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ABSTRACT

In 1989 and 1990 the Advisory Committee on Student Financial Assistance to standing committees in the U.S. Congress identified and explored issues for consideration in the reauthorization of the Higher Education Act and Title IV programs. Through 18 months of information gathering the Committee uncovered three problem areas. The first problem is that federal efforts to promote equal access to postsecondary education have stalled. For example, participation rates for minorities are 10 percent lower than rates for whites though those rates were nearly equal in 1976. In addition, the delivery system and application process have remained complex and serve as a significant barrier to access, particularly for at-risk populations. Finally, the ability of the Department of Education to acquire, access, and analyze data about important issues facing the Title IV programs was found to have deteriorated. The Committee recommended a series of initiatives to address the problems described including redefining equal access goals, implementing new initiatives to equalize access, revitalizing federal research and outreach efforts, integrating need analysis models, simplifying application and reapplication, promoting full implementation of free federal delivery, and fine-tuning federal need analysis as well as identifying critical issues for further study. The text includes three figures and a list of the members and staff of the Advisory Committee. (JB)

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Priorities for the 1990s: Recommendations for Reauthorizing the Higher Education Act of 1965

A Report of the
Advisory Committee on
Student Financial Assistance

March 1991

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Priorities for the 1990s: Recommendations for Reauthorizing the Higher Education Act of 1965

A Report to the Congress of the United States

Advisory Committee on Student Financial Assistance

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FOREWORD

The Higher Education Act (HEA) underpins our nation's commitment to educational opportunity. Since the passage of the HEA in 1965, the federal student financial assistance programs created by Title IV of the HEA have grown dramatically, from $200 million in 1965-66 to more than $18 billion in 1988-89. This growth in student assistance has supported unprecedented enrollments at postsecondary education institutions. Despite this, concern persists about access and choice for students, especially low-income and minority students.

Congress responded to concerns about access and the increasing complexity of the programs and delivery through the Higher Education Amendments of 1986. In this reauthorization of the HEA, Congress created the Advisory Committee on Student Financial Assistance to ensure that the programs continue to meet their critical goals. The Advisory Committee's most important charge is "to make recommendations that will result in the maintenance of access for low- and middle-income students."

The Advisory Committee structure reflects the diversity of the contemporary financial aid community. College presidents, financial aid administrators, educational association executives, bank officers, guaranty agency executives, state higher education officials, and students have served on the Committee. Members are appointed by the leaders of the United States Senate, the House of Representatives, and the Secretary of Education on the basis of technical expertise and knowledge of student aid and educational policy. The eleven members serve in staggered terms of three years. These members, who are quoted throughout this report, as well as former members and Committee staff, are listed on pages 23 and 24.

The Advisory Committee's members are dedicated to strengthening the federal student aid programs to ensure equal opportunity through access to postsecondary education. Despite the impressive growth of the programs and postsecondary enrollment, more must be done to assure the most disadvantaged that access to postsecondary education is meaningful and real. This report presents the Committee's recommendations for the reauthorization of the Higher Education Act of 1965.

INTRODUCTION

In 1989, Congress asked the Advisory Committee on Student Financial Assistance to identify and explore issues for consideration during the forthcoming reauthorization of the Act. Through an 18-month-long series of activities in which information was collected and analyzed, the Advisory Committee has uncovered three pervasive problem areas that impede both the implementation of the statute and the effectiveness of the Title IV programs. Addressing these problems will markedly improve access to postsecondary education, delivery of federal student aid funds, and the acquisition and analysis of data necessary to evaluate and enhance program performance.

"One of the commitments that Committee members made at our first meeting, and have steadfastly maintained to this day, is frequent communication with the Congress, the Department of Education and the community. This communication has been a critical component of the Committee's reauthorization process."
James R. Craig

Most profound among the problems detected by the Committee is that federal efforts to promote ***equal access to postsecondary education*** by low-income, disadvantaged and minority youth have stalled. Despite the dramatic growth of student assistance, which has supported unprecedented enrollments at postsecondary educational institutions, concern about access for these at-risk groups of students persists. The Title IV programs have succeeded in supporting entry to higher education for traditional, college-bound students. The Committee is persuaded, however, that a new commitment to at-risk students with demonstrably effective strategies is required to produce results by the year 2000.

The ***delivery system*** that confronts all college-bound youth and adults remains too complex. More important, this complexity serves as a significant barrier to access, most particularly for the at-risk population. Despite previous improvements enacted by Congress during the last reauthorization, ambiguities in the delivery system, particularly concerning features of the application process, thwart implementation of these improvements and sustain a complexity that does not serve poor or middle-income students. The Advisory Committee concludes, therefore, that the changes to the delivery system enacted through the Higher Education Amendments of 1986 must be fully implemented and that new initiatives to simplify further must be undertaken.

The Advisory Committee also is concerned that the ability of the Department of Education to acquire, access, and analyze data about important issues facing the Title IV programs has deteriorated appreciably in recent years, due both to underfunding and lack of coordination. This deterioration inhibits the ability to address ***critical issues***, particularly those related to access, the loan programs generally and loan default specifically. The studies performed by the Department of Education have tended to be retrospective, rather than dealing prospectively with emerging issues. Adjustments to the Department of Education's existing analytical infrastructure, which supports data collection and analysis, are likely to require too much time and may prove inadequate. The Committee is persuaded that a bolder, more deliberate, and more highly focused approach--prospective in character--is required to address critical issues.

