

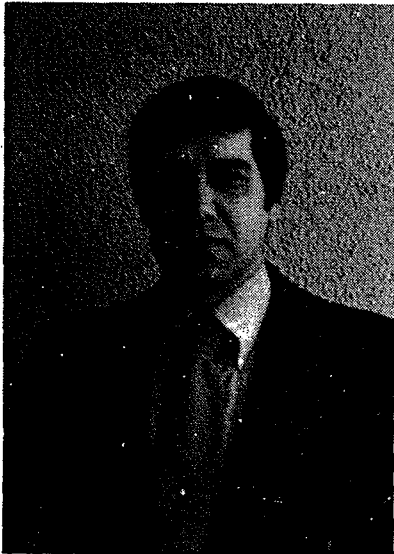
A COMPARISON OF REPORTED INCOMES: BEOG VS. PCS

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Introduction

In the past, the concern of many financial aid officers has been verification of reported income. To provide a system of checks, both the financial aid community and the College Scholarship Service have increased efforts to obtain federal income tax returns. The trend in many schools has been to require a photostatic copy of the federal return along with the application for aid. Through this method, the financial aid officer can more equitably award the limited aid that is available.

With the inception of the Basic Educational Opportunity Grant (BEOG) Program, financial aid offices are now faced with another area where income discrepancy may occur. Both the Parents' Confidential Statement (PCS) and the Basic Educational Opportunity Grant Application utilize 1973 income as the base year for determining 1974-75 eligibility. These documents may provide some further insight into problems of intentional and unintentional income reporting.



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The problem of aiding the middle class has been a major concern. When reviewed closely, it can be seen that the middle income family is generally excluded from the BEOG program. The student may receive \$1,400 minus a share of his or her personal assets and a parental contribution. A higher BEOG may be realized if the student declares himself or herself financially independent. In that situation of course the parental contribution is eliminated. The regulations define a financially independent student as one (1) whose parents have not claimed him or her as a tax exemption nor contributed more than \$600 to his or her support in the current year and in the preceding year, and (2) who has not lived with his or her parents in the current year or in the preceding year for more than two consecutive weeks. The assumption in including a parents' contribution is that the parents are willing to make a sacrifice by providing some of the educational costs. What is really occurring is a judgment of the parents' ability to pay rather than their willingness. As long as federal dollars are limited, this philosophy and these guidelines seem appropriate.

Background of the Study

The State University College at Fredonia began as the Fredonia Academy in 1826 and became one of the State Normal Schools in 1867. A period of institutional change began in 1948 when the State University of New York was established, and Fredonia became one of the eleven teachers' colleges within the University. Subsequently in 1961, it became the State University College at Fredonia. Presently, it has a student population of just over 5,000, drawn primarily from middle income families across New York State. Federal aid is a vital resource to a great many Fredonia students, and without it their educational endeavors would cease. The Tuition Assistance Program and the New York Higher Education Assistance Loan Program are the two largest student aid programs, with federal aid a strong third. The Financial Aid Office attempts to balance a student's aid package with loans, jobs, and grants, but this is a near impossibility with the predominance of loan money compared to grants and work-study funds. The BEOG program has helped to reduce the loan volume a great deal. As in most public institutions, private scholarship funds contribute little to the overall aid picture and can be classified as insignificant.

Methodology of Study

In an attempt to provide the financial aid staff at Fredonia with more detailed information on family financial strength, a comparison of 1973 gross income from the Parents' Confidential Statement and Basic Grant Student Eligibility Report was made on 108 students.

The incomes from line 8 of the PCS were compared to the income figure on the Student Eligibility Report (SER) in box r, (adjusted gross income). Any family receiving social security, veteran, or welfare benefits was excluded from this study. Only cases with gross incomes from wages, tips, salaries, dividends and interest were investigated. Any SER or PCS income derived from the net profit from a business or farm was also excluded from the study, since this type of income is treated somewhat differently in each "needs test." The differences in income were further examined by the

number of years the student had participated in the BEOG Program (either as a freshman or sophomore), plus the number of months that had elapsed from the time the PCS was completed and signed and the time the BEOG application was signed.

When this data was examined, it was found that in the same income category, some parents had reported their PCS income as more than the BEOG reported income and vice versa. The average differences in reported incomes within these groups are of interest. Those cases where reported PCS and BEOG incomes were the same were of particular interest also.

The income categories used are the same as those utilized by CSS in Phase I of its Institutional Summary Data Service (ISDS). It was felt that at a later date this study could be compared to the ISDS Phase II report.

