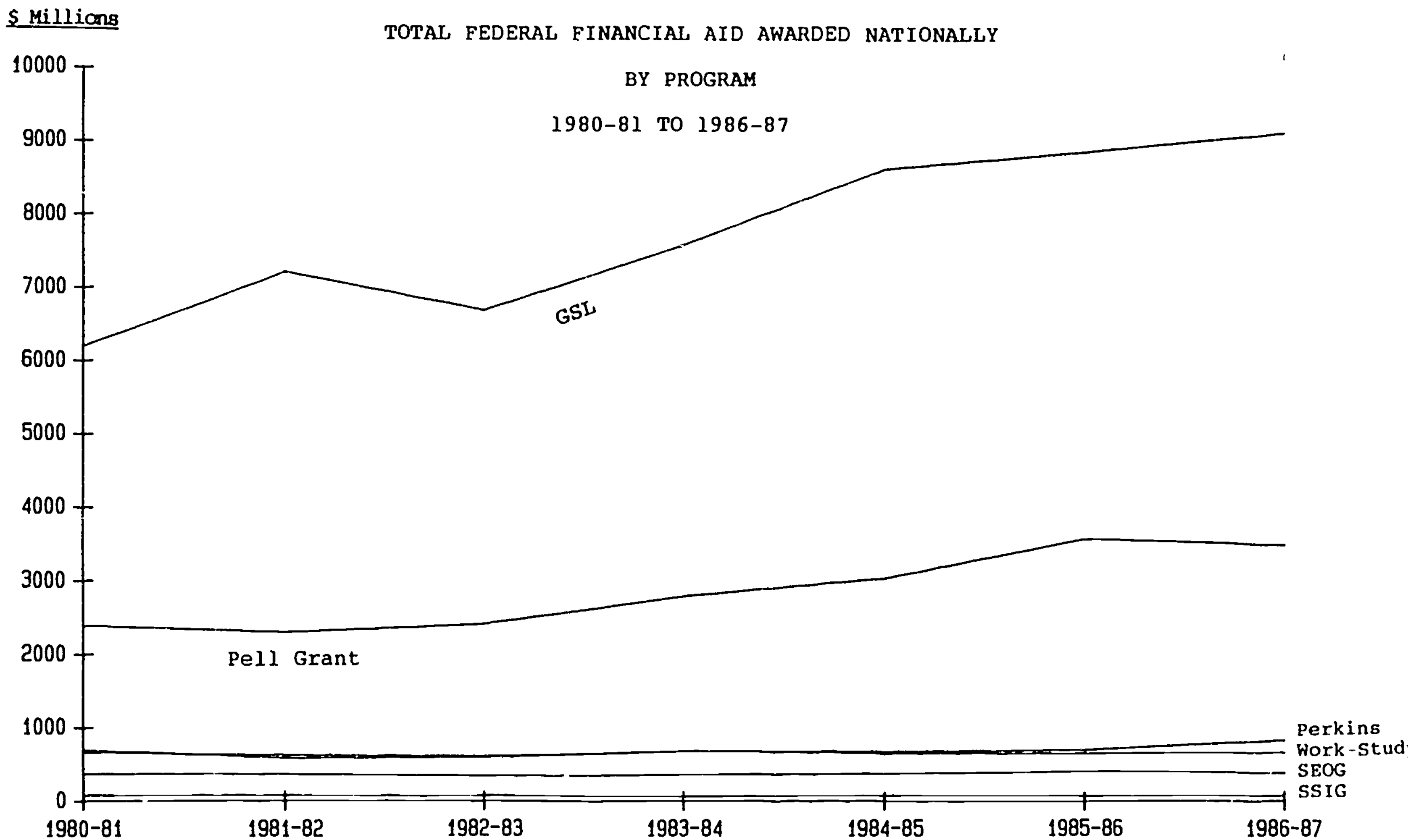


CHART D

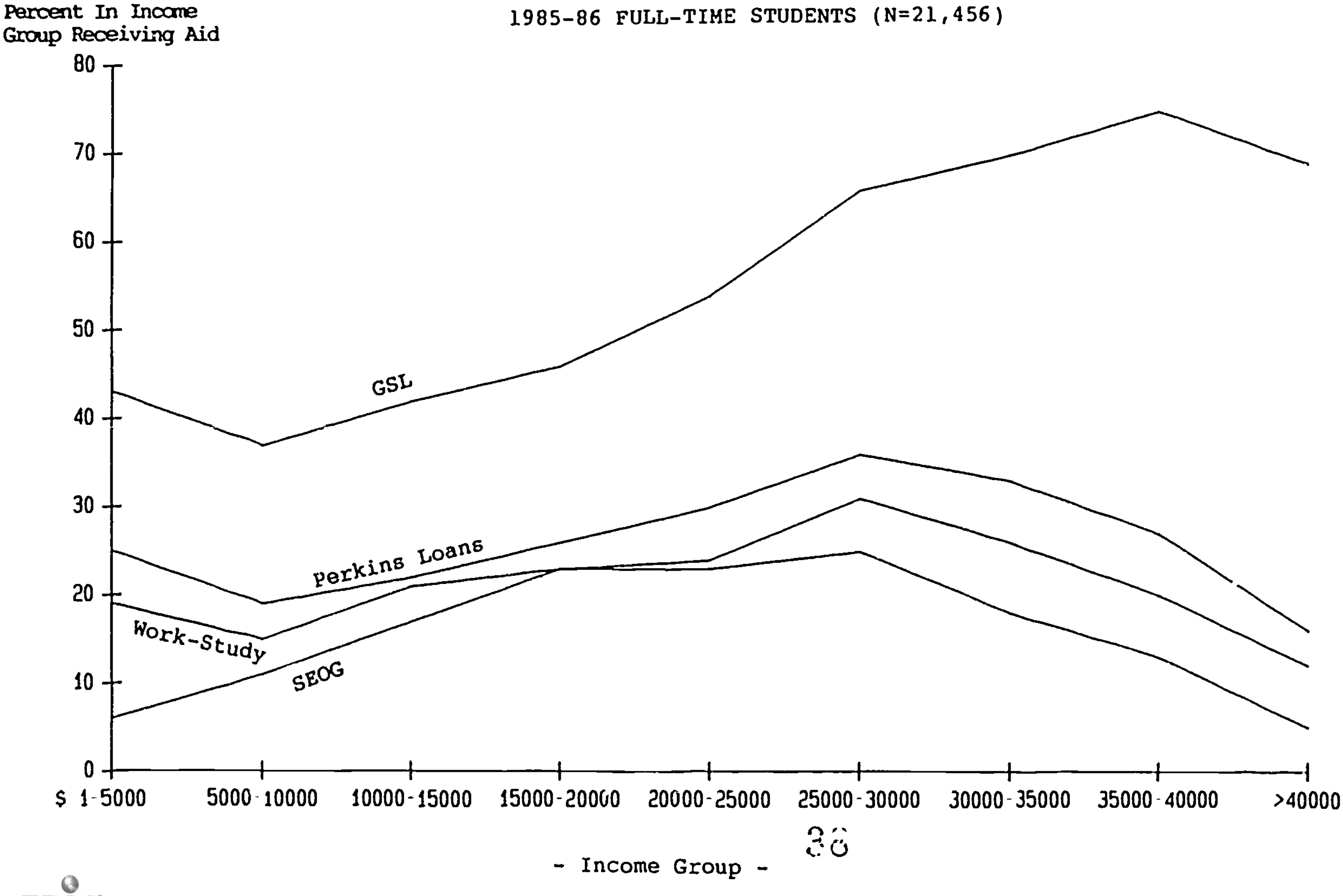


$ Millions
TOTAL FEDERAL FINANCIAL AID AWARDED NATIONALLY
BY PROGRAM
1980-81 TO 1986-87
10000
9000
8000
7000
6000
5000
4000
3000
2000
1000
0
GSL
Pell Grant
Perkins
Work-Study
SEOG
SSIG
1980-81
1981-82
1982-83
1983-84
1984-85
1985-86
1986-87

CHART E

REGENTS' FINANCIAL AID SURVEY
DISTRIBUTION OF GSL, SEOG, PERKINS LOANS
AND COLLEGE WORK-STUDY BY INCOME GROUP

1985-86 FULL-TIME STUDENTS (N=21,456)



GROWTH AND CHANGE IN THE OHIO INSTRUCTIONAL GRANT PROGRAM

Although the Ohio Instructional Grant Program has been generally well supported since its creation in 1969, growth in the program has not kept pace with the rising cost of higher education. For example, in the period from 1971 to 1986 the average OIG award increased by approximately 38%, from $488 to $672. In the same period, however, tuition charges, which reflect each institution's rising cost of instruction, rose by approximately 58% at the state's public universities.

As consideration is given to preventing the "devaluation" of state grant benefits by the effects of inflation, three important program areas demand attention. These are the "income floor," the "income ceiling" and the maximum grant.

OIG Income Floor

In the Ohio Instructional Grant Program the "income floor" is the income level below which all families have no measured ability to share in the cost of college. When measured against families from higher income groups, these families have no resources from income or assets to contribute to the student's college expense budget. In the OIG system which measures "relative financial strength" on the basis of family income, these families are at the starting point, that is the lowest point, of relative financial strength and therefore at the highest point of relative financial need. Since OIG benefits are apportioned on the basis of relative need, all families below the "income floor" are entitled to the Program's maximum benefits. The current income floor of $5,000 was set in 1976. Economic changes since that time indicate a clear need to reconsider the income floor.

Data collected in "need analysis" systems can be helpful in determining which income groups currently have the lowest relative ability to share in the student's cost of attendance. These systems, which are used by federal financial aid programs, employ highly sophisticated prescriptive methodologies to calculate the amount which a family is expected to contribute to the student's cost of attendance from family income and assets. Current need analysis data compiled by the College Scholarship Service of the College Board indicate that, generally, no contribution toward college expenses is expected from a family of four (with two parents) when the family income is below $15,000. These data suggest a need to adjust the OIG "income floor" -- the point below which all families have a measured inability to contribute to the applicant's cost of attendance -- from the current $5,000 level to $15,000. However, the cost of such an adjustment is estimated to be in excess of $50,000,000, an amount which the Committee feels is prohibitive in the upcoming biennium.

