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STUDIES OF STUDENT FINANCIAL AID
PROGRAMS AND NEEDS IN FLORIDA

VOLUME II

FEBRUARY 1970

SOUTHERN REGIONAL OFFICE
COLLEGE ENTRANCE EXAMINATION BOARD

FINANCIAL AID NEEDS IN THE JUNIOR COLLEGE SYSTEM

Standard and Study Staff Estimates

The Standard Estimate of aggregate student financial aid need in the Florida public junior college system is $25.9 million. The Study Staff Estimate, based upon higher expectations from student self-help, is $19.2 million. Available financial aid from all sources, as reported in Table VII, totals $9.2 million. Of this total, the high estimate in the General category of available aid which is administered chiefly on a need basis is $6 million. This produces an estimated student financial aid deficit in the public junior college system for the current year of $13.2 million. If all Limited and Restricted aid funds were somehow to find their way only to students with need, the student financial aid deficit would be reduced to $10 million for the 1969-70 year.

Projected Aid Need

The projections of student financial aid need for the public junior colleges follow the same pattern as those reported for the state university system. The same three alternative models are used. The enrollment projection, however, starts from a different base and proceeds at different rates in the later years. The projection was presented in Table VI and is reproduced here as Table XI for reference.

Table XI

ENROLLMENT GROWTH OF FLORIDA STUDENTS IN THE PUBLIC JUNIOR COLLEGE SYSTEM

Year	Enrollment	Percentage Change from Previous Year
1969-70	90,000	
1970-71	97,000	8
1971-72	106,000	9
1972-73	117,000	10
1973-74	126,000	8
1974-75	136,000	8

The projected student financial aid needs under the alternative assumptions embodied in Models I, II, and III are presented in Table XII.

Table XII

PROJECTED AID NEEDS IN THE PUBLIC JUNIOR COLLEGE SYSTEM

Year	Model I	Model II (millions of dollars)	Model III
1970-71	19.8	8.6	21.4
1971-72	21.0	10.1	24.5
1972-73	22.0	11.7	33.5
1973-74	23.1	13.4	30.1
1974-75	25.1	16.7	34.1

Conclusions

The choice of models is not so clearcut in the case of junior colleges as it was in the analysis of the state universities. The 6 percent rate of growth of student budgets assumed in Models II and III is still the most realistic estimate, but the base budget to which it is applied is not as firmly established. Complete

information on the effect of part versus full-time status on student expense budgets in the junior colleges, and the proportions of students in these categories is not available. Similarly, extensive information on the employment rates of junior college students, the average contribution from term-time employment to student self-help, and the effect of such employment on student performance is not available.

Nevertheless, the trend direction of student financial aid needs in the junior college system is essentially the same under all three models. Model II and Model III seem to best establish the boundaries of the problem. In the case of Model II, which is based upon $1,000 for self-help for males and $800 for females and is the most conservative as to estimating need size, currently available General aid would still fall $2.6 million short of meeting projected need in 1970-71. If one were to adopt Model III, which was felt to best estimate the future of the state university system, and concurrently assume that all financial aid resources available to the junior colleges in 1969-70 could be made available on a need basis in 1970-71, it would be necessary to estimate the financial aid deficit for junior colleges in 1970-71 to be $12.2 million.

Given the available data and relatively independent of the particular model, it is difficult to escape the conclusion that a sizable deficit exists now in the junior colleges and unless financial aid resources are increased or costs reduced, the gap will widen rapidly.

PUBLIC JUNIOR COLLEGES
STUDENT FINANCIAL AID PROGRAMS
ALTERNATIVES AND COSTS

Average Need

Because students at public junior colleges are primarily commuting students, average need per student is less than at the state universities. The average need figures reported in Table XIX are estimated from the commuting budgets for the state universities, less the tuition difference between these junior and senior institutions. The rationale for this is that the maintenance and commuting costs for a student are the same regardless of whether he goes to junior or senior college. The budget data submitted to the College Scholarship Service by junior colleges is too heterogeneous to place confidence in an estimate of a standard average budget. Therefore, because the university budget data are generally more reliable and the logic reasonable, the procedure underlying Table XIX yields a more acceptable estimate of the out-of-pocket costs of attending public junior colleges.