Results

Table 1, which may be found at the conclusion of the article, demonstrates the relationship between the reported incomes on both applications. In the lowest income range (\$0-\$2,999), the reported BEOG average income was less than the reported average income on the PCS. This is the only income category in which such a difference occurred. In all others, the average PCS income was greater than the BEOG income. There appears to be a tendency among lower income families to report a larger income on the PCS than on the BEOG application. In the \$0-\$2,999 range, for example, the parents reported their PCS income an average of \$1,543 less than on the BEOG application. In the \$3,000-\$5,999 income range, the averages are inverted by an almost 3:1 ratio. This can be attributed to the few cases in this category coupled with the fact that one parental income difference was extremely high, skewing the distribution.

In reviewing the situations of parents whose income on both the PCS and BEOG application was the same, the lower income families demonstrated the greatest consistency. Table 2 generally indicates reduced accuracy as the income increases. The fact that the lower income ranges underestimate their income for the college-based programs seems to indicate that a revision in the application procedure should be made. In terms of total aid dollars available to the student, the PCS is the document that will result in the greatest support. If income discrepancies are found, either deliberate or unintentional, it is obviously to the student's advantage to have these appear on the PCS, since more aid will be realized.

Since 86 out of 108 parents reported their PCS income to be either the same as or less than the BEOG reported income, a closer look at the reporting procedure is needed. The remaining 22 cases, where PCS reported income is greater than the BEOG reported income, show a rather even distribution in both number of cases and percentages. This fact may indicate that the student is not receiving the full BEOG to which he or she is entitled. The question which must be answered is which reported income is correct. In either case it appears that only 39 out of 108 students were reporting accurate income information and, therefore, receiving the amounts to which they were entitled under both BEOG and College-based programs.

It was conjectured that the reason for reported income discrepancies might

be the time lag between completion of the two forms. For this reason, completion dates for the following three groups were investigated:

Group I — Those whose PCS income was greater than the BEOG income.

Group II — Those whose PCS income was less than the BEOG income.

Group III — Those whose PCS income equaled the BEOG income.

At Fredonia, deadline for submission of the PCS and aid application is March 1, (all necessary forms are distributed to students in mid-January).

Because of this timetable, most students have their parents complete the PCS in February. The majority of the BEOG applications were completed in June and July.

Comparing the average of all these groups, it was found that 2.9 months elapsed between completion of each form. When differences within the three groups were examined, Group III averaged 2.7 months between completion dates. Group II averaged 3.2 months and Group I averaged 3.5 months. The findings in Group III are what might have been expected. The shorter the time elapsed between completion of the forms, the greater the degree of accuracy in reported income. The difference between Group I (3.5) and Group II (3.2) is insignificant.

Summary and Conclusion

This data provides financial aid officers with a somewhat different approach to measuring the accuracy of reported income. Other studies (Collins, 1974) have been concerned with verification of reported income by means of a federal income tax return, while this research concerned itself with two forms of reported income and no formal verification. It appears that some of the same findings have been demonstrated by both techniques. Lower income families tend to overestimate income and higher income families underestimate reported income. This research finds that the lower income families report a lower income for the college-based programs than for the BEOG program. The fact that the applications for each program are distributed and completed at different times may account for the differences in reported incomes in 63% of the cases. Those families who filled out the PCS and BEOG application within two months of each other were more likely to have reported the same income figures.