The federal poverty benchmarks provide a second way of looking at the relative ability of families to share in the cost of college. Families whose incomes place them at or below the "poverty level" are those who, by federal definition, have insufficient financial resources to maintain a "minimum diet." In the state's vernacular, these families do not have sufficient resources to meet the minimum requirements for food, clothing, housing, utilities, transportation and personal/incidental items as determined by the state. These federal poverty benchmarks, which vary by family size, are as follows:

Family Size	1987 Federal Poverty Level
1	$ 5,500
2	7,400
3	9,300
4	11,200
5	12,450

Based on reliable federal measures, families whose incomes place them below these poverty benchmarks clearly do not have adequate resources to contribute to the cost of college. Raising the OIG "income floor" to $10,000 will guarantee maximum OIG benefits to all students from families living at or below the poverty level. However, because need analysis data indicate that families with incomes up to $15,000 are also unable to share in the cost of college, the $10,000 income floor should be raised on a biennial basis to more accurately reflect the income level at which a family can reasonably be expected to contribute.

RECOMMENDATION #1: FOR THE 1989-1990 ACADEMIC YEAR, THE FEDERAL POVERTY BENCHMARK OF $10,000 SHOULD BE USED TO BEGIN THE PROCESS OF RAISING THE OIG INCOME FLOOR. THIS FLOOR SHOULD BE RAISED EACH SUBSEQUENT BIENNIUM TO MORE ACCURATELY REFLECT THE INCOME LEVEL AT WHICH A FAMILY MAY BE REASONABLY EXPECTED TO CONTRIBUTE TO THE COST OF COLLEGE.

OIG Income Ceiling

The "income ceiling" or "income cap" is the highest family income at which a student may qualify for grant assistance. The current ceiling of $25,000 is intended to make grant assistance available to all qualifying low and moderate income families. Since 1970, the income ceiling has been adjusted six times to respond to the impact of inflation on the buying power of these family incomes. Without these adjustments some families may lose OIG eligibility because their incomes rise above the income ceiling, but because of inflation, these families will not experience an increase in their relative ability to contribute to the cost of college. The Study Committee feels that continuing adjustments in the OIG income ceiling should also respond to the impact of multiple children on the ability of families with incomes over $25,000 to share in the cost of college. In addition, the income ceiling should be implemented in such a way that grant eligibility "trails off" gradually rather than dropping off abruptly as in the current table-of-grants.

