

A SURVEY OF UNDERGRADUATE STUDENT ASSISTANCE IN THE STATE OF MICHIGAN

by Robert B. Holmes and Lee Peterson

Introduction

Understanding the complexities of student financial aid programs is sometimes frustrating and time-consuming, not only for students and parents, but also for policy-makers, who are responsible for the planning, funding and evaluation of the programs. Although aid programs have often grown independently in the federal, state, institutional and private sectors, there have been few efforts to identify and analyze the interrelationships between various financial aid programs. However, the identification and analysis of these interrelationships should be the cornerstone of enlightened policy decisions about the future direction of individual programs.

Based upon the above concerns, the State of Michigan Legislature initiated a study committee to identify the types and sources of student assistance received by undergraduates in the state. The study committee published a detailed report covering the 1974-75¹ fiscal year and recommended that the Michigan Department of Education conduct such research on a regular basis.² Accordingly, the Michigan Department of Education and the Michigan Student Financial Aid Association (MSFAA) developed a comprehensive institutional questionnaire to identify the types and sources of undergraduate student aid expenditures in the

Lee Peterson currently directs the Support Services Unit of the Michigan Department of Education's Student Financial Assistance Programs. This Unit has responsibility for provision of a variety of consumer/training information relative to financial aid within the state. In addition, Mr. Peterson is presently a member of the Michigan Student Financial Aid Association Research and Communications Committees, the National Association of State Scholarship and Grant Programs Communications/Research Committee, the Regional and National College Board Access Committees, and a member of the Editorial Board of the *Journal of Student Financial Aid*.

Robert Holmes has worked in financial aid since 1966, serving as Director of Financial Aid for four years at both Illinois Institute of Technology and Chicago State University. Dr. Holmes is currently responsible for financial aid studies and research at the University of Michigan as well as for various studies in the Office of Academic Affairs. He has been a frequent consultant at the State and Federal levels, most recently with the HEW Student Financial Assistance Study Group, as Associate Staff Director of the OE Panel of Experts, and as a review panel member for a study sponsored by the National Advisory Council on Women's Educational Programs.

¹Robert B. Holmes, *The State of Michigan Undergraduate Student Financial Aid Survey, Final Report*, Committee on House Resolution #11, Michigan House of Representatives, Lansing, Michigan, June 1976.

²*Ibid*, p. 44.

1976-77 fiscal year. The questionnaire was distributed in the fall of 1977 to all degree-granting Michigan colleges and universities and to selected vocational schools. While response from the vocational school sector was minimal, responses were received from 96 percent of the colleges and universities, representing over 99 percent of the undergraduates in the State. The data included in this article represent traditional schools of higher education in the State and were drawn from the 1974-75 and 1976-77 surveys. Need-based and non-need-based expenditures from Federal, State, institutional and private sectors were included in the surveys. In addition, the surveys identified selected demographic characteristics of aid applicants demonstrating financial need as well as the estimated level of unmet student need present in the State. It is hoped that this article will stimulate further interest in this area by other states and the eventual development of more comprehensive efforts.

Related Studies

Surveys have been conducted in at least 14 other states besides Michigan, associated with the types and sources of financial aid expenditures within the State (see Figure 1). A number of these efforts have been very substantial research projects which have attempted to cover all institutions, students at all academic levels, and need-based and non-need-based aid.

Information on financial aid surveys in other states was obtained by writing to the presidents of State Financial Aid Associations in February 1979. Some of the State presidents were aware of research efforts in their states. In other cases, they referred the authors to State agencies or coordinating councils. Responses were finally received from most states.* Thus, the following list is not meant to be comprehensive, but merely suggestive of recent State efforts in this area. Furthermore, since it was sometimes not possible to obtain more than a summary of the research results, the following list may not include all information about each survey. Finally, a number of respondents indicated that they had similar research in progress; however, the results were not available at the time this article was written.