The pending reauthorization of the Higher Education Act provides Congress with an opportunity to respond to emerging challenges by building on the advances it made with the passage of the Higher Education Amendments of 1986. The Advisory Committee has constructed its recommendations to Congress so that important problems can be addressed through statutory changes--which the Advisory Committee will propose.

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ACCESS

The traditional federal approach to access conflicts with the true nature of the problem of access to postsecondary education for low-income, disadvantaged and minority students. The federal approach is predicated on the assumption that reducing financial barriers through student aid funds will achieve equal access to postsecondary education for target populations. In reality, numerous other obstacles create serious, often insurmountable barriers for poor and minority students.

"There can be a tendency in the face of such significant factors as poverty and unemployment--and the realization that we are currently spending tens of billions of dollars and face a serious budget deficit in Washington--to resign one's self that there is little that can be done that is politically feasible to equalize access. We cannot fall into this trap."
Stanley Z. Koplik, Chairman

Department of Education policies and strategies are underpinned by an approach that ***defines access*** as a sufficiency of financial resources to pay for postsecondary education; this approach is too limited to be effective. Three operational dimensions of the access problem result from this conceptual one. First, the Department of Education is unable to assume an appropriate leadership role either in establishing access goals, or in ***implementing new initiatives*** to attack the problem of inadequate access. Second, the ***research*** conducted by the Department of Education on access is inadequate because it fails to adequately measure participation rates and ignores major factors contributing to participation. Finally, federal efforts to ***disseminate information*** about the Title IV financial aid programs do not recognize the array of factors appearing along the educational continuum that prevent entry into postsecondary education for students from at-risk families.

Redefining Access Goals

Recent data indicate that significant shortfalls in postsecondary participation among low-income, disadvantaged and minority students persist and are becoming even more severe. For example, Figure 1 on page 5 indicates that participation rates for minorities, which were approximately equal in 1976, are now about ten percentage points lower than white participation rates. The Advisory Committee is convinced that the Department of Education's current definition of access to postsecondary education, which simply focuses on reducing financial barriers to postsecondary education, will not reduce these shortfalls.

Although central to providing access for college-bound students, the current definition fails to take into account other critical factors that diminish access to postsecondary education for at-risk populations. These factors include: inadequate academic preparation; low aspirations and self-esteem; and inaccurate information about college requirements, costs of attendance and availability of financial aid. Such barriers operate in a variety of ways throughout the educational sequence with profoundly negative implications for participation of at-risk populations.

"Too few disadvantaged and minority students are graduating from high school--even fewer are entering and graduating from college. Current strategies and policies are inadequate to reverse the trend."
Ramona O. Liston

Unfortunately, the prevailing federal definition of equal access utilizes primarily one necessary, but not sufficient, strategy for assuring access--that is, using student aid programs to lower financial barriers. This strategy ignores substantial shortfalls in participation rates as an indication of unequal access.

As a result, the Department of Education has not taken certain essential actions to address the range of obstacles to access. For example, an adequate system does not exist for tracking target populations as they proceed through key stages in the educational sequence. In addition, effective monitoring and evaluation of the Title IV programs are virtually nonexistent. Because these data are unavailable, the Department of Education has been unable to quantify targets, to plan and initiate appropriate policies, or to make purposeful refinements to the programs at the federal level. Furthermore, regular progress reports from the Secretary to the Congress on movement toward a fundamental federal goal are notably absent.

In light of the problems related to the definition of access goals, the Advisory Committee recommends that the Congress take the actions presented in Exhibit 1.

Implementing New Initiatives

In general, federal policymakers have been reluctant to acknowledge the inadequacy of current federal programs and strategies. For any substantive progress to be made toward equality of access, however, it is essential that the Department of Education take a strong advocacy position on behalf of needy students, especially at-risk populations. In assuming such a leadership role, the Department of Education would be better able to pursue and implement programmatic changes that would meet stated access goals.

In recent years, with the exception of modest changes, the Department of Education has not undertaken programmatic initiatives aimed at expanding access for low-income, disadvantaged

Exhibit 1

Advisory Committee Recommendations to Congress
Redefining Equal Access Goals

Restructure the federal definition of access to take into account serious shortfalls in participation rates among at-risk groups; in addition, the definition must recognize the sequential character of educational processes and decisionmaking.

Direct the Secretary of Education to establish a system for tracking cohorts of students as they move through the educational sequence, and for evaluating programs in minority participation and graduation rates against specified policy goals.

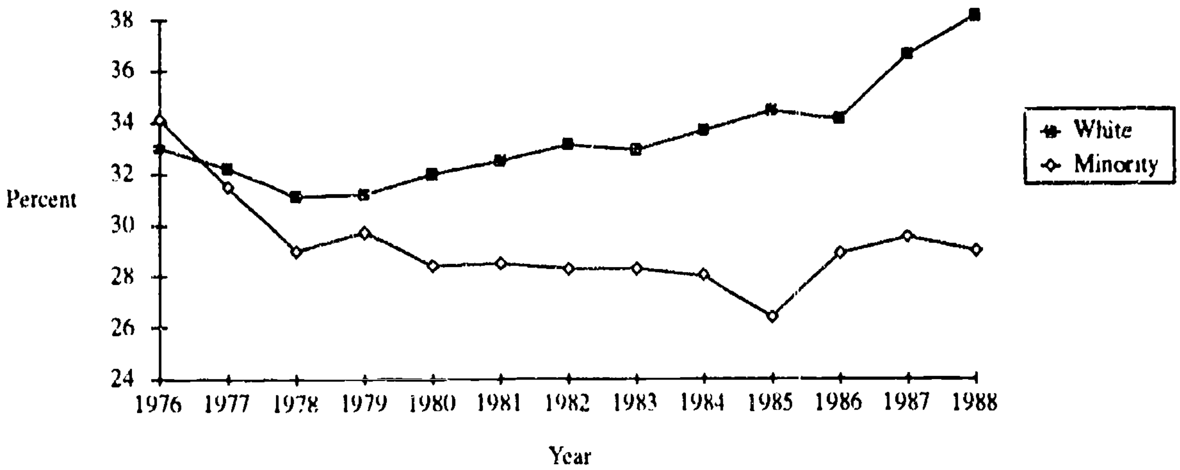
Direct the Secretary of Education, in case of significant shortfalls in disadvantaged and minority participation, to develop specific, national targets for increasing participation rates as well as a schedule for doing so.