RECOMMENDATION #2: STARTING IN THE 1989-1990 ACADEMIC YEAR, THE OIG INCOME CEILING SHOULD BE ADJUSTED TO REFLECT THE NUMBER OF DEPENDENTS IN THE APPLICANT'S FAMILY AS WELL AS TO ENSURE THAT NO PRECIPITOUS WITHDRAWAL OF GRANTS OCCURS AT HIGHER INCOME LEVELS. PERIODIC REVIEW SHOULD BE MADE IN ORDER TO ADJUST THE INCOME CEILING FOR INFLATIONARY FACTORS AS WELL AS FOR THE NUMBER OF DEPENDENTS.

Maximum Grants

As economic factors precipitate increases in tuition charges at Ohio's public and private institutions, a continuing positive response is needed from the state grant program. Efforts to reduce the student's share of the cost of instruction by increasing state subsidies to publicly supported institutions will help. However, as the cost of operating public institutions increases as a result of inflation, continuing increases in tuition charges are likely unless a major increase in public revenues can be achieved. In the meantime, further increases in public tuition without an adequate response from state and federal grant programs may undermine the state's efforts to remove financial barriers to access. One tangible way to address this problem is to increase the maximum state grant benefit.

In its first year of operation, the OIG Program provided maximum grant benefits which covered 50% of the average tuition charges at the state's 4-year universities. This coverage reached a high of 80% in the 1974-75 academic year and has declined since that time. In the 1987-1988 academic year the maximum state grant covers approximately 57% of the average tuition charges at public universities and 43% of average tuition charges at the state's private, non-profit colleges and universities. The following data trace the movement of the maximum OIG award.

Academic Year	Income Ceiling	Max. Grant Pub/Private	% of Fees Pub/Private
1970-1971	$10,000	$300 / 900	50% / NA
1971-1972	10,999	510 / 1200	73% / NA
1972-1973	10,999	510 / 1200	69% / 60%
1973-1974	13,999	570 / 1320	76% / 62%
1974-1975	14,999	600 / 1500	80% / 67%
1975-1976	14,999	600 / 1500	77% / 62%
1976-1977	16,999	600 / 1500	73% / 58%
1977-1978	16,999	600 / 1500	67% / 54%
1978-1979	16,999	600 / 1500	63% / 50%
1979-1980	19,999	720 / 1800	73% / 55%
1980-1981	19,999	720 / 1800	66% / 48%
1981-1982	19,999	828 / 2070	62% / 49%
1982-1983	19,999	900 / 2250	59% / 48%
1983-1984	24,999	940 / 2364	57% / 46%
1984-1985	24,999	990 / 2478	57% / 44%
1985-1986	24,999	1030 / 2604	57% / 43%
1986-1987	24,999	1092 / 2724	52% / 42%
1987-1988	24,999	1206 / 3006	57% / 43%

If this gap between maximum state grant benefits and tuition charges continues to grow and the "buying power" of federal grant assistance continues to weaken, students will be forced to rely more heavily on loan assistance and limited family resources to achieve financial access.

<u>RECOMMENDATION #3</u>: THE BOARD OF REGENTS SHOULD ADOPT A LONG-RANGE GOAL OF CLOSING THE GAP BETWEEN THE MAXIMUM OHIO INSTRUCTIONAL GRANT AND THE AVERAGE, UNDERGRADUATE TUITION CHARGES AT OHIO 4-YEAR PUBLIC UNIVERSITIES. ULTIMATELY, THE MAXIMUM AWARD SHOULD EQUAL 100% OF THESE TUITION CHARGES.

The proposed OIG Tables-Of-Grants which appear on Page 31 carry out the Committee's recommendation to raise the OIG "income floor" and adjust the "income ceiling." These recommendations are intended to address financial access by increasing state grant assistance for low-income students and by recognizing that family size is an important factor when measuring the relative ability to contribute to the cost of college among families with incomes over $25,000. The estimated cost of achieving these two goals is approximately $34 million. Grant levels in the proposed private institution tables reflect the cost differential between public and private institutions and support the continuation of a 2.5 ratio in public/private grant benefits. The total estimated cost of these proposed Tables-Of-Grants for public and private institutions is $84 million, a 52% increase over fiscal year 1989 state funding.

To ensure that future inflationary changes do not erode the value of state grant assistance, the Committee recommends that the Board of Regents should continue to consider ways within the OIG Program to compensate for economic changes which affect the ability of Ohio students and their families to pay for college.

TABLE C

OHIO INSTRUCTIONAL GRANT PROGRAM

PROPOSED TABLES OF GRANTS

PUBLIC INSTITUTION TABLES

Family Gross Income	Number of Dependent Children 1	2	3	4	5 or More
$10,000 and Under	$1,326	$1,326	$1,326	$1,326	$1,326
10,001 - $11,500	1,218	1,326	1,326	1,326	1,326
11,501 - 13,000	1,104	1,218	1,326	1,326	1,326
13,001 - 14,500	990	1,104	1,218	1,326	1,326
14,501 - 16,000	882	990	1,104	1,218	1,326
16,001 - 17,500	774	882	990	1,104	1,218
17,501 - 19,000	660	774	882	990	1,104
19,001 - 20,500	546	660	774	882	990
20,501 - 22,000	438	546	660	774	882
22,001 - 23,500	330	438	546	660	774
23,501 - 25,000	216	330	438	546	660
25,001 - 26,500	---	216	330	438	546
26,501 - 28,000	---	---	216	330	438
28,001 - 29,500	---	---	---	216	330
29,501 - 31,000	---	---	---	---	216
31,000 and Over					

PRIVATE INSTITUTION TABLES

Family Gross Income	Number of Dependent Children 1	2	3	4	5 or More
$10,000 and Under	$3,312	$3,312	$3,312	$3,312	$3,312
10,001 - $11,500	3,036	3,312	3,312	3,312	3,312
11,501 - 13,000	2,760	3,036	3,312	3,312	3,312
13,001 - 14,500	2,484	2,760	3,036	3,312	3,312
14,501 - 16,000	2,202	2,484	2,760	3,036	3,312
16,001 - 17,500	1,932	2,202	2,484	2,760	3,036
17,501 - 19,000	1,650	1,932	2,202	2,484	2,760
19,001 - 20,500	1,374	1,650	1,932	2,202	2,484
20,501 - 22,000	1,092	1,374	1,650	1,932	2,202
22,001 - 23,500	816	1,092	1,374	1,650	1,932
23,501 - 25,000	540	816	1,092	1,374	1,650
25,001 - 26,500	---	540	816	1,092	1,374
26,501 - 28,000	---	---	540	816	1,092
28,001 - 29,500	---	---	---	540	816
29,501 - 31,000	---	---	---	---	540
31,000 and Over					

ESTIMATED COST: $84,000,000

PACKAGING FINANCIAL AID

College Financial Aid Administrators have the responsibility of "packaging" available financial aid resources to fully meet each student's financial need. Packaging policies on each campus are influenced by federal regulations and by the missions and goals of each institution. Benefits from the Pell Grant and the Ohio Instructional Grant Programs, which are awarded directly to the student, are less sensitive to institutional packaging policies than campus-based aid which is awarded by the institution.