The Michigan Surveys: Description of Financial Aid Applicants

Respondents to the Michigan surveys were asked how many enrolled undergraduate aid applicants demonstrated need based on the submission of a financial statement. Table I summarizes the total number of needy enrolled undergraduates identified by institutions in 1974-75 and 1976-77.

While the overall FTE (full-time equated) undergraduate population dropped slightly in recent years, the number of needy aid applicants has risen significantly, particularly in the public 2 year sector. The specific reasons for this growth were not identified by the survey. However, it is probable that increased educational costs as well as changes in need analysis methodologies have increased the

*The only non-respondents were: Colorado, Florida, Louisiana, New York, Oklahoma, and West Virginia.

FIGURE 1
Recent Surveys of Financial Aid
Expenditures by State

State/Contact Person or Agency	Fiscal Year of Survey	Students	Programs	Need-Based or Non Need-Based	Sectors of Postsecondary Education	Demographic Characteristics or Recipients or Applicants
California Donald Hills Student Aid Commission Sacramento, CA	1974-75	Undergraduate & Graduate	All (VA&SS)	Both	Public & Private	Race
Georgia Kingston Johns Jr. The College Board Atlanta, GA	1971-72	Undergraduate	All (VA, SS, Voc. Rehab.)	Both	Public Private Voc-Tech.	Family income, expected parents' contribution, self- help, and unmet need
Idaho Janet Holland State Board of Education Boise, ID	1977-78	Undergraduate & Graduate	Federal State Institutional	Both	Four Year Public Voc-Tech.	None
Illinois Board of Higher Education Springfield, IL	1976-77	Undergraduate & Graduate	All	Both	All except proprietary	Race, sex
Iowa Iowa College Aid Commission Des Moines, IA	1977-78	—	Federal State	Both	All	None
Missouri Richard Stillwagon Dept. of Higher Education Jefferson City, MO	1977-78	Undergraduate & Graduate	All (VA&SS)	Both	Public Private Prof.-Tech.	In-State Out of State
Montana William Lannan The Montana University System Helena, MT	1977-78	—	Federal State Institutional	—	Four Year Public	None
North Carolina Stan Broadway State Education Assistance Authority	1976-77	Undergraduate	Aid under control of the schools	Need-Based	Public & Private	—

FIGURE 1 CONTINUED

State/Contact Person or Agency	Fiscal Year of Survey	Students	Programs	Need-Based or Non Need-Based	Sectors of Postsecondary Education	Demographic Characteristics of Recipients or Applicants
Oregon a. Skip Macy State Scholarship Commission Eugene, OR	1977-78	Undergraduate	Federal State	—	Public & Private	None
Oregon b. (see above)	1977-78	Undergraduate & Graduate	Federal Campus-Based	Need-Based	All	None
South Carolina Cannon Mayes Commission on Higher Education Columbia, SC	1975-76	Undergraduate	All (VA&SS)	Both	Public Private Technical Proprietary	Race, Sex, Dependency Status, Residency Family Income Unmet need
Virginia James McLean Council on Higher Education Richmond, VA	1977-78	—	—	—	Public	—
Washington Lewis Dibble Council for Postsecondary Education Olympia, WA	—	—	All	Both	All-except Proprietary	Race, Sex, Residency, Family Income, Dependency Status, Parents' Contribution, Age, Year in School, Student Budgets, Student Resources
Wisconsin	1976-77	Undergraduate	Federal State Institutional	—	All	Family Contribution, Year in School, Dependency Status, Student Budgets, Gross Need, Unmet Need

Key to list:

— - information not available on document received

All - includes most traditional sources of aid

All (VA, SS, etc.) - includes most traditional sources of aid as well as Veterans benefits, Social Security, and other sources of aid.

number of students demonstrating financial need. It is also possible that increasing emphasis upon access for low-income students and improved consumer information are bringing more eligible students into the applicant pool. Finally, it is probable that the growth of the Basic Educational Opportunity Grant program has influenced these figures significantly.