Direct the Secretary of Education to develop a comprehensive and specific plan containing modifications to current programs and strategies or new initiatives that will achieve these targets and link these changes to expected improvements in participation rates.

Require the Secretary of Education to report to Congress annually on the progress achieved in reaching each yearly target.

Figure 1

Higher Education Participation Rates of High School Graduates by Year (Minorities and Whites Ages 18-24)[1]



1. Minority Includes African-Americans and Hispanics

Source: U.S. Department of Commerce, Bureau of the Census, "Current Population Reports," Series P-20, various years and minority populations. Nor has the Department, in the Committee's view, made significant attempts to integrate, coordinate and provide incentives to states and institutions to participate fully in these efforts. The TRIO programs, which constitute the Department of Education's early information and outreach programs under Title IV, are illustrative of the current situation and provide an opportunity for substantial improvements.

"Short-term studies of underparticipation that go nowhere and long-term studies that postpone the application of promising treatments are clearly unacceptable. The Committee is persuaded that a large scale national demonstration project that generates data and capitalizes on what we already know to be effective is required and must emerge from this reauthorization process."
Lynn M. Burns

TRIO provides a range of academic and support services to high school and college students. Although the programs have complementary objectives and appear to offer a continuum of services, the results in practice are quite different. There are four important aspects to this deficiency, related in part to funding limitations.

First, there is no adequate mechanism for coordinating federal programs to ensure a sequence of age-appropriate services for students throughout the educational process. There is no consistent coordination of the TRIO programs with potentially interrelating services extended by institutions and states. Second, TRIO only reaches a fraction of the eligible population. By one estimate, a needy youth has less than a 1-in-20 chance of being served by just one of the programs, and a significantly smaller likelihood of being served by more than one of these sequential programs (e.g., Upward Bound precollege program and Student Support Services, a college program).

Third, TRIO services do not reach most eligible students soon enough to increase their propensity *and* their ability to pursue a college education, despite a body of research and emerging consensus that reaching students early in the education process improves access. Because of heavy demands upon the TRIO programs, resources tend to be concentrated on high school juniors and seniors, whose attitudes, academic orientation and study habits are, for the most part, already formed. In contrast, less than 2% of TRIO funds are earmarked for middle school- or junior high school-aged students, which represent pivotal ages for young people making decisions about participation and for acquiring the necessary skills for success in postsecondary education.

Finally, a system does not exist within TRIO to generate data from the programs that would inform policymakers and educators in an ongoing and dependable fashion. Certain data would be invaluable in modifying TRIO to meet federal access goals. Such data would

Exhibit 2

Advisory Committee Recommendations to Congress
New Initiatives To Equalize Access

Amend the Higher Education Act to include a finding asserting federal responsibility for overcoming the effects of the major causes of underparticipation. The Act should acknowledge that low-income, disadvantaged and minority enrollment rates have stalled and in fact are in danger of falling; and that differentials between white middle- and upper-income enrollment rates and those of disadvantaged students have widened.

Increase funding of the TRIO programs to expand the number of students that can be served, with additional funds targeted on those in 7th and 8th grade, who are eligible for but not currently serviced by the TRIO programs.

Direct the Department to initiate immediately a national demonstration project that will expand and integrate the TRIO programs. This project should identify currently eligible 7th or 8th grade low-income, disadvantaged and minority students and track them along the educational continuum by providing:

- *Early information about their drawing power from federal financial aid programs;*
- *Early need assessment;*
- *Linkages with existing state and institutional early intervention programs;*
- *Incentives to encourage participation by both students and mentors in the form of Congressional scholarships; and*
- *Participation of Congressional Scholars in the national demonstration project that will also include academic enrichment, mentoring, counseling on admissions requirements and financial aid application processes, and summer residential experiences on a college campus.*

Provide a mechanism for incorporating measures that prove effective in the demonstration project into TRIO programs in general, so that by the year 2000 the TRIO programs will be a coordinated and integrated program that can demonstrate its effectiveness and modify its approach on an on-going basis with the data it generates.

include postsecondary school participation rates of TRIO beneficiaries, the effectiveness of specific TRIO components, and the outcomes for TRIO students who do not attend college. The Committee recommendations for implementing new initiatives are presented in Exhibit 2.

"I am not sure whether it's the structure of the current federal effort or the level of resources devoted to it--or both--that is the obstacle to solving the problem of underparticipation. One thing is clear, however. To the extent that this problem is a national one and directly challenges a key federal role, it is incumbent on the federal government to make it a top priority, find out what policies work, and stimulate the implementation of them before it is too late."
S. Anne Hancock

Revitalizing Research on Access

Federal measurements of participation rates and factors contributing to participation are based on inadequate data sources that do not monitor outcomes in relationship to goals. Key databases no longer provide sufficiently comparable data, longitudinal efforts are conducted at intervals that are too infrequent to be useful, and sample sizes for low-income, disadvantaged and minority populations are too small to draw policy conclusions. As a result of these inadequacies, federal measures concerning factors associated with underparticipation are superficial and conflicting.

