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ABSTRACT

This report presents findings of an analysis of the debt incurred by college graduates from student loans and of the ability of Florida residents who graduate from state institutions to repay this debt within discretionary income. Further reported are recommendations for a systematic procedure for determining the need for increased funding of need-based student financial aid. Among the findings reported are the following: (1) the debt burden of the State University System (SUS) loan recipient graduates (approximately 4.0 percent) was not excessive according to national standards; (2) while gender differences were minimal among SUS borrowers, race differences were more noteworthy in that blacks were twice as likely to borrow as white students and accumulated more debt than other students; and (3) borrowing money did not have a negative effect on a student's grade point average or time to graduation. Also reported are results of an indebtedness study which showed that students graduating, continuing, or dropping out of one of the nine state universities between 1985 and 1990 did not, when compared to national averages, incur an excessive amount of loan indebtedness; but that private or proprietary institutions, however, showed higher student indebtedness. Significant increases in all types of future loans are anticipated. Issues and recommendations are discussed. Appendices include data tables and the financial aid survey instrument. (GLR)

PEPC

# STUDENT INDEBTEDNESS AND FINANCIAL AID IN THE PUBLIC SECTOR





## Report and Recommendations of the Florida Postsecondary Education Planning Commission

**1992 - REPORT 4**

## POSTSECONDARY EDUCATION PLANNING COMMISSION



The Postsecondary Education Planning Commission, initially created by executive order in 1980 and subsequently given statutory authority (SS 240.145 and 240.147, Florida Statutes), serves as a citizen board to coordinate the efforts of postsecondary institutions and provide independent policy analyses and recommendations to the State Board of Education and the Legislature. The Commission is composed of 11 members of the general public and one full-time student registered at a postsecondary education institution in Florida. Members are appointed by the Governor with the approval of three members of the State Board of Education and subject to confirmation by the Senate.

The major responsibility of the Commission is preparing and updating every five years a master plan for postsecondary education. The enabling legislation provides that the Plan "shall include consideration of the promotion of quality, fundamental educational goals, programmatic access, needs for remedial education, regional and state economic development, international education programs, demographic patterns, student demand for programs, needs of particular subgroups of the population, implementation of innovative educational techniques and technology, and the requirements of the labor market. The capacity of existing programs, in both public and independent institutions, to respond to identified needs shall be evaluated and a plan shall be developed to respond efficiently to unmet needs."

Other responsibilities include recommending to the State Board of Education program contracts with independent institutions; advising the State Board regarding the need for and location of new programs, branch campuses and centers of public postsecondary education institutions; reviewing public postsecondary education budget requests for compliance with the State Master Plan; and periodically evaluating the State's 28 regional coordinating councils for vocational education and adult general education.


Further information about the Commission, its publications, meetings and other activities may be obtained from the Commission office, 231 Collins Building, Department of Education, Tallahassee, Florida, 32399-0400; telephone (904) 488-7894.

**POSTSECONDARY EDUCATION PLANNING COMMISSION**

# *STUDENT INDEBTEDNESS AND FINANCIAL AID IN THE PUBLIC SECTOR*

**Prepared in response to Specific Appropriation 577A**
**of the**
**1991 General Appropriations Act**
**Chapter 91-193, Laws of Florida**

**1992 - Report 4**

**MARCH 1992**

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## EXECUTIVE SUMMARY

The 1991 Legislature directed the Postsecondary Education Planning Commission to *"conduct an analysis of the debt incurred by college graduates from student loans and of the ability of Florida residents who graduate from state institutions to service this debt within discretionary income." The Commission was further instructed to "provide recommendations for a systematic procedure for determining the need for increased funding of need-based student financial aid."*

To determine the amount of debt incurred by State University System (SUS) students (graduates as well as non-graduates) and the ability of those students to repay their debt, the Commission analyzed five-years of longitudinal financial and demographic data for the freshman class of 1985. The Commission found that the cumulative average debt of SUS borrowers was analogous to the debt incurred by national borrowers. SUS students borrowed slightly more (3%) than national borrowers who attended public institutions with no PhD program and substantially less (20%) than those national borrowers who attended public institutions with a PhD program. While the national study was a reasonable approximation of the SUS Study Cohort, several comparison caveats are noted in Chapter III.