TABLE 1
TOTAL ENROLLED UNDERGRADUATE AID APPLICANTS WITH NEED
AS A PERCENTAGE OF FULL-TIME EQUIVALENT (FTE)
ENROLLMENT 1974-75 & 1976-77

Institutional Type	1974-75			1976-77		
	Number of Needy Students	FTE Enrollment	Needy Students as a Percentage of FTE Enrollment	Number of Needy Students	FTE Enrollment	Needy Students as a Percentage of FTE Enrollment
Public 2 Year	19,880	91,752	22%	40,642	82,425	49%
Public 4 Year	56,110	150,568	37%	60,403	157,660	38%
Private	18,750	42,025	45%	24,751	41,465	60%
Total	94,740	284,345	33%	125,796	281,550	45%

Tables II and III show that minority and female students represent a higher portion of enrolled aid applicants with financial need than they do of the overall student enrollment.

Table II
RACIAL/ETHNIC DISTRIBUTION OF NEEDY UNDERGRADUATE
AID APPLICANTS - 1976-77
(no comparable 1974-75 data available)

Racial Ethnic Category	Institutional Type							
	Public 2 Year		Public 4 Year		Private		Total	
	% of Needy Students	% of total enrollment*	% of Needy Students	% of total enrollment*	% of Needy Students	% of total enrollment*	% of Needy Students	% of total enrollment*
Minority	46%	19%	21%	12%	26%	20%	30%	14%
Non-Minority	54%	81%	79%	88%	74%	80%	70%	86%
Total	100%	100%	100%	100%	100%	100%	100%	100%

*Data from 1976-77 HEGIS fall enrollment reports.

TABLE III
SEX DISTRIBUTION OF NEEDY UNDERGRADUATE AID APPLICANTS - 1976-77
(no comparable 1974-75 data available)

Sex	Institutional Type							
	Public 2 Year		Public 4 Year		Private		Total	
	% of Needy Students	% of total enrollment*	% of Needy Students	% of total enrollment*	% of Needy Students	% of total enrollment*	% of Needy Students	% of total enrollment*
Male	37%	51%	49%	53%	49%	57%	45%	53%
Female	63%	49%	51%	47%	51%	43%	55%	47%
Total	100%	100%	100%	100%	100%	100%	100%	100%

*Data from 1976-77 HEGIS fall enrollment reports.

The 1976-77 survey also showed that the group of undergraduate aid applicants demonstrating need consisted of approximately 67% dependent students, and 88% full-time students. As might be expected, the public community colleges showed the primary divergence from these averages, reporting lower percentages of dependent (43%), and full-time (74%) needy aid applicants than the other institutional sectors.

Description of Aid Dollars Distributed

During a period of relatively constant enrollment in Michigan, there has been growth in not only the number of students demonstrating financial need but also in the total dollar amount of financial aid resources (See Table IV, next page). As with the growth in the number of needy applicants, the most dramatic growth in financial aid expenditures occurred in the public 2 year sector.

Need-Based and Non Need-Based Awards

Questions are often raised about the extent to which funds are based upon demonstrated financial need as opposed to other criteria. Table V shows that 75 percent of the financial aid funds expended in 1976-77 were based on financial need (i.e., students had demonstrated financial need on an appropriate financial statement).

TABLE V
1976-77 UNDERGRADUATE FINANCIAL AID DISTRIBUTION BASIS
(no comparable 1974-75 data available)

College Type	Need-Based*		Total Dollars Not Need-Based**		Total	
	\$	%	\$	%	\$	%
Public 2 Year	\$30,035,368	88%	\$4,259,928	12%	\$34,295,296	100%
Public 4 Year	\$77,818,592	65%	\$41,405,685	35%	\$119,224,277	100%
Private	\$46,877,445	87%	\$7,045,218	13%	\$53,922,633	100%
Total	\$154,731,405	75%	\$52,710,831	25%	\$207,442,236	100%

*Defined for survey purposes as requiring a formal calculation of financial need as a prerequisite.