Financial assistance from the five major federal student aid programs (Pell Grants, Supplemental Educational Opportunity Grants, College Work Study, Perkins Loans and Guaranteed Student Loans) is awarded on the basis of "financial need." Financial need is the cost of attendance which remains after the parents' and the student's contribution is subtracted from the total cost of attendance, also called the "student expense budget." When prescribing the amount which parents and students should be able to contribute to the student expense budget, federal financial aid programs employ a system of "need analysis," described earlier. The "expected family contribution," which is calculated by the need analysis system, consists of individual expected contributions from the parents' income, the parents' assets and the student's income and assets.

In the Ohio Instructional Grant Program, a system of measurement driven by family income is used to apportion grant benefits. This system measures the relative financial strength of each applicant's family and apportions grant benefits on the basis of relative need. The principal logic of this income system is that a family's relative ability to contribute to the student's college budget increases as family income increases. Grants are indexed by family income so that grant benefits decrease as relative financial strength increases. In determining a student's OIG eligibility, consideration is also given to the number of dependent children in the applicant's family. If more than one child is enrolled in college and the family income is under the income cap, the family will receive grant assistance for each eligible child. However, if the family income in over the cap, no assistance is provided. The Study Committee believes that the cost to the family of maintaining two or more children in college can significantly effect the families "relative financial need." Therefore, some consideration should be given to families with more than one child in college when the family income is over the OIG income ceiling.

RECOMMENDATION #4: THE BOARD OF REGENTS SHOULD CONSIDER A MODIFICATION IN THE OIG PROGRAM TO MORE ACCURATELY MEASURE THE RELATIVE FINANCIAL NEED OF FAMILIES WITH MORE THAN ONE CHILD IN COLLEGE.

ACCESS AND THE AVAILABILITY OF FINANCIAL AID

The cause and effect relationship between the availability of financial aid and college participation demands further investigation. For most low-income students whose families do not have adequate resources to share in the cost of higher education, access would be severely limited without financial aid. In a recent synthesis of more than one hundred studies on the effects of need-based financial aid on access, choice and persistence in higher education, Brinkman and Leslie concluded that without grant assistance, the enrollment of low-income students in higher education would be reduced by some 20 to 40 percent (Paul Brinkman, "Meta-Analysis of the Effects of Student Aid on Access, Choice and Persistence," National Center for

Higher Education Management Systems, reported in the proceedings of the Fourth Annual NASSGP/NCHELP Research Conference on Student Financial Aid Research, June 1987).

The financial aid "packages" which appear in Tables D, E, and F illustrate how financial access, the affordability of college, is affected by generally available grant funds and borrowing from the Guaranteed Student Loan Program. These tables also illustrate how increases in the Ohio Instructional Grant Program proposed by the Study Committee can reduce GSL borrowing. All packages are for full-time, undergraduate, dependent Ohio residents. Average parent contributions and average Pell Grant eligibility data are provided by the College Scholarship Service (Summary Data for the State of Ohio, 1987-1988). The format for this analysis is adopted from the Eureka Project (California, 1988). In this analysis, college expense budgets do not include room and board costs for students living in their parents' home because these ongoing expenses do not result from the student's enrollment in college. It should be noted however, that in the packaging of federal financial aid, the cost of maintaining the student in the parents' household is classified as an indirect educational expense. Tables D, E and F also illustrate how the student's decision to live at home or away from home, either off campus or in college housing, can affect college costs. If a dependent student remains in the parents' home while enrolled, the annual cost of attendance will be reduced by approximately \$2,800. In Ohio, where state supported colleges and universities are strategically located within commuting distance of all Ohioans, many students have the option to remain at home while attending college. This option is greatly enhanced by state policy which enables a student to complete the first two years of a baccalaureate program at a state supported community college.

TABLE D

College Expenses For Students Living Away From Home,
Receiving Generally Available Grant Funds And
Borrowing Under The Guaranteed Student Loan Program
1987-1988

Cost*	4-Year Public $6,537	Proposed OIG	2-Year Public $5,760	Proposed OIG	Private $11,216	Proposed OIG
Low Income ($10,000)						
Parents' Contribution	0		0		0	
Student's Contribution	700		700		700	
Pell Grant	1,450		1,450		1,450	
OIG	540	1,326	540	1,240***	1,362	3,312
Choice Grant	-		-		540	
GSL	2,625		2,625	2,370	2,625	
Total	5,340	6,101	5,315	5,760	6,677	8,627
Remaining Cost**	1,197	436	445	- 0 -	4,539	2,589
Moderate Income ($20,000)						
Parents' Contribution	900		900		900	
Student's Contribution	700		700		700	
Pell Grant	750		750		750	
OIG	216	660	216	660	540	1,650
Choice Grant	-		-		540	
GSL	2,625		2,625		2,625	
Total	5,191	5,635	5,191	5,635	6,055	7,165
Remaining Cost**	1,346	902	569	125	5,161	4,051
Middle Income ($30,000)						
Parents' Contribution	2,020		2,020		2,020	
Student's Contribution	700		700		700	
Pell Grant	0		0		0	
OIG	0		0		0	
Choice Grant	-		-		540	
GSL	2,625		2,625		2,625	
Total	5,345		5,345		5,885	
Remaining Cost**	1,192		415		5,331	

*Includes instructional and general fee charges, laboratory fees, books and supplies, transportation and miscellaneous personal expenses (See Table A).