Table XIX

AVERAGE NEED PER STUDENT IN
PUBLIC JUNIOR COLLEGES, 1970-71 to 1974-75

			Year		
Income Interval	1970-71	1971-72	1972-73	1973-74	1974-75
Less than $7,000	$ 725	$ 799	$ 878	$ 961	$1,048
$ 7,000 - $ 9,999	$ 120	$ 195	$ 273	$ 356	$ 443
$10,000 - $15,000	$ 0	$ 0	$ 0	$ 0	$ 0
Over $15,000	$ 0	$ 0	$ 0	$ 0	$ 0

Overall Cost

The estimated Model III student financial aid need for 1970-71 in public junior colleges is $21.4 million. Model III is based upon the assumptions of $600 self-help for males, $400 for females, and a 6 percent rate of growth of average expense budgets. An estimation of the overall cost of meeting this need, based upon the illustrative package of a $500 loan plus additional grant, is presented in Table XX. This estimate is of overall cost and does not include an allowance for available aid in the General category. Such allowance is made in the next section on the additional cost of meeting unmet need.

Table XX

OVERALL COST OF THE ILLUSTRATIVE PACKAGE FOR PUBLIC JUNIOR COLLEGES, 1970-71

(1)	(2)	(3)	(4)	(5)	(2)+(4)+(5)
			Interest	Administration	
Income Interval	Total Grant	Total Loan	and Reserve on Loans (10%)	(5% of Loans and Grants)	Total Cost
Less than $ 7,000	$5,926,000	$13,122,000	$1,312,000	$ 952,000	$8,543,000
$ 7,000 - $ 9,999	$ 0	$ 2,348,000	$ 235,000	$ 118,000	$ 353,000
$10,000 - $15,000	$ 0	$ 0	$ 0	$ 0	$ 0
Over $15,000	$ 0	$ 0	$ 0	$ 0	$ 0
Total	$5,926,000	$15,470,000	$1,547,000	$1,070,000	$8,543,000

The overall cost of providing $21.4 million of student financial aid in the public junior colleges is $8.5 million. This cost estimate relies upon the illustrative package founded on a basic $500 loan. The package assumed determines the split of total aid between grants and loans. The total aid package of $21.4 million is divided between $5.9 million of grants and $15.5 million of loans. It is the mix between grants and loans that permits each $1.00 of aid cost to generate $2.50 of aid provided.

The Additional Cost of Meeting Unmet Need

To meet an aggregate need of $21.4 million in the public junior colleges in 1970-71 requires a program costing $8.5 million. In Table XV, an estimate of 1970-71 unmet need of $15.4 million in Florida public junior colleges was presented. Unmet need is the difference between total estimated need ($21.4 million) and the General availability aid figure ($6 million). In Table XX, an estimate of the breakdown of total need between grants and loans is presented. To meet $21.4 million of need, $5.9 million of grants and $15.5 million of loans will be required. [1]

Total generally accessible grant and employment aid now available in the public junior colleges currently equals about $3.8 million (see Appendix H). Loan aid now available in the same category for the public junior colleges equals about $2.2 million. If currently available aid in the General category is administered roughly along the lines of the illustrative package, new grant aid of about $2.1 million ($5.9 million - $3.8 million = $2.1 million) will be required.

New loan aid of about $13.3 million will also be required. The total additional cost of providing additional aid will equal the sum of the full cost of new grant aid plus interest and reserve cost for new loan aid plus administrative costs on new grant and new loan aid. Loan costs are $1.3 million. Administrative costs are $0.8 million. Thus, the total additional costs of using the illustrative package to increase the current level of effort in the public junior colleges to meet 1970-71 needs breaks down into the following three components:

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[1] Based on the illustrative package.

$ 2.1 million for new grants
$ 1.3 million to support new loans
$ 0.8 million of additional administrative expense

$ 4.2 million total

It is important to note that the public junior colleges have not been overwhelmingly successful in either providing access to higher education for the socio-economically disadvantaged or in providing a route to senior colleges for those students who do enroll in junior colleges. To the extent that either of these effects is a student aid problem, $15.4 million underestimates the additional aid need and the $4.2 million underestimates the cost of providing even an additional $15.4 million of effective student aid.

The Time Dimension

As in the state universities, the dimensions of the problem grow over time. Between 1970-71 and 1974-75, the total estimated need in the public junior college system increases from $21.4 million to $34.1 million. The estimated cost of meeting total need (still based on the illustrative package) nearly doubles--from $8.5 million in 1970-71 to $16.5 million in 1974-75.