In sharp contrast, the Advisory Committee has observed that when the federal government is truly concerned about a specific issue, it establishes shorter, highly targeted, annual surveys or conducts a census. The annual *High School Senior Survey* is a case in point. Now in its 16th year, this survey is sponsored by the National Institute on Drug Abuse to gather detailed information about drug use among high school students. In addition, the federal government collects monthly counts on unemployment claims because claims are a critical indication of the health of the economy. The Advisory Committee found that accurate timely information on participation rates, non-persisters and other dimensions of the access problem are as vital to the national interest as data on drug use among young people and employment in the workforce.

Improving Information Dissemination

The Advisory Committee has found that the amount and quality of information that students and families possess about college costs and the availability of federal financial aid are woefully inadequate. This is particularly true for at-risk populations. Further, the professionals who serve these at-risk populations lack adequate information. This lack of information interacts with continual news coverage of budget battles, rising institutional costs, and skirmishes over the legality of minority scholarships, to generate confusion

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among students and families from target groups. Thus, these at-risk populations are left with the impression that postsecondary education is out of their grasp, because educational costs are beyond their means. Equal access to postsecondary education clearly is not served by such misinformation, that seriously undermines the efforts of many dedicated professionals.

"Early information programs and interventions play very important roles in increasing the participation of disadvantaged and minority students in postsecondary education. Such interventions cut across several levels of education and require integration and coordination to be effective."
David K. Malek

The message and the medium must change, if federal information dissemination efforts are to be effective. This is especially important because of the penchant of the popular press to describe college costs in terms of the most expensive schools in the country, rather than in terms of average costs or costs of attendance at public institutions, and the effects of financial aid on those costs. In addition, persons who serve as providers of information to students--such as high school counselors, TRIO staff and community volunteers--currently do not possess sufficient knowledge about the financial aid programs to provide necessary guidance for students along the educational continuum. Their circumscribed awareness of student assistance also hinders their ability to advise students on the advantages of recent and prospective efforts to simplify the financial aid process. Committee recommendations for improving information dissemination are presented in Exhibit 3.

Exhibit 3

Advisory Committee Recommendations to Congress
Revitalizing Federal Research and Outreach Efforts

In research, direct the Secretary to:

Design and implement a special purpose survey of participation and its underlying factors for the at-risk population with particular attention to emerging trends.

Refocus research, concentrating on short-term studies aimed at specific cohorts of low-income, disadvantaged and minority youth.

Evaluate the impact of the Title IV programs on specific populations.

In outreach, direct the Secretary to:

Restructure federal strategies for information dissemination and early outreach to clearly communicate the amount of federal, state and institutional aid that low-income, disadvantaged or minority high school freshmen would qualify for if they finished high school in a college preparatory program.

Allocate sufficient resources for training of high school guidance and TRIO staffs to promote the understanding among low-income, disadvantaged and minority populations that funding for postsecondary education is sufficiently available to assure access.

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DELIVERY OF STUDENT AID: MODELS, FORMS AND PROCESSES

Currently, the complex system of determining eligibility and awarding student financial aid simply confounds many students and families, particularly students and families from at-risk populations. Despite progress made by Congress to simplify the process, both the need analysis models and the delivery system remain unnecessarily complex. In part, this is due to ambiguities in the system that unintentionally focus on data collection and need analysis issues relating to higher-income financial aid applicants.

Multiple need analysis models still exist under both the Pell Grant formula and the Congressional Methodology (CM), despite evidence that integration of the simple Pell and CM models could be accomplished without significant budgetary or redistributive effects. As for the ***application*** process, forms have been restructured but are still too complex for students from families with limited means. ***Reapplication*** is an unnecessarily duplicative and burdensome process for students especially when there is little change in family circumstances. Despite the obvious benefits of ***free federal delivery***, the free federal form and simplified need analysis are not being fully used. And finally, ***the need analysis formulas***, which have not undergone any changes since the Higher Education Amendments of 1986, could be more effective with some additional technical modifications.

The Committee proposes changes in several areas of the current federal need analysis and delivery system. Taken together, these changes, if implemented, would make the process of applying for federal financial aid less burdensome for students, especially those from low-income and middle-income families. The Committee believes these modifications can be put into place without incurring major budgetary and redistributive effects, jeopardizing the accuracy of applicant data, increasing administrative burdens for institutions or undermining the integrity of the delivery system.

Eliminating Multiple Need Analysis Models

Currently, students applying for financial aid are faced with multiple need analysis models and results. Despite using the same data, the Pell Grant formula and the Congressional Methodology

(CM) generate two divergent expected family contribution figures--the Pell Grant Index (PGI) and the Congressional Methodology's Family Contribution (FC).

However, data in Figure 2 show that integration is clearly feasible. For low-income students qualified for simplified need analysis as well as middle- and upper-income students, the two models produce parallel results--the difference is due largely to the CM's minimum student contribution. These data suggest that a hybrid model with a simple version for low-income students can be identified and implemented with minimal budgetary and redistributive impact. Exhibit 4 presents the Committee's recommendation concerning integration of the Pell and Congressional Methodology Formulas.

Simplifying Application and Reapplication

The Congress chose to take significant action to simplify need analysis and the delivery system with the passage of the Higher Education Amendments of 1986. Although progress has been made toward simplification, complexity still prevails. Addressing certain issues and ambiguities surrounding the models and processes will reduce the current level of complexity, especially for low-income and disadvantaged students and even for middle-income students. These issues include further simplification of application requirements, extending the income cap for eligibility under simplified need analysis, and streamlining reapplication.