**Not covered by family contribution or financial aid.

***OIG cannot exceed tuition.

TABLE E

College Expenses For Students Living At Home
And Receiving Generally Available Grant Funds

1987-1988

Cost*	4-Year Public $3,667	Proposed OIG	2-Year Public $2,890	Proposed OIG	Private $8,283	Proposed OIG
Low Income ($10,000)						
Parents' Contribution	0		0		0	
Student's Contribution	700		700		700	
Pell Grant	1,450		1,450		1,450	
OIG	540	1,326	540	1,240***	1,362	3,312
Choice Grant	-		-		540	
Total	2,690	3,476	2,690	3,390	4,052	6,002
Remaining Cost**	977	191	270	-0-	5,331	2,281
Moderate Income ($20,000)						
Parents' Contribution	900		900		900	
Student's Contribution	700		700		700	
Pell Grant	750		750		750	
OIG	216	660	216	660	540	1,650
Choice Grant	-		-		540	
Total	2,566	3,010	2,566	3,010	3,430	4,540
Remaining Cost	1,101	657	324	-0-	4,853	3,743
Middle Income ($30,000)						
Parents' Contribution	2,020		2,020		2,020	
Student's Contribution	700		700		700	
Pell Grant	0		0		0	
OIG	0		0		0	
Choice Grant	-		-		540	
Total	2,720		2,720		3,260	
Remaining Cost	947		170		5,023	

*Includes instructional and general fees, laboratory fees, books and supplies, transportation and miscellaneous personal expenses.

**Cost not covered by family contribution or financial aid.

***OIG cannot exceed tuition.

TABLE F

College Expenses For Students Living At Home, Receiving Generally Available Grant Funds And Borrowing Under The Guaranteed Student Loan Program 1987-1988

Cost*	4-Year Public $3,667	Proposed OIG	2-Year Public $2,890	Proposed OIG	Private $8,283	Proposed OIG
Low Income ($10,000)						
Parents' Contribution	0		0		0	
Student's Contribution	700		700		700	
Pell Grant	1,450		1,450		1,450	
OIG	540	1,326	540	1,240***	1,362	3,312
Choice Grant	-		-	-	540	
GSL	975	191	200	-0-	2,625	2,281
Total	3,667	3,667	2,890	3,390	6,677	8,283
Remaining Cost**	-0-	-0-	-0-	-0-	1,606	-0-
Moderate Income ($20,000)						
Parents' Contribution	900		900		900	
Student's Contribution	700		700		700	
Pell Grant	750		750		750	
OIG	216	660	216	660	540	1,650
Choice Grant	-		-		540	
GSL	1,101	657	324	-0-	2,625	
Total	3,667	3,667	2,890	3,010	6,055	7,165
Remaining Cost	-0-	-0-	-0-	-0-	2,228	1,118
Middle Income ($30,000)						
Parents' Contribution	2,020		2,020		2,020	
Student's Contribution	700		700		700	
Pell Grant	0		0		0	
OIG	0		0		0	
Choice Grant	-		-		540	
GSL	947		170		2,625	
Total	3,667		2,890		5,885	
Remaining Cost	-0-		-0-		2,398	

*Includes instructional and general fees, laboratory fees, books and supplies, transportation and miscellaneous personal expenses.

**Cost not covered by family contribution or financial aid.

***OIG cannot exceed tuition.

Remaining Cost

As Tables D, E and F indicate, many students have "unmet financial need" -- remaining cost -- which goes beyond the resources in the financial aid package. Data collected in the Regents Financial Aid Survey for the 1985-1986 academic year indicate that approximately 60% of the 26,000 financial aid recipients in the survey population received financial aid packages (including parents' and student's contributions) which did not fully cover the student's cost of attendance. In California's Eureka Project, researchers found that most sample institutions were unable to meet the full demonstrated need of their students and that this gap between the student budget and the total resources available is becoming more widespread. The result, say the California researchers, is "greater pressure on the student and the family to find additional funding." (The Eureka Project: Maintaining Balances, March 1988, p. 28.)

The impact of "unmet financial need" (costs not covered by the Financial Aid Package) on college participation is variable. In cases where the financial aid package, including the parents' and student's expected contribution, is insufficient to meet the student's direct educational expenses (tuition, books and supplies and laboratory fees), access may indeed be denied. In other cases where the financial aid package falls short of covering the student's indirect educational expenses, access may still be achieved. The impact of unmet financial need is directly related to the each family's ability to tap into adequate financial resources. For example, if a family is able to increase its "expected contribution" or to tap into non-education loan sources, the effects of unmet need demonstrated in the student's financial aid package may be overcome. In families where these resources are not available, unmet financial need can indeed limit access.

When adequate financial aid is not available to fully meet the need of all students, College Financial Aid Administrators must ration those aid benefits over which they exercise the greatest discretion. At most institutions these aid sources include the campus-based federal financial aid dollars and the institution's own gift aid. Institutional policies which direct the distribution of these funds reflect each school's unique "mix" of students.

The Perceived Availability of Aid

The Financial Aid Study Committee recognizes that the perceived availability as well as the real availability of student financial aid may have a significant impact on access to higher education. In California's Eureka Project, 71% of the survey population disagreed with the statement that most people can afford a college education, and 76% believe that college costs are rising at a rate which will put college out of the reach of most people (p.11). Without the knowledge of financial aid, many low income families continue to perceive a college education as a privilege reserved for middle and upper-income families. When media attention is given to potential cuts in federal financial aid programs, many families believe that these cuts have actually been made whether or not they actually occur. When coupled with low career aspirations and low motivation to attend college, especially among youth from poor families, these misperceptions can become barriers to access.

Well planned information programs can help to overcome these misperceptions and motivate students toward college. In the past, the Board of Regents has found that a combination of traditional and less traditional, community oriented approaches is most effective. Traditional approaches include dissemination of information by high school guidance counselors and teachers who play a critical role in motivating students to attend college, and public service announcements on radio and television. Less traditional approaches include dissemination of financial aid information through community service organizations and churches.

RECOMMENDATION #5: THE BOARD OF REGENTS SHOULD IMPLEMENT PROGRAMS DESIGNED TO ENSURE THE TIMELY DISSEMINATION OF FINANCIAL AID INFORMATION TO STUDENTS AND THEIR FAMILIES. THE REGENTS

SHOULD ALSO COOPERATE WITH OTHER AGENCIES, ORGANIZATIONS AND INSTITUTIONS IN THE DELIVERY OF SUCH PROGRAMS. THESE PROGRAMS SHOULD GIVE SPECIAL ATTENTION TO THOSE WHO ARE UNDERREPRESENTED IN THE STATE'S COLLEGES AND UNIVERSITIES.