**Defined as funds distributed without use of a formal need analysis.

It should be noted that some of the dollars found in the "no-need" category undoubtedly helped to meet financial need. For example, Guaranteed Student Loans (GSL) going to students with family incomes below the then established \$25,000 income level for a subsidized loan automatically fell into the "no-need" aid. Similarly, employment dollars received by students who had not completed financial statements also fell outside of this strict need definition.

As seen in Table VI, 74 percent of the so-called no-need funds were loans and employment, and only 26 percent were scholarships and grants. These "no-need" scholarships and grants represented approximately 7 percent of the total financial aid expenditures in the state and 13 percent of the total scholarships and grants in the state.

Over 70% of the so-called no-need funds are loans and employment. Only some 26% of the "no-need" funds fell into the category of "no-need" scholarships and grants. "No-need" scholarships and grants represent approximately 7% of the total state-wide funds and 13% of the total scholarships and grants.

TABLE IV
CHANGE IN NUMBER OF UNDERGRADUATE STUDENTS,
NEEDY STUDENTS, AND AID EXPENDITURES
1974-75 to 1976-77

Institutional Type	Total FTE Undergraduate Students			Total Needy Undergraduate Students			Total Undergraduate Aid Expenditures		
	1974-75	1976-77	% Change	1974-75	1976-77	% Change	1974-75	1976-77	% Change
							\$	\$	
Public 2 Year	91,752	82,425	-10%	19,880	40,642	+104%	\$21,690,000	\$34,295,296	+58%
Public 4 Year	150,568	157,660	+5%	56,110	60,403	+8%	\$98,380,000	\$119,224,277	+21%
Private	42,025	41,465	-1%	18,750	24,751	+32%	\$39,400,000	\$53,922,633	+37%
Total	284,345	281,550	-1%	94,740	125,796	+33%	\$159,470,000	\$207,442,236	+30%

TABLE VI
CATEGORICAL DISTRIBUTION OF "NO-NEED" FINANCIAL AID IN 1976-77
(no comparable 1974-75 data available)

Institutional Type	Award Category											
	Scholarships		Athletic Ability		Other Skills		Loans		Employment		Total	
	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
Public 2 Year	\$ 416,804	10%	\$ 182,620	7%	\$ 523,255	12%	\$ 1,408,046	33%	\$ 1,729,203	41%	\$ 4,259,928	100%
Public 4 Year	\$5,218,309	13%	\$3,094,123	7%	\$1,056,538	3%	\$16,746,521	40%	\$15,290,194	37%	\$41,405,685	100%
Private	\$1,586,615	23%	\$ 343,112	5%	\$1,399,879	20%	\$ 2,206,650	31%	\$ 1,508,962	21%	\$ 7,045,218	100%
Total	\$7,221,728	14%	\$3,619,855	7%	\$2,979,672	5%	\$20,361,217	39%	\$18,528,359	35%	\$52,710,831	100%

TABLE VII
NEED-BASED UNDERGRADUATE AID BY SOURCE - 1976-77
(no comparable 1974-75 data available)

Institutional Type	Source of Funds									
	Federal Funds		State Funds		Inst. Funds* (General & Restricted)		Private Fund		Total Need-Based Funds Reported	
	\$	%	\$	%	\$	%	\$	%	\$	%
Public 2 Year	\$26,756,879	89%	\$ 1,054,304	4%	\$ 1,486,503	5%	\$ 737,682	2%	\$ 30,035,368	100%
Public 4 Year	\$45,516,754	58%	\$ 9,435,077	12%	\$19,130,112	25%	\$3,736,649	5%	\$ 77,818,592	100%
Private	\$19,682,328	43%	\$15,157,430	32%	\$10,992,088	22%	\$1,745,599	3%	\$ 46,877,445	100%
Total	\$91,955,961	59%	\$25,646,811	17%	\$30,908,703	20%	\$6,219,930	4%	\$154,731,405	100%

*Includes state appropriated funds utilized by institutions for financial aid.