One major advance toward achieving congressional intent with regard to simplification was made by the Department of Education, when it separated the federal data elements in 1990-91 into a unified "federal core" on all the multiple data entry processor (MDE) application forms. This action facilitated the implementation of simplified need analysis--a formula requiring fewer data elements--for eligible students by placing the federal data elements for the simple needs test in the front section of the core. However, for students from indigent populations, the data requested are still too complex and irrelevant for the purpose of determining expected family contribution.

The Advisory Committee has identified, through structural examination of the need analysis formulas and available data, at least two segments of the applicant population who have zero or near-zero family contributions *regardless of formula*. Dependent

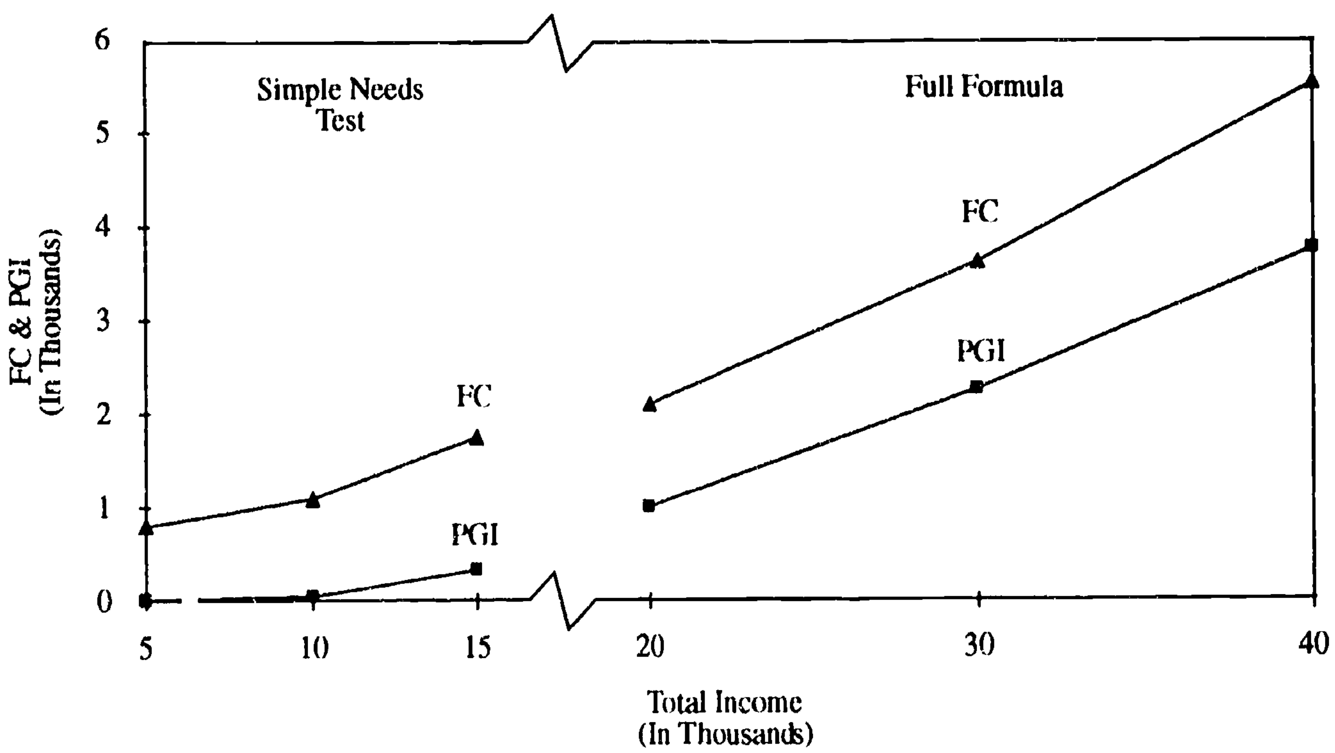
Exhibit 4

Advisory Committee Recommendations to Congress
Integrating Need Analysis Models

Integrate the Pell Grant formula and the Congressional Methodology by using one of the existing formulas as a foundation. If integration is judged not to be feasible for all applicants, integrate the simplified needs tests.

Figure 2

Average Pell Grant Index (PGI) and Congressional Methodology Family Contribution (FC) for the Simple Needs Test and Full Formula by Income for Dependent Applicants in the 1988-89 Award Year



Source: U.S. Department of Education

students with parents' current adjusted gross income of $9,000 or less ($10,000 for the 1993-94 academic year), and students who participate in AFDC/ADC constitute two of these segments. Reducing application requirements as a means of reducing complexity for these students will not produce budgetary or redistributive distortions, if eligibility criteria for simplified need analysis are used as a screening device.

"Perhaps the greatest opportunity for simplifying processes lies in the area of reapplication. Technology is available to improve the process for all parties--students, institutions, states and the federal government."
Ashley L. Barron

Consideration of other populations--such as low-income independent students, students receiving benefits from other public assistance programs, and families with current incomes slightly higher than $9,000--also is appropriate. However, the data obtained by the Advisory Committee are insufficient to assure that implementation for these other groups will not create unintended budgetary or redistributive effects.