DELIVERY OF STATE GRANT ASSISTANCE

The quantity of paperwork which college students and their parents face is formidable. Many students and parents are intimidated by admissions and registration forms and financial aid applications because they lack experience with these kinds of documents and often do not have confidence in their ability to complete them. This can be especially true in families with first generation college students. In Ohio, students seeking federal and state financial aid must complete at least two financial aid applications -- the Ohio Instructional Grant Application and a need analysis application for federal financial aid programs. A separate application must be completed for the Guaranteed Student Loan Program and in some cases the student must also complete an institutional financial aid application. Because the Ohio Instructional Grant Program considers income as the principal indicator of a family's relative ability to share in the cost of college, the process of collecting OIG eligibility data from students and their families is relatively straightforward. The OIG application contains 21 primary and 16 secondary items. Need analysis applications are necessarily more complicated. For example, the FAF (Financial Aid Form) contains 96 primary items and 55 secondary items.

The Financial Aid Study Committee believes that as the state considers strategies to increase the participation of all Ohioans in postsecondary education with an emphasis on low-income and minority students, efforts must be made to improve the financial aid application process so that it will be less intimidating to students and their parents and more responsive to students who make late decisions to enroll in college. Improvements can be made in three ways: first, by eliminating or consolidating forms where possible; secondly, by simplifying those forms which are needed; and thirdly, by making application deadlines as flexible as possible without impairing the delivery of aid.

<u>RECOMMENDATION #6</u>: THE OHIO INSTRUCTIONAL GRANT APPLICATION PROCESS SHOULD BE MODIFIED SO THAT STUDENTS MAY APPLY FOR STATE GRANT ASSISTANCE BY COMPLETING EITHER THE OHIO INSTRUCTIONAL GRANT APPLICATION OR A FEDERALLY APPROVED NEED ANALYSIS FORM.

<u>RECOMMENDATION #7</u>: THE OHIO INSTRUCTIONAL GRANT APPLICATION DEADLINE SHOULD BE MOVED TO OCTOBER 1 TO ACCOMMODATE STUDENTS WHO MAKE LATE DECISIONS TO ATTEND COLLEGE.

<u>STATEMENT OF SUPPORT</u>: THE REGENTS' FINANCIAL AID STUDY COMMITTEE SUPPORTS EFFORTS BY THE UNITED STATES OFFICE OF EDUCATION, THE COLLEGE SCHOLARSHIP SERVICE AND THE AMERICAN COLLEGE TESTING PROGRAM TO DEVELOP A SIMPLIFIED NEED ANALYSIS APPLICATION AND ENCOURAGES SIMPLIFICATION OF ALL FINANCIAL AID FORMS. THE COMMITTEE ALSO SUPPORTS USE OF A SINGLE NEEDS ANALYSIS APPLICATION FOR BOTH FEDERAL GRANTS AND GUARANTEED STUDENT LOANS.

<u>Support Status Criteria</u>

All students who apply for need-based financial assistance are classified as either "dependent" or "independent" (self-supporting). This classification determines whether the student or the student's parents should assume the primary responsibility of paying for college. Both state and federal policy assign this responsibility to the student's parents if a support relationship exists between the parents and student. Until recently, this relationship was tested in three ways by both the state and federal programs: first, by determining if the parents claimed the student as a deduction for federal income tax purposes; secondly, by determining if the student resided with the parents and thirdly, by determining if the parents provided the student with direct financial assistance. If all tests were negative, the supportive relationship between student and parents was deemed to be severed and the parents were absolved of the responsibility to contribute to the student's cost of attendance.

Recent changes in federal policy in this area have modified the way in which the support relationship between student and parents is tested. New federal support status criteria recognize that certain events, such as marriage, imply independence. These criteria rely more on circumstances which are clearly documentable such as the student's age and status as an income tax deduction and less on criteria which have traditionally been more difficult to verify such the student's place of residence or the amount of assistance provided to the student by the parents. (See Appendix A for the new federal support status criteria.)

The Study Committee believes that two support status policies, one federal and one state, may add to the confusion which many students face when applying for financial aid and may prevent College Financial Aid Administrators from making timely estimates of state grant eligibility before a student actually applies for the OIG.

<u>RECOMMENDATION #8</u>: THE BOARD OF REGENTS SHOULD ADOPT NEW FEDERAL CRITERIA FOR DETERMINING THE SUPPORT STATUS OF OIG APPLICANTS. THESE CRITERIA SHOULD BE REVIEWED PERIODICALLY TO DETERMINE THEIR CONTINUING APPROPRIATENESS FOR STATE USE.

PART-TIME STUDENTS

In Ohio it has been somewhat difficult to measure the level of financial need of the state's part-time students. A review of financial access for adult part-time students was conducted by the Student Assistance Office of the Board of Regents in 1977 and again in 1985. The findings of these institutional surveys indicate that the "typical" part-time student was a married, full-time worker over the age of twenty-four who commuted to school. Other states have similar part-time populations. In New Jersey, for example, the majority of part-time students are over the age of 21 and hold a full-time job. (Meeting the Challenge of Rising Higher Education Costs, New Jersey Department of Higher Education, 1987.) The Regents' study found that most adult part-time students were able to meet the cost of education with existing aid.

Some groups of part-time students demand special attention. A 1985 Ohio Senate Task Force Report indicates that low-income single heads-of-household face significant barriers to access. The combined cost of maintaining their families, including child care, and attending college, puts higher education beyond the reach of many of these Ohioans who have a critical need for education to enter the workforce or to prepare for higher wage occupations. With better education, many single heads-of-househo' ' who now receive public assistance can become self-sufficient.

RECOMMENDATION #9: THE BOARD OF REGENTS SHOULD SUPPORT LEGISLATION TO ESTABLISH A PROGRAM OF FINANCIAL ASSISTANCE FOR LOW INCOME PART-TIME STUDENTS WHO ARE SINGLE HEADS-OF-HOUSEHOLD.

The Study Committee recognizes that the cost of education for many part-time students can actually be higher than that of full-time students because of the additional time required by part-time students to complete their academic programs. The Committee also recognizes that many students who come to college with weak academic preparation will be required to or counseled to maintain part-time enrollment to compensate for academic deficiencies. As efforts are made to increase the participation of underserved, low-income populations in Ohio's higher education system, the number of students who are required to maintain part-time status may increase substantially. Under current policy, these students are not eligible for state grant assistance.

RECOMMENDATION #10: THE BOARD OF REGENTS SHOULD ADOPT A LONG-RANGE GOAL OF PROVIDING STATE GRANT ASSISTANCE TO PART-TIME STUDENTS WHO ENROLL FOR AT LEAST HALF-TIME STUDY.