Sources of Need-Based Awards

Over 50 percent of the need-based funds received by undergraduates in Michigan in 1976-77 were provided by the Federal Government (See Table VII). However, there were considerable variations in the mix of funds in various sectors. For example, the public 2 year college sector relied upon Federal funds almost to the exclusion of state and institutional resources. At the other extreme, institutions in the private sector show a more balanced mix of funding sources. The Basic Educational Opportunity Grant program accounted for 34 percent of total need-based expenditures, while the campus-based programs accounted for 24 percent. Institutional funds (see footnote on Table VII) were the next largest source of funds, with 80 percent of the institutional funds being classified as General Funds.

Types of Need-Based Awards

Table VIII shows that the majority (71 percent) of need-based undergraduate aid in 1976-77 was scholarship/grant assistance. Loan and employment expenditures combined to make up the remaining 29 percent of the need-based undergraduate financial aid awards, although there are differences between sectors.

TABLE VIII
NEED-BASED UNDERGRADUATE AID BY TYPE-1976-77
(no comparable 1974-75 data available)

Institutional Type	Type of Funds						Total	
	Scholarship/Grant		Loan		Employment		\$	%
	\$	%	\$	%	\$	%	\$	%
Public 2 Yr.	\$ 23,687,376	79%	\$ 2,785,063	9%	\$ 3,562,929	12%	\$ 30,035,368	100%
Public 4 Yr.	\$ 51,782,531	67%	\$ 16,306,022	21%	\$ 9,730,039	12%	\$ 77,818,592	100%
Private	\$ 34,551,369	74%	\$ 5,947,484	13%	\$ 6,378,592	13%	\$ 46,877,445	100%
Total	\$110,021,276	71%	\$25,038,569	16%	\$19,671,560	13%	\$154,731,405	100%

The Unmet Financial Need of Enrolled Undergraduates

Table IX identifies the estimated unmet undergraduate financial need for enrolled students being reported by Michigan colleges and universities.

TABLE IX
UNMET NEED OF ENROLLED UNDERGRADUATE STUDENTS
1974-75 to 1976-77

Institutional Type	Aggregate Unmet Need		Average Unmet Need Per Needy Student	
	1974-75	1976-77	1974-75	1976-77
Public 2 Year	\$ 7,210,000	\$16,496,753	\$363	\$406
Public 4 Year	\$14,440,000	\$11,843,914	\$257	\$196
Private	\$ 9,620,000	\$11,333,605	\$513	\$458
TOTAL	\$31,270,000	\$39,674,272	\$330	\$315

Although undergraduate student aid expenditures increased dramatically between 1974-75 and 1976-77, the total amount of estimated unmet need did not decline. In fact, unmet need grew by approximately 8.4 million dollars over the three year period. The average unmet need per needy student declined by only a

small amount during this period of time. Thus, the increase in both needy undergraduate students and the cost of higher education outstripped the total resources available between 1974-75 and 1976-77. This finding is supported by Table IV which shows an increase of 33 percent in needy undergraduate students between 1974-75 and 1976-77 and a lesser increase (30 percent) in financial aid expenditures during this same period of time. However, the total number of needy undergraduates receiving no financial aid dropped substantially over the three year period (See Table X).

TABLE X
THE NUMBER OF NEEDY UNDERGRADUATES RECEIVING NO AID AS
A PERCENTAGE OF THE TOTAL NUMBER OF NEEDY UNDERGRADUATES
1974-75 to 1976-77

	1974-75			1976-77		
	Needy Students	Number Receiving No Aid	%	Needy Students	Number Receiving No Aid	%
Public 2 Year	19,880	3,950	20%	40,642	1,941	5%
Public 4 Year	56,110	7,010	12%	60,403	988	2%
Private	18,750	2,720	15%	24,751	224	1%
TOTAL	94,740	13,680	14%	125,796	3,153	3%

While the reasons for this change are not clear, it appears that better student information, increased program dollars, more realistic filing deadlines, and changes in institutional awarding policies have contributed to the sizable decrease in the number of needy undergraduate students receiving no financial aid.