The cost of providing aid increases more rapidly than the amount of aid provided because need in the public junior colleges is concentrated in the "below $7,000" range of the income distribution. The aid package is more heavily reliant upon grants, the most expensive form of aid, in the lowest income interval. The proportion of grant aid in the typical package increases from 38 percent in 1970-71 to 65 percent in 1974-75. The 1974-75 estimate of total need, the mix between grants and loans, and overall cost are presented in Table XXI.

Table XXI

OVERALL COST OF THE ILLUSTRATIVE PACKAGE
FOR PUBLIC JUNIOR COLLEGES, 1974-75

(1)	(2)	(3)	(4)	(5)	(2)+(4)+(5)
Income Interval	Total Grant	Total Loan	Interest and Reserve on Loans (10%)	Administration (5% of Loans and Grants)	Total Cost
Less than $ 7,000	$13,430,000	$12,235,000	$1,224,000	$ 612,000	$15,266,000
$ 7,000 - $ 9,999	$ 0	$ 8,448,000	$ 845,000	$ 423,000	$ 1,268,000
$10,000 - $15,000	$ 0	$ 0	$ 0	$ 0	$ 0
Over $15,000	$ 0	$ 0	$ 0	$ 0	$ 0
Total	$13,430,000	$20,683,000	$2,069,000	$1,035,000	$16,534,000

SUMMARY AND CONCLUSIONS

The preceding nine chapters have developed some of the dimensions of the student financial aid problem facing Florida. In broad outline, this problem is summarized in Table XXVI.

Table XXVI

STUDENT FINANCIAL AID NEED* IN FLORIDA,
1970-71 and 1974-75

Type of Institution	(millions of dollars)	
	1970-71	1974-75
State Universities	30.7	48.3
Public Junior Colleges	21.4	34.1
Private Colleges	18.9	21.8
Total	71.0	104.2

*Model III estimates.

There are currently $31.5 million in student financial aid funds in the General availability category in Florida. In terms of 1970-71, this means a financial aid deficit of $39.5 million. This deficit can be met by an expenditure of $23.3 million above and beyond what is now being spent for student financial aid in Florida. The breakdown of the cost of additional aid at each of three major types of Florida institutions is illustrated in Table XXVII.

Table XXVII

THE ADDITIONAL COST OF MEETING THE
FLORIDA STUDENT FINANCIAL AID DEFICIT, 1970-71

Type of Institution	(millions of dollars) Cost of Additional Aid
State Universities	10.4
Public Junior Colléges	4.2
Private Colleges	8.7
Total	23.3

The cost estimates of meeting the Florida deficit that are summarized in

Table XXVII are based on a particular student financial aid package. This package

is a basic $500 loan and supplemental grant. No change in tuition is assumed. Other

packages, or basic changes in the tuition structure, would change the estimates.

For example, if some proportion of the Limited and Restricted aid funds, described

in Chapter III and outlined in Table VII, were made generally available and allocated

like most of the funds in the General category, then the dimensions of the aid deficit

would be reduced.

The estimates presented in Tables XXVI and XXVII are pragmatic estimates in

the sense that they examine slight modifications in the existing structure of things.

The analysis of more profound changes involves clarifying public policy, setting

priorities, specifying performance objectives, and selecting criteria for evaluation

of alternatives. These steps in the overall process of public policy formulation

are discussed in the following section of this volume. Illustrative "radical" alterna-

tives are examined. Although different alternatives have different costs and impacts,

one thing is certain: the solution to the problem will require dedication, persever-

ance, planning, and money.

SECTION II

LONG-RANGE PLANNING

TOWARD AN OPTIMUM PROGRAM[1]

From the foregoing chapters on the national and state environments, the parameters of an optimum state program begin to appear. It is important to note at the outset that there is no single program which is optimum for every state. Moreover, a program which is effective at one level of funding may be inappropriate at another.

This chapter, therefore, is not an attempt to set out the optimum program. It does seek to establish a procedural framework which should give reasonable assurance of developing an aid program which will implement public policy within the limits of fiscal and political reality.

Succeeding paragraphs will describe and illustrate an eleven-step planning framework applicable to the development of any student aid program.

Step 1: Define the "mission" -- What is the purpose of the state student aid program? As an illustration, the Florida "mission" might be defined as "the maintenance of a state student aid program to supplement a basic national aid program which will provide true equal access to post-high school education for all Florida citizens with the ability to benefit and the motivation to succeed." It is important to note that this example of a statement of "mission" recognizes that it may not be possible to obtain

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[1] The specific application of previous procedures to hypothetical models.

full realization of the "mission" in the short term. A statement of "mission" should provide a <u>continuing goal</u>.