NEW OPTIONS

Although federal and state philosophies hold parents and students responsible for a major share of the student's cost of attendance, most families do not save enough of their disposable income to effectively carry out this responsibility with assets rather than current income. In most families, long term saving for college is not encouraged. Research conducted by the National Institute of Independent Colleges and Universities indicates that only about one-half of all parents who plan to send their children to college actually save for college. Among those who do save, the average savings is about $500 per year. (Thrift, J.S and C.M Toppe, "Paying For College: Trends in Student Financial Aid At Independent Colleges and Universities," 1985.) In a 1986 survey, Doran, Wagner and White found that approximately 69 percent of the families of dependent students were forced to decrease their spending for food, clothing, housing, insurance and health care in order to pay for their child's college education. (Doran, M.J., Wagner, A.P. and C. White, "Family Contributions Toward Higher Education Expenses: Their Amounts, Sources and Impacts," 1986.) The Study Committee believes that greater effort by parents to save for college can be stimulated by state initiatives which offer real incentives for this activity.

RECOMMENDATION #11: THE BOARD OF REGENTS SHOULD SUPPORT EFFORTS BY THE OHIO GENERAL ASSEMBLY AND THE UNITED STATES CONGRESS TO ENCOURAGE INCREASED SAVING BY PARENTS WHO PLAN TO SEND THEIR CHILDREN TO COLLEGE.

As the public and private sectors continue to address the future educational needs of the state, programs are emerging which identify potential college students as early as the sixth grade.

These "young scholar" programs provide academic support, career motivation and guarantees of financial assistance when these students are ready for college. The Study Committee believes that these programs can be highly effective in addressing the future needs of the state and encourages institutions and private groups to take the necessary steps now to insure that educational opportunities and adequate financial resources will be available when these students are ready for college.

<u>RECOMMENDATION #12</u>: THE OHIO BOARD OF REGENTS SHOULD EXPLORE AN APPROPRIATE ROLE FOR THE STATE IN SUPPORTING "YOUNG SCHOLAR" PROGRAMS.

PROPRIETARY SCHOOLS

In recent years a proliferation of Associate Degree offerings at Ohio's proprietary schools has resulted in a substantial shift in the distribution of Ohio Instructional Grant benefits. OIG assistance to students enrolled in associate degree programs at Ohio proprietary schools has grown from $2,350,000 in the 1980-1981 academic year to $10,300,000 in the 1986-1987 academic year, an increase of 438 percent in six years. Approximately one out of every five OIG dollars in now awarded to a student in the proprietary sector. This trend is evident in other states and at the national level. In California, for example, the percentage of Cal Grant support to students in proprietary schools has grown from 1.5 percent in the 1975-76 academic year to 10 percent in the 1986-87 academic year, a dollar increase of some 625 percent during this period. At the federal level, the percentage of Pell Grants going to students in proprietary schools nearly doubled between 1980-81 and 1985-86, increasing from 11.5 percent to 22.1 percent.

This tremendous growth in associate degree programs offered by the state's proprietary schools gives rise to questions about the state's responsibility to insure that students who enroll in these programs have a measured ability to benefit from them and that the quality of these programs is comparable to associate degree offerings in the state's public and private non-profit institutions.

The Financial Aid Study Committee believes that common minimum standards must be applied uniformly across all sectors of the state's colleges and universities.

RECOMMENDATION #13: THE OHIO BOARD OF REGENTS SHOULD ENCOURAGE LEGISLATION WHICH REQUIRES ALL DEGREE PROGRAMS OFFERED IN THE STATE TO MEET CURRENT MINIMUM STANDARDS ESTABLISHED BY THE BOARD OF REGENTS. UNTIL SUCH TIME THAT OHIO PROPRIETARY SCHOOLS ARE MADE SUBJECT TO THESE STANDARDS, THESE SCHOOLS SHOULD NOT BENEFIT FROM INCREASED FUNDING IN THE OHIO INSTRUCTIONAL GRANT PROGRAM. ONCE UNIFORM MINIMUM STANDARDS ARE APPLIED, EACH OHIO PROPRIETARY INSTITUTION SHOULD HAVE A REASONABLE OPPORTUNITY TO SHOW COMPLIANCE WITH THESE STANDARDS OR LOSE OIG FUNDING.

SUMMARY

Financial aid does impact on access to higher education. All available data clearly suggest that without financial aid many students, especially those from low and moderate income families, would be unable to afford higher education. Federal, state and institutional financial aid programs have had a discernible impact on college going rates in America. Financial aid benefits provided under the "G.I. Bill" created an influx of veterans into the nation's colleges and universities. Enrollment rates of students from low income families began to rise in the early 1960's, about the time the Economic Opportunity Act was passed, and continued to climb until about 1976 when the Pell Grant Program (then called the Basic Educational Opportunity Grant) was fully funded. In Ohio, the number of low income students receiving Ohio Instructional Grant benefits rose significantly between 1970 and 1977.

Regrettably, adequate data are not available to measure how much a given amount of financial aid might cause enrollments to increase. Nor is it possible to accurately measure the explicit impact of unmet financial need on access and persistence. A classic problem with financial aid research is that these research populations rarely include students who do not enroll in college or those who have dropped out. Without talking directly to these students, it is difficult to know how the availability of student financial aid influenced these behaviors. We do know that financial aid, in all its forms, can and does lower or eliminate financial barrier to higher education thereby equalizing educational opportunity by bringing some college costs within reach of those who would not otherwise have the ability to pay. Tables D, E and F clearly suggest that financial aid can and does bring the cost of attending public colleges and universities within reach of most students and their families.

When combined, OIG and Pell Grant assistance alone create financial aid packages which bring the cost of two-year public colleges within close reach of all dependent students who choose to live at home. However, the cost of attending a private non-profit college in the state continues to lie beyond the reach of most low, moderate and middle income families without the infusion of aid from all other financial aid sources, including substantial amounts of institutional gift aid and family support which goes beyond the calculated family contribution. The Ohio Student Choice Grant Program and the private school differential in the OIG Program do lower the cost of private non-profit education in the state but not to a point where it is easily affordable.

Increases in Ohio Instructional Grant funding can have an impact on access in at least two important ways: first, OIG benefits, like other grant assistance, reduce the net price of education making it more affordable. Also, knowledge of the state's substantial investment in student financial aid may enhance aspirations to attend college, especially among students who have been historically underrepresented in the state's higher education system; secondly, increasing state grant assistance can reduce the percentage of self-help in the student's financial aid package, thereby helping to alleviate a growing reliance on loans to achieve access.