Expanding eligibility under simplified need analysis presents another means of reducing current complexities and ambiguities. Currently, families with incomes above $15,000 are not eligible for simplified need analysis, and must provide data for analysis under the full formulas. As a result, lower-middle and middle-income families must submit asset information on the application, even though their assets--other than the family home, perhaps--are non-existent or nominal. IRS data obtained by the Advisory Committee show that most 1040A and 1040EZ filers earn less than $500 from investments for incomes as high as $30,000 and $40,000, thus illustrating that the assets for these populations are negligible. Nonetheless, the full need analysis will take equity on family home into account, which can increase the expected family contribution for some beyond their ability to provide support.

Reapplication for continuing students represents perhaps the most significant redundancy in the current system. For example, Department of Education data show that over 50% of the students eligible for Pell Grants in 1988-89 reapplied in 1989-90, with calculated contributions changing minimally for many students across income ranges. Most low-income students, AFDC recipients, non-federal tax filers, and filers of simple federal tax returns experienced virtually no change. Streamlining reapplication--that is, permitting continuing students to update existing data--would have a powerful effect on simplifying the delivery system for all students, especially for low-income populations.

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Exhibit 5

Advisory Committee Recommendations to Congress
Simplifying Application and Reapplication

Further simplify application requirements for: (a) all students who are AFDC/ADC recipients; (b) students whose parents' adjusted gross income is $10,000 or less.

Extend eligibility under simplified need analysis for parents of dependent students and for independent students to at least $20,000 adjusted gross income (adjusted annually), subject to existing criteria; consider further extending the income cap to a level as high as $30,000.

Direct the Secretary to determine if the application procedures for additional categories of applicants should be simplified, including: (a) independent students based on income; (b) applicants who are not required to file federal tax returns; and (c) students receiving benefits from other human resource programs.

Direct the Secretary to begin simplifying the reapplication process by:

- *Initiating a pilot reapplication project using the Stage Zero electronic data exchange; and*
- *Developing other procedures for streamlining to accommodate institutions without the resources for electronic submission of data.*

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The present technology is sufficient to support such an effort, as demonstrated by the capabilities of Stage Zero--a special project sponsored by the Department of Education--which permits institutions to submit federal application data electronically to, and receive output from the Central Processing System.

"Unless states and institutions join with the federal government in this initiative, it won't go very far. If state delivery mechanisms are very complex, or if institutions insist on getting as much data from poverty-stricken families as they do from relatively wealthy families, federal efforts to simplify will ultimately fail." Joseph L. McCormick

By strengthening the process for initial applicants and using Stage Zero as a mechanism to produce "reapplications" to be transmitted directly to institutions from ED's database, the delivery system could function more efficiently while facilitating entry for students from disadvantaged populations.

With these changes, the Department of Education still would maintain primary responsibility for sustaining the application process. This would include a financial commitment to help sustain operational costs system-wide, such as support for data entry, line charges and sufficient dissemination and training opportunities for institutions. Exhibit 5 presents the Committee's recommendations related to simplifying applications and reapplications.

Promoting Full Implementation of Free Federal Delivery

Data suggest that very few low-income, disadvantaged and minority students who qualify for the simple needs test are using it. For example, the data in Figure 3 indicate that less than 17 percent of all applicants eligible to complete the simple needs test and less than eight percent of eligible MDE applicants actually filed the simple form. Most students from these populations still are processed under the complex forms and models; and many students continue to pay fees if they complete forms from certain MDEs. Anecdotal information suggests that even at community colleges in states that accept the federal core applicant data to deliver all types of aid, simplified and free need analysis is not being implemented. The same holds true at four-year public institutions, whose funds are derived predominantly from federal and state sources.

No data currently exist to explain why congressional intent is not being met in this regard. However, anecdotal information collected by the Advisory Committee suggests that both state and institutional data requirements, inadequate information about free federal delivery services, and unfamiliarity with the benefits of simplified need analysis on the part of high school counselors and some aid administrators may all play a role.

Exhibit 6

Advisory Committee Recommendations to Congress
Promoting Full Implementation of Free Federal Delivery

Direct the Secretary to strengthen and maintain the existing free federal delivery system by:

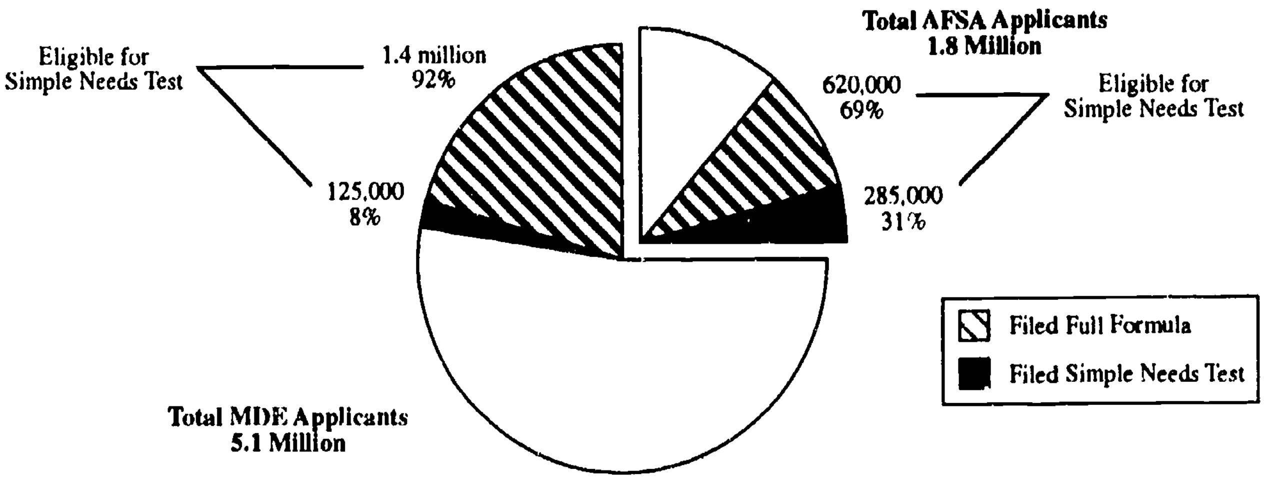
- *Creating incentives through the federal financial aid system for states and institutions to use federal need analysis;*
- *Delivering data to institutions at no cost;*
- *Evaluating all aspects of the federal delivery system and eliminating barriers to use of the free form and free federal delivery;*
- *Monitoring the use of free federal forms by institutions and MDEs through the Department's operating system, which is already in place;*
- *Obtaining auditable reports from MDEs to ascertain which students use only the federal form, thereby determining the extent to which students are paying fees; and*
- *Ensuring that MDE policies and practices, particularly relating to forms, support the free federal delivery system.*