The Commission's analysis revealed that the debt burden (the ratio of education debt payments to gross income) of SUS loan recipient graduates (approximately 4.0%) was not excessive according to national standards. Other results revealed that gender differences were minimal among SUS borrowers as well as grant recipients. Race differences were more noteworthy. Black students were twice as likely to borrow as white students and accumulated more debt than other students. At the same time, the lower the family income the more likely a student was to receive grant assistance. In addition, borrowing money did not have a negative effect on a student's grade point average (GPA) or graduation status. In fact, borrowers were slightly more likely to have graduated within five years or be continuing students in good academic standing.

The Commission's study on the indebtedness of students attending public institutions in the State revealed that students graduating, continuing, or dropping out of one of the nine state universities between 1985 and 1990 did not, according to national averages, incur an excessive amount of loan indebtedness. It also revealed that a student receiving the maximum amount of available need-based grants would still have to borrow money, and/or work, in order to meet the full costs of attending an SUS institution. Although not the focus of this study, the Office of Student Financial Assistance reports that students attending private or proprietary institutions in Florida often leave higher education with a much larger loan indebtedness than those students attending public institutions. It should be noted that indebtedness data beyond the Spring semester of 1990 were not available for analysis during the time-frame of this study. The Office of Student Financial Assistance anticipates an increase in loan volume of at least 25 percent (all sectors) for 1991-92 and is forecasting a similar increase for the following year. Several financial aid directors at public institutions anticipate significant increases in all types of loans due to increases in public tuition and fees, coupled with a declining economy.

Directly linked to the issues of student loan indebtedness are the availability and distribution of scholarships and grants. States award millions of dollars in aid through scholarship and grant programs which, like the federal Pell Grant Program, do not have to be repaid. Nationally, 81 percent of state grant funds were spent on need-based aid during 1990-91. In the fifteen Southern Regional Education Board (SREB) states, however, 49 percent of state grant funds were spent on need. In that region during 1990-91, non-need-based state aid increased by $71.1 million more than need-based state aid. While Florida has increased its funding for need-based programs over the last five years, the State now spends less than half (40%) of all scholarship funds on need-based programs.

As part of the study on student indebtedness, the Commission was directed to "provide recommendations for a systematic procedure for determining the need for increased funding of need-based student financial aid." While Florida has a number of both need-based and merit- based financial aid programs, the intent of the Legislature (s. 240.437(2), F.S.) is that financial aid be provided primarily on the basis of need. The Florida Student Assistance Grant (FSAG) is the State's largest need-based financial aid program. In its twenty year history, the FSAG program has grown substantially. In 1990-91, over 24,000 awards were made at a cost of $25 million in general revenue funds. The appropriation for the FSAG Program has increased by 117 percent over a ten-year period but the individual award level has not increased at the same pace. In fact, the average award amount has increased only $100 in twenty years. In current dollars the FSAG covers an average of 15 percent of a public student's educational budget. The Commission determined that funds for the FSAG were not adequate to meet the needs of all eligible public postsecondary students.

The State's largest merit-based scholarship program, the Undergraduate Scholars Fund (UGSF), has grown dramatically over the past decade. The amount of money disbursed in the program grew by 2,939 percent from 1981-82 to 1991-92. Individual UGSF awards ($2,500) are twice that of FSAG awards. In current dollars, the UGSF covers an average of 32 percent of a public postsecondary student's education budget.