<u>Step 2</u>: <u>Review and define desirable "public policy."</u> Chapter III of this section dealt with twenty questions of "public policy," on eight of which there was apparent agreement and twelve which need further clarification. Questions of "public policy" should be resolved at this point in the development of a state aid program.

<u>Step 3</u>: <u>Identify the current status of aid</u> (how much is available, to whom and from what sources). Section I of this volume deals with the current aid situation in Florida, estimates what aid is currently available and from what sources, makes projections of future needs, describes what is needed to close gaps, and gives suggestions on how to build alternate programs. Volume I of the Studies deals with how aid is administered in Florida. The models which appear in Appendices J and K of this volume were developed using the methodology, data and assumptions set out in Section I.

<u>Step 4</u>: <u>Develop assumptions</u> (for example, enrollment projections, anticipated tax revenues, expected federal contributions, etc.) National and State issues and trends on which to base policy assumptions are covered in some detail in Chapters I and II of this section. There are numerous operating assumptions which also will have to be made. For example, the development of alternate strategies (Step 7) assumes that the Florida financial

community can absorb up to $40 million a year in guaranteed loan volume, and that the Florida Legislature can be persuaded to make up to $25 million a year additional investment in student aid programs. These particular assumptions are hypothetical. The actual assumptions, as developed by those closer to the realities, undoubtedly will be very different.

Step 5: Set the tentative "performance objective." This step requires identifying the target for the next five years or so in specific terms such as, "We shall have performed satisfactorily when we have done X in Y time at Z cost."

The models in Appendix J-K assume the "performance objective" for the year 1970-71 to be a complete closing of the "performance gap," i.e., meeting full aid requirements, which for 1970-71 alone will require at least $71 million in total student aid.[1] As inspection of the models will indicate, if factors such as tuition are changed, then total aid needs and thus the tentative "performance objective" will also need to be changed.

"Performance objectives" should be set for all years of the planning period. The "performance objectives" used to illustrate this hypothetical case are the "projected aid needs" which rise to $104 million by 1975.[1]

Step 6: Identify the "performance gaps." A "performance gap" is the difference between current performance and the desired "performance objective."

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[1]See Chapter X in Section I of this volume.

As is apparent in the models in Appendix J-K, the estimated total available aid in the General Availability category for the year 1970-71 will be $31.5 million.[1] If the total aid required is approximately $71 million,[2] then the "performance gap" is the difference or $39.5 million. Similar computations can be made for each year and are developed in Section I of this volume.

Step 7: Develop "alternative strategies." This is simply the development of alternative approaches to meeting the tentative "performance objective" established in Step 5. Appendix J-K illustrates several "alternative strategies." These strategies are called Models 1, 2, 3 and 4.[3] The basic features of each model are:

Model 1: No change in tuition; aid awards consisting of a $500 basic loan with the balance of aid in the form of a grant.

Model 2: A tuition increase to an average of $1000 in public universities, and to an average of $1590 in private colleges; with new tuition revenues being used to fund the aid program; plus a grant of $500 to families for "foregone income" where family income is below $5000.

Model 3: Same as Model 2 except no tuition increase in private colleges.

Model 4: Same as Model 3 except no grant for "foregone income."

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[1] Table VII in Chapter III of Section I in this volume.
[2] Table XXVI in Chapter X of Section I in this volume.
[3] Not to be confused with Models I, II, and III of Section I.

The fiscal implications of each of these models is developed in detail in Appendix J-K. Model 1 is a summary illustration of the "pragmatic" model discussed in Chapter II of this section. Models 2, 3, and 4 are variations on the "radical" approach--also discussed in Chapter II.[1]

Each of these four models involves a financial aid package that applies to all Florida students in all Florida institutions--public and private. A fifth model (not shown) would limit aid to students attending public institutions.

Step 8: Select the best approach from among strategies. The process of selection involves evaluating each alternative strategy on the basis of a number of criteria. If any one strategy out-performs all others in fulfilling each of the criteria, the choice is easy. If this is not the case, the decision makers must decide how much fulfillment they are willing to give up in one area in order to improve performance in another. An illustrative sample of criteria is:

> Total Cost
> Preservation of a dual public/private system [2]
> Open access for poor and disadvantaged students

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[1] It should be pointed out that a number of other models were constructed and discarded because they either generated a required loan volume in excess of the assumed limit of a $40 million annual loan volume, or because the cost to the State was in excess of the assumed limit of $25 million. In reality, a great many alternates should be considered, these models being only illustrative of the range of possibilities.