Direct the Department to focus training explicitly on high school guidance counselors to help them identify students who are best served by the simplified need analysis structure.

Expand training for financial aid officers to maximize use of simplified need analysis and free federal delivery.

Figure 3

Number and Percent of Eligible Applicants Who Utilized the Simple Needs Test By Form Filed in Academic Year 1990-91*



*Year-to-date 3/17/91

Source: U.S. Department of Education

Increasingly states and institutions are electing to use the free federal form and, accordingly, simplified need analysis. Utilization of free federal delivery seems to occur when parties have full information and understanding of the benefits and effects. However, the Department of Education does not seem to be encouraging or providing incentives for parties to follow suit.

"Equity is a fundamental goal of federal need analysis models and processes. One of the Committee's primary concerns has been identifying and eliminating aspects of current models and processes that are not equitable." James L. Flippin

Traditionally-aged students, especially from low-income populations, depend on high school guidance or other counselors for information on achieving access to postsecondary schools. Anecdotal information strongly suggests that these counselors are unaware of the advantages of the simple needs test for disadvantaged youth. These very important advisors also may operate under certain misconceptions about the need to complete the entire application, including those sections on forms from certain MDEs that require low-income applicants to pay a fee. Exhibit 6 presents the Committee's recommendations related to promoting full implementation of free federal delivery.

Improving Specific Need Analysis Features

The Advisory Committee's recommendations for changes in the delivery of student aid that the paper has addressed thus far are primary. If implemented, these proposals will greatly simplify the delivery system and ease access for low-income and middle-income students. Through its review of need analysis, the Committee also has identified additional issues specific to the need analysis formulas, which are technical in nature and appear to be representative of the concerns within the financial aid community.

The Committee also notes that no changes have been made to the need analysis formulas since the enactment of the Higher Education Amendments of 1986. The technical modifications proposed by the Committee and contained in Exhibit 7 are sure to have positive effects, but will not influence more basic concerns about access and delivery as profoundly as the other recommendations included in this report.

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Exhibit 7

Advisory Committee Recommendations to Congress
Fine-Tuning Federal Need Analysis

Modify the independent student definition to: (a) eliminate the criterion for independence based on a $4,000 resource and tax exemption status; and (b) permit automatic independence to married students and graduate students.

Exclude non-need-based earnings for purposes of determining an overaward for College Work-Study funds.

Unify the various treatments of VA benefits by considering all VA benefits as resources.

Permit financial aid administrators to use professional judgment to make adjustments to the cost of attendance for food and shelter when the total income of an independent student with dependents is less than the standard maintenance allowance.

Eliminate the dislocated worker and displaced homemaker formulas from need analysis. Instead, permit financial aid administrators to use professional judgment to identify those who qualify, and permit the filing of Pell special condition application for such cases.

Reduce the Congressional Methodology's taxation rate on base-year income by 20 percentage points from current levels for dependent students and for independent students without dependents.

Adjust the CM treatment of married students without dependents to parallel the Pell Grant treatment.

Treat all savings plans and guaranteed tuition payment plans as a resource for the purpose of awarding Title IV aid.

Include in the number in college only those parents enrolled in degree or certificate programs and siblings enrolled at least half time.

Exhibit 8

Advisory Committee Recommendations to Congress
Critical Issues for Further Study

Explicitly recognize through the reauthorization of the Higher Education Act the need for new, independent studies targeted on the most critical policy areas.

Establish an independent, national commission to design and conduct necessary data collections and studies in critical policy areas. Such a commission should be provided a finite but adequate time period and adequate resources to complete these studies and report to Congress.

Direct the commission to study, among other topics:

- *low-income participation;*
- *loan default nature and causes;*
- *loan burden and its effects;*
- *integrity, quality and long-run value of 'ucational programs; and*
- *capability of accurately predicting loan default levels.*

CRITICAL ISSUES FOR FURTHER STUDY

Accurate and timely data and analyses are the cornerstones of sound educational policy and effective program design. During its deliberations the Committee was struck by the existence of a broad consensus. Most observers agree that Congress and the Department of Education do not possess, or cannot readily access, the data necessary to perform analyses of major issues affecting the integrity and stability of the Title IV programs--particularly the loan programs--during the 1990s. Two explanations have been offered for the apparent shortfall: inadequate funding of data collection, retrieval, and analysis at all levels of program management and policymaking; and lack of cooperation and coordination among entities responsible for planning, budgeting, evaluation, and research both inside and outside the federal government. Both explanations seem plausible to the Committee, appear to be systemic in character, and lead to the conclusion that progress in addressing *critical issues* probably requires a new approach.