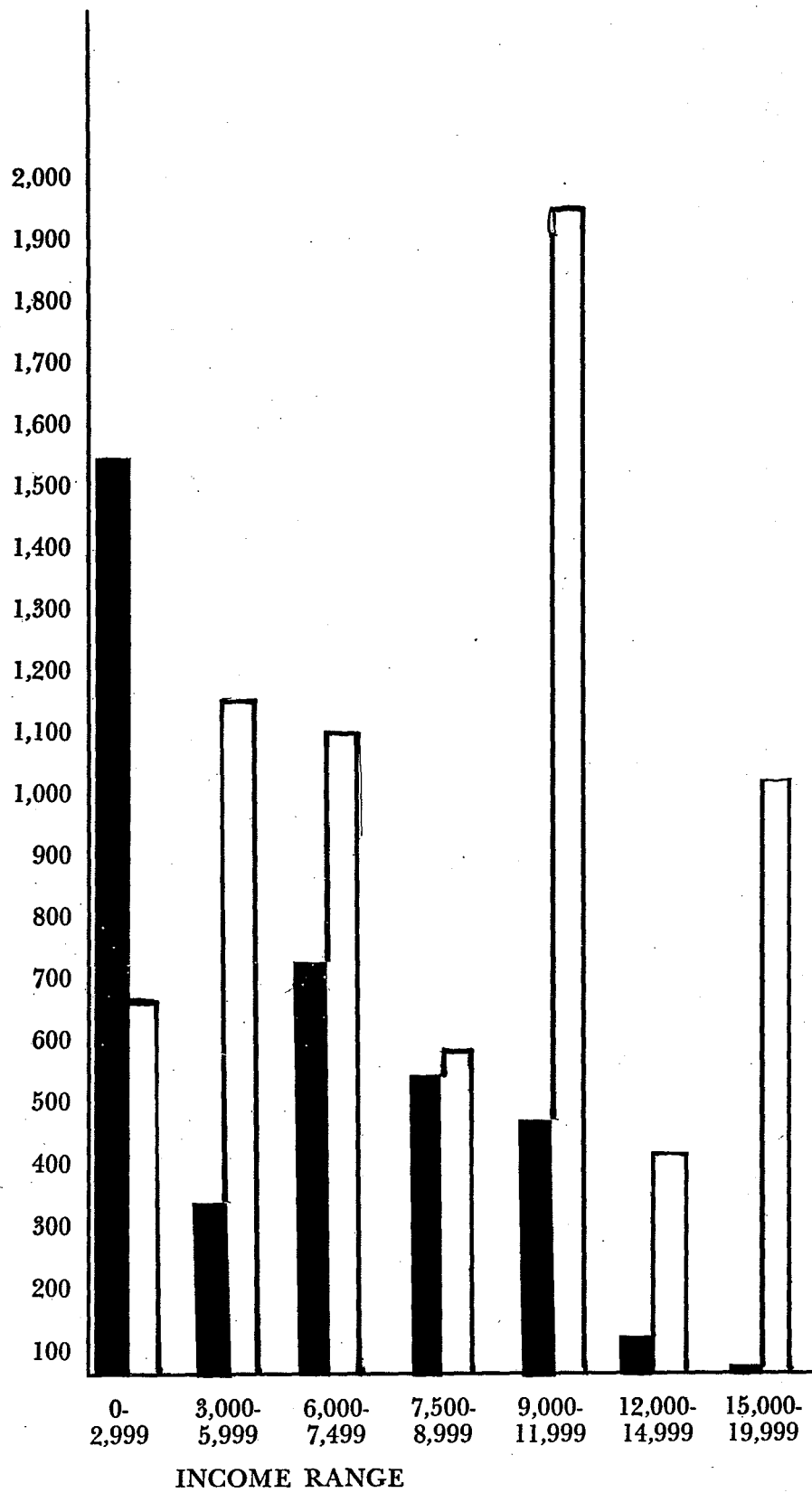
The need for a uniform timetable between applications to educational institutions and to the BEOG program is pointed out in this study. If reported income on the PCS is not as accurate as it should be, then the additional burden of awarding aid utilizing reported income compounds the problem.

The responsibilities of the financial aid officer are not clearly defined when discrepancies in reported income are discovered. The financial aid officer's role as a counselor then comes into play as an important link in the overall picture of financial planning.

In many instances, when packaging a student's aid, the estimated BEOG award is included. If this award is based on the reported PCS income (as CSS now does) and these incomes differ significantly, the entire student package must be revised at a later date. This process has a snowball effect: not only are the student and financial aid office involved, but also the business office or bursar in many cases. A common application determining

TABLE 1

AVERAGE
DOLLAR
DIFFERENCE



As income increases, the reported income on the PCS is greater than the reported income on the BEOG. Those at the lower income ranges underestimate income for the college-based program.

■ — PCS income > BEOG

□ — PCS income < BEOG

the eligibility for all Federally sponsored programs (including GSLP) would be the first step in solving some of these concerns. It also appears that verification of income is also needed. A great deal of duplication of time and effort would thereby be eliminated for both the student and the educational institution.

REFERENCES

Collins, J. S. "Verification of Parental Income Estimates By Means Of Federal Tax Returns;" *The Journal of Student Financial Aid*, Nov. 1973, Vol. 3 No. 3.
Financial Aid News, Vol. 3, No. 5, June 1974, p. 3.

TABLE 2
 BREAKDOWN OF AVERAGE DIFFERENCES BETWEEN PCS AND BEOG
 INCOMES AND AVERAGE NO. OF MONTHS BETWEEN
 COMPLETING EACH FORM

Income Range	No. Who		PCS Income > BEOG Income		PCS Income < BEOG Income		Avg. No. of Mos. That Elapsed Between Completing PCS & BEOG
	N	Differ	No.	Avg.	No.	Avg.	
0- 2999	13	7	3	\$ 689	3	\$1543	3.1
3000- 5999	14	7	4	1178	3	344	3.1
6000- 7499	16	5	3	1123	8	754	3.2
7500- 8999	16	8	3	559	5	543	3.0
9000-11999	27	7	4	1962	16	478	3.2
12000-14999	21	5	4	400	12	41	3.1
15000-19999	1	0	1	1037	0	0	1.6
Totals	108	39	22		47		