In 1990 the Legislature created a separate FSAG allocation for community college students who apply after the April 15 application deadline. The set-aside was established because of the open door admissions policy of the community college system. During the two years of its existence the set-aside policy has generated much debate. Proponents minimize the administrative difficulties caused by the late deadlines and argue that the neediest of community college students are served by the funds even though the majority of applicants either do not qualify or leave school before funds are disbursed. Critics argue that the $1.5 million appropriation is inadequate to fund the number of late applicants who do qualify and that it is unfair to other FSAG recipients to have two separate allocations for community college students. Others worry that some students may be incurring debt by taking out a short term loan with the anticipation of repaying the loan after they receive an FSAG award. Not all students who initially qualify receive a full FSAG award. For instance, all students who received a set-aside award in 1991-92 received a pro-rated (reduced) amount in Spring 1992.

For thousands of postsecondary students in Florida, financial aid provides the opportunity to attend a higher education institution. The availability of financial aid often determines what type of institution a student attends and whether the student attends on a part- or full-time basis. The following Commission recommendations are based on the data and input provided by state agencies, lenders and higher education institutions and are designed to help improve the financial aid system in Florida.

***Recommendations:***

***1. Public postsecondary institutions should maximize all financial aid resources and revenues to reduce students' dependency on loans. The Legislature should adequately fund all need-based grant and scholarship programs to help reduce the number and amount of loans students must borrow to meet higher education expenses.***

***2. The Board of Regents should update its financial aid data base in order to collect and generate information by institution and systemwide on how the nine state universities use institutional financial aid. The funds available, the source of those funds, and the distribution of funds as institutional aid should be made a part of the financial aid section of the BOR Fact Book.***

***3. Community colleges should be permitted to use lottery enhancement money to fund financial aid programs at their respective institutions. Any lottery money transferred for the purpose of funding financial aid programs must be used to fund need-based financial aid awards.***

***4. The State Board of Community Colleges should create a separate financial aid data base comparable to the one used by the Florida Board of Regents.***

***5. In order to meet the educational costs of Florida residents attending public institutions in Florida, Florida Student Assistance Grants should be indexed to the average cost of full-time tuition and fees at the nine state universities and the 28 community colleges. A formula for determining the percentage of increase in grant awards should be established by the Office of Student Financial Assistance and included in the Department of Education's budget request.***

***6. Section 240.409 F.S. should be amended to provide that state student assistance grants shall be awarded for the amount of unmet need for tuition and fees or as specified in the General Appropriations Act.***

***7. The FSAG set-side policy for community college students should be continued. Community colleges should discourage indebtedness of FSAG applicants and be prepared to forgive loans made to students in anticipation that the loans would be repaid through FSAG funds. Tuition and fee waivers or institutional grants may be awarded to FSAG applicants at the colleges' discretion.***

***8. The Board of Regents, State Board of Community Colleges, State Board of Independent Colleges and Universities, and the State Board of Independent Postsecondary Vocational, Technical, Trade and Business Schools should routinely compile data and maintain a longitudinal data base on the indebtedness level and borrowing patterns of Florida residents attending higher education institutions in the State. The Division of Public Schools should collect similar data on postsecondary students attending area centers operated by school districts. The Office of Student Financial Assistance shall report this data as requested to state agencies and policy makers.***

## I. INTRODUCTION

In proviso language accompanying Specific Appropriation 577A, the Postsecondary Education Planning Commission was directed to:

*conduct an analysis of the debt incurred by college graduates from student loans and of the ability of Florida residents who graduate from state institutions to service this debt within discretionary income. The study shall provide recommendations for a systematic procedure for determining the need for increased funding of need-based student financial aid.*

The financial aid study was assigned to the Planning Committee by the Commission Chairman. Members of the Committee include: James Talley, Chairman, Ivie Burch, Thomas Heath, Clyde Hobby, Kristie Kirschner and Robert Mautz.

Financial aid programs were created to provide educational opportunities for students who were capable of benefiting from postsecondary education but were unable to meet all of the educational costs. During 1989-90, almost five million undergraduates received some type of federal aid from programs known collectively as Title IV programs. The majority of these federal