"One of the most important issues facing postsecondary education is the effect of the loan/grant imbalance on student and family decisionmaking. A key aspect of this issue--and one that has not been addressed adequately--is loan burden."
Michael S. Katz

While the Committee confronted data and study limitations that precluded recommendations in several areas, the following issues appear to be the most critical and most in need of fresh and independent examination:

- Factors affecting the ***participation of the at-risk population*** in postsecondary education, and the design of effective strategies to overcome those factors;
- The nature and causes of ***loan default*** and its impact on program stability, as well as the impact of recent program changes on default rates;
- The effects of ***loan burden*** on enrollment and persistence of both low-income and middle-income students, and its impact on entry into and completion of graduate and professional education; and
- The integrity, quality, and long-run value of ***educational programs***, the appropriateness of their cost and the likelihood of payoff to at-risk students.

"The federal government is currently unable to assess the likely effects of recent policy changes with regard to default reduction initiatives and therefore cannot establish whether further modifications are necessary."
Stephen C. Biklen

In each of these important areas, the Committee has made a determination that extant data and analyses are wholly inadequate to assess the dimensions of the problem or formulate effective strategies and policies to overcome them. The Committee's recommendations for further study are presented in Exhibit 8.

LIST OF MEMBERS AND STAFF

Advisory Committee On Student Financial Assistance
Current Members By Class Of Appointment

Class of 1990
(Term expired September 30, 1990)

Mr. James R. Craig *
Director of Financial Aid Services
Montana State University
Bozeman, Montana
(House of Representatives appointee)

Class of 1991
(Term expires September 30, 1991)

Ms. Ashley L. Barron
Student
Drew University
Madison, New Jersey
(Secretary of Education appointee)

Dr. James L. Flippin
Assistant Commissioner for Student Financial Aid and Director, Mississippi Guarantee Student Loan Agency
Jackson, Mississippi
(United States Senate appointee)

Mr. Joseph L. McCormick
President
Texas Guaranteed Student Loan Corporation
Austin, Texas
(House of Representatives appointee)

Class of 1992
(Term Expires September 30, 1992)

Mr. Stephen C. Biklen
Vice President
Citibank
Pittsford, New York
(House of Representatives appointee)

Mr. Michael S. Katz
University Director of Financial Aid
University of Medicine and Dentistry of New Jersey
Newark, New Jersey
(Secretary of Education appointee)

Dr. Stanley Z. Koplik
Executive Director
Kansas Board of Regents
Topeka, Kansas
(United States Senate appointee)

Dr. David K. Malek
Associate Dean of Natural Sciences
College of DuPage
Glen Ellyn, Illinois
(Secretary of Education appointee)

Class of 1993
(Term expires September 30, 1993)

Ms. Lynn M. Burns
Director of Financial Aid
Roger Williams College
Bristol, Rhode Island
(United States Senate appointee)

Dr. S. Anne Hancock
Director of Academic Affairs
DeKalb College
Decatur, Georgia
(Secretary of Education appointee)

Ms. Ramona O. Liston
Assistant to the Dean for Development
Arizona State University
Tempe, Arizona
(Secretary of Education appointee)

Designated Federal Official (ex officio)

Judge Ernest Canellos
Acting Deputy Assistant Secretary for Student Financial Assistance
U.S. Department of Education
Washington, D.C.

* Continues serving until reappointed or successor appointed

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FORMER MEMBERS *

Mr. David Brown
10/01/87 - 12/17/88
Student
Greensboro, North Carolina
(Secretary of Education appointee)

Mr. Raymond M. Burse
12/03/87 - 09/30/89
Wyatt, Tarrant & Combs
Louisville, Kentucky
(United States Senate appointee)

Dr. Edward M. Elmendorf
Vice President
American Association of State Colleges and Universities
Washington, D.C.
(Secretary of Education appointee)

Mr. Jeffrey A. Flatten
10/01/87 - 05/08/88
Senior Vice President
Florida Federal Savings and Loan
St. Petersburg, Florida
(House of Representatives appointee)

Dr. Robert V. Iosue
12/03/87 - 09/30/89
President
York College of Pennsylvania
York, Pennsylvania
(Secretary of Education appointee)

Dr. C. Ronald Kimberling
04/10/88 - 09/30/88
Executive Director
Ronald Reagan Presidential Foundation
Los Angeles, California
(Secretary of Education appointee)

Mr. James M. Lombard
10/01/87 - 04/04/88
Florida House of Representatives
Tallahassee, Florida
(Secretary of Education appointee)

Dr. A. Dallas Martin, Jr.
10/01/87 - 04/10/90
President
National Association of Student Financial Aid Administrators
Washington, D.C.
(United States Senate appointee)

Dr. John Raisian
12/03/87 - 09/30/89
Deputy Director
The Hoover Institution
Stanford University
Stanford, California
(Secretary of Education appointee)

Ms. Deborah Steelman, Esq.
10/01/87 - 01/16/89
Epstein, Becker, Borsody and Green
Washington, D.C.
(Secretary of Education appointee)

Mr. Linus Wright
04/13/89 - 07/31/90
President
Paul R. Ray and Co., Inc.
Dallas, Texas
(Secretary of Education appointee)

* Titles were current at the time of service on the Advisory Committee.

Advisory Committee Staff

Dr. Brian K. Fitzgerald
Staff Director

Dr. William J. Goggin
Staff Consultant

Ms. Robin J. Sampson
Research Associate

Ms. Hope M. Gray
Staff Assistant

Ms. Lisa D. Hastye
Staff Secretary