Administrative Expenses

Developing accurate cost figures for operating financial aid programs is complicated by many factors. Costs are found at the federal, state, institutional, and private levels which are associated with application processing, award packaging/notification, monitoring of continued eligibility and fund utilization, and data collection and reporting. The cost question is further complicated by the fact that services "free" to various departmental users on some campuses are "charged" to operational program accounts on others. Furthermore, financial aid offices often have differing levels of responsibility. Given these problems, the Michigan surveys attempted to identify all institutional expenditures associated with the distribution of undergraduate financial aid funds.

TABLE XI
TOTAL INSTITUTIONAL ADMINISTRATIVE EXPENSES ASSOCIATED
WITH THE UNDERGRADUATE AID PROGRAM
1974-75 to 1976-77

Institutional Type	Administrative Costs			
	1974-75	% of Total Aid Dollars	1976-77	% of Total Aid Dollars
	\$		\$	
Public 2 Year	\$1,380,000	6%	\$1,915,093	6%
Public 4 Year	\$2,880,000	3%	\$4,097,303	3%
Private	\$ 940,000	2%	\$1,269,949	2%
TOTAL	\$5,200,000	3%	\$7,282,345	3%

Table XI shows that institutional program costs have remained a consistent percentage of the total aid dollars distributed during the three year period. The figures in Table XI should not be considered a reflection of the efficiency, or lack thereof, of any institutional type. Rather, administrative costs can be expected to vary based on institutional size, complexity of the aid program, primary sources of aid funds, etc. For example, larger institutions may enjoy certain "economies of scale" not available to smaller aid offices.

Summary

In spite of an increase of over \$50,000,000 in undergraduate financial aid expenditures in Michigan between 1974-75 and 1976-77, institutions reported an increase in unmet need during the three year period. Much of the increase in unmet need is in the public two-year sector, due in large measure to the doubling of the number of needy students in public two-year schools in the three year period.

Federal funds accounted for almost 60 percent of the total need-based aid received by undergraduates in 1976-77. However, there were major differences among sectors in the proportion of the need-based financial aid expenditures from Federal sources. Eighty-nine percent of the need-based financial aid in two-year community colleges was from Federal sources, while the figure was 43 percent in the private sector.

The predominant type of need-based assistance for undergraduates in 1976-1977 was scholarship/grant aid which comprised 71 percent of the total. Loans represented 16 percent and employment was 13 percent. Loans, however, were the most prominent type of non-need-based assistance, accounting for almost 40 percent of non-need based aid.

Administrative costs associated with the undergraduate aid program continue to be a low percentage (3 percent) of the total undergraduate aid funds. There are differences between sectors (public two-year — 6 percent, private — 2 percent) in administrative costs compared to the total aid program. However, these differences appear to be due primarily to the difference in average awards between the two sectors. (The average award in the private sector appears to be over twice the average award in the public two-year college sector.) Given the fact that there are certain fixed costs associated with processing aid awards, it is understandable why administrative costs in the public two-year sector tend to be higher than in the private sector.

Recommendations

There is a need for further research on the types and sources of financial aid expenditures in each state, as well as their relative adequacy and impact. Many of the state efforts to date are piecemeal in the sense that they cover only 1) several segments of post-secondary education, 2) certain types of financial aid program, or 3) students at certain academic levels such as undergraduates.

There is also a need to put such research efforts into the context of the overall patterns of post-secondary finance in each state. This will require not only exploring the types and sources of aid in each state, but the costs faced by aid recipients, and their family income levels.

The new institutional application for Federal campus-based programs includes data such as tuition and fee costs, and family income levels of aid applicants. Attempts should be made to integrate such data, to the extent possible, with future state survey efforts.

States should be encouraged to conduct state-wide surveys reflecting the kinds of concerns and issues raised in this article. As better information becomes available on the current roles of each of the main sources of financial aid, it will permit a more informed debate on what these roles should be.

As more and more states initiate and continue surveys of the type described in this article, it may be desirable to coordinate these efforts to develop comparable institutional questionnaires and data analysis techniques. These coordinative efforts will allow interstate comparisons which will be useful to policy-makers at all levels.