[2] In reality, answers to the public policy questions posed in Chapter III would generate some, but not all, the criteria. The three criteria chosen here only illustrate the many criteria which should be considered when selecting among strategies.

First Consideration of Models -- Each of the models outlined in Step 7 can be evaluated in terms of the "total cost" criterion.

Assuming that Florida subsidizes operating costs by an average of $1,000 per undergraduate student at the state universities and an average of $500 at public junior colleges, consideration of Model 1 indicates that the average grant to Florida students in public institutions who qualify for aid would be $190.[1] To this state paid aid cost must be added the $1,000 operating subsidy for a total cost to Florida of $1,190. Comparable figures for the public junior colleges would develop a total cost of $560 ($60 grant + $500 subsidy) and for the private colleges $305 ($305 grant + $0 subsidy). In every instance, therefore, in Model 1 the total cost to Florida for students who would attend private institutions would be well below total cost to Florida for students attending public institutions.

The same analysis of Model 2 would generate even less cost. On Model 3 the comparable average cost per student is a total of $551 at the private institutions, and on Model 4 it is $604 for students attending private institutions. In this particular test, all models are acceptable for in every instance Florida students who qualify for aid and attend four-year private institutions would cost the State less than their counterparts attending four-year public institutions.

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[1] Net cost to the State divided by total enrollment for a given sector of the system.

The "fifth model" (which is not shown) would be rejected on the basis of the total cost criterion. In addition, it would fail to fulfill the third criterion of preserving a dual public/private system.

Second Consideration of Models -- Each of the four models outlined in Step 7 can be evaluated in terms of the second criterion. The test is, "Do the models assist in preserving a dual public/private system?" Model 1 passes the test but provides little assistance in that the existing tuition gap between public and private institutions remains. Model 2 fails to pass the test. It requires an increase in tuition at private institutions with the proceeds of that increase to be returned to the State to pay for the aid program. This is politically unrealistic. Unless the private institutions were to drive away out-of-state students, they would have to set their tuition $500 higher for Florida residents than for out-of-state students! Model 2 fails on the grounds of practicality in comparison with other options. Model 3 passes the test. It does partially close the cost gap between public and private institutions by requiring a $550 tuition increase in the state universities and a comparable amount in the junior institutions to partially fund the state aid program. Model 4 operates in the same fashion.

Since Model 2 fails to pass the test, it is eliminated from further consideration.

Third Consideration of Models -- The test here is, "Do the models improve access for the poor and disadvantaged student?" All three remaining models pass the test, but Model 3 is preferable in that it alone provides for payments to parents for foregone income.

Fourth Consideration of Models -- The test here is, "What will the program cost the State?" Model 4 has the lowest net cost, slightly under $10 million. Model 3 is next at $23 million, and Model 1 shows a net cost of just under $25 million to the State.

It is at this point that prudence and political judgment would become primary. Here are three hypothetical models, each of which meets the total aid require-ments of Florida in 1970-71. Two are virtually equal in cost to the State (Models 1 and 3). One is much less costly (Model 4). Model 3, nevertheless, may well be the most desirable because of the foregone income provision. It may also be the least palatable politically.

In a real situation, and after many other criteria had been considered, the time for decision would be reached. But with hypothetical models such as those used for illustration in this chapter, further consideration of the models is not constructive for to choose among so limited a number of alternatives using so few criteria might be misinterpreted as an indirect recommendation for a Florida program. Such is not intended.

Step 9: Recommendations to the Legislature. The key question in this step is whether to make single or multiple recommendations. One approach not utilized with the models shown here is to make recommendations for various percentages of need. Where this approach is selected, it is normally taken at Step 5 when tentative "performance objectives" are set.

Step 10: <u>Implement the program.</u> Implementation of the program subsequent to its authorization by the Legislature is relatively simple. How best to secure legislative enactment is touched upon in the next chapter.

Step 11: <u>Periodically review performance.</u> Such a review should include evaluation of administrative procedures, revision of assumptions, and review of performance objectives and strategies at a minimum.

This, then, is an illustration of how the program development process is carried out. But no program is meaningful unless it can be implemented. This vital concern is the topic of Chapter V which follows.