The new Tables-Of-Grants proposed by the Study Committee will respond to inflationary changes which have threatened to erode the value of OIG benefits. However, in the long run, the positive value of these proposals may be offset if increases in the cost of public education in the state, principally in the form of higher tuition charges, outpace growth in state grant benefits and other grant assistance. As public funds become available, efforts must be made to close the gap between OIG benefits and tuition levels at the state's publicly supported colleges and universities.

Financial aid programs and state subsidies which bring college costs within reach of Ohio's citizens are only one part of the access equation. Continuing efforts must be made to motivate students at a very early age, to support and encourage strong career aspirations and to ensure that all students are academically prepared for the paths which they choose. Achieving access for all Ohioans who will need it is now an economic and social imperative. A strong economy in the 21st century will demand a workforce capable of managing an increasingly technical, information-based workplace. Working in concert with planners from primary and secondary education and those in private industry, higher education will play a critical role in moving the state into the 21st century. Investing state dollars in financial aid programs is one critical way to ensure that all Ohioans will be prepared for the future.

COST WITHIN REACH + SUPPORT FOR ASPIRATIONS + ADEQUATE ACADEMIC PREPARATION = ACCESS

NEED FOR FUTURE STUDY

The work of the Regents' Financial Aid Study Committee should be viewed as the initial phase of a renewed effort to systematically evaluate the effectiveness of the state's financial aid investments in broadening educational opportunity for all Ohioans. Because of time limitations and a desire by the Committee to provide input for development of the 1990-1991 biennial Higher Education Budget, the Committee's deliberations focused on the Ohio Instructional Grant Program, the state's largest financial aid investment and the one state program which has as its principal goal the elimination of financial barriers to higher education which confront students from low and moderate income families. Prior to this consultation, the last review of state student assistance programs was conducted in 1975 by the Advisory Committee on Student Financial Aid.

Ongoing study and review are essential to the development of sound public student assistance policy. The Financial Aid Study Committee recommends that a similar committee be impaneled at least every two years to review state programs and suggest direction for state policy.

Issues for future study include the following:

- Determining the financial need of the state's part-time students:

Ongoing investigation is needed in this area. As efforts are made to expand educational opportunity for traditionally underserved populations, the number of low and moderate income part-time students in the state system may increase significantly. The state must ensure that financial barriers do not confront these students. Study in this area should include analysis of the direct and indirect costs faced by part-time students, a review of institutional tuition policies, and the appropriateness of part-time study for "at-risk" students.

- <u>Exploring the feasibility of further reducing a growing reliance on student loans by creating a state Work-Study Program to supplement the federal College Work-Study Program</u>.
Work-study programs provide a practical way for students to contribute to the cost of education while gaining valuable work experience. If funding for the federal College Work-Study Program continues to decline, the state should consider if a state work-study initiative can be effective in expanding educational opportunity.

- <u>Determining the appropriate role of state financial aid investments in ensuring freedom of choice among Ohio's institutions of higher education</u>:
The Regents' Financial Aid Study Committee has recommended a financial aid philosophy which supports public funding for programs which foster choice among the state's diversified system of colleges and universities. The private school differential in the Ohio Instructional Grant Program and the Ohio Student Choice Grant Program enhance this freedom of choice for Ohio students.

Continuing deliberation is needed to determine the appropriate commitment of state revenues to this goal and how freedom of choice might be fostered in other ways.

- <u>Determining the appropriate role of state financial aid investments in encouraging and rewarding academic excellence among Ohio's students</u>:
As the state continues to promote excellence in Ohio's colleges and universities by selectively investing in the state's best

programs, continuing discussion is needed to determine how financial aid investments can directly promote academic excellence in students. Special attention should be given to fostering academic excellence among underserved students at both the undergraduate and graduate/professional levels. Attention must also be given to determining the relative priority of these goals in the state's long range agenda.

- Conducting research to determine how the availability of financial aid influences student aspirations to attend college, how financial aid impacts on attrition, and how students and parents cope with the financial aid delivery system: Most research which attempts to determine how financial aid influences behavior is inferential. The Study Committee recommends a research methodology in which high school and college students and their parents are interviewed to determine the factors which lead students to decide against college, the factors which cause college students to "stop out" or drop out and how families can best respond to the financial aid delivery system.

- Determining if additional state funded categorical student assistance is needed to increase the participation of traditionally underserved and 'at-risk" student in Ohio's higher education system: The need to bring more underserved students into the state's higher education system is now an economic imperative. Because a high percentage of these students will come from low-income families, additional financial assistance may be needed to effectively eliminate financial barriers.

- <u>Determining the adequacy of computer capability and staff support in the Regents' Student Assistance Office</u>.

Policy development and long-range planning can be inhibited if difficulties exist in the ongoing delivery of aid. Continuing review is needed to ensure that as the state's financial aid investments increase, adequate staff and computer support are available to manage these programs.

- <u>Exploring other options for families who do not qualify for need-based financial aid.</u>

As increases in the cost of attending college place greater demands on the financial resources of all families, those families who do not qualify for need-based federal and state financial aid will be especially hard hit. Additional options to assist these families in meeting the cost of college must be explored.

APPENDIX A

New Federal Support Status Criteria

Independent Student --

1. The term 'independent,' when used with respect to a student, means any individual who--

    (A) is 24 years of age or older by December 31 of the award year; or
    (B) meets the requirements of paragraph (2).

2. Except as provided in paragraph (3), an individual meets the requirements of this paragraph if such individual--

    (A) is an orphan or ward of the court;
    (B) is a veteran of the Armed Forces of the United States;
    (C) is a graduate or professional student who declares that he or she will not be claimed as a dependent for income tax purposes by his or her parents (or guardian) for the first calendar year of the award year;
    (D) is a married individual who declares that he or she will not be claimed as a dependent for income tax purposes by his or her parents (or guardian) for the first calendar year of the award year;
    (E) has legal dependents other than a spouse;
    (F) is a single undergraduate student with no dependents who was not claimed as a dependent by his or her parents (or guardian) for income tax purposes for the 2 calendar years preceding the award year and demonstrates to the Student Financial Aid Administrator total self-sufficiency during the 2 calendar years preceding the award year in which the initial award will be granted by demonstrating annual total resources of $4,000; or
    (G) is a student for whom a financial aid administrator makes a documented determination of independence by reason of other unusual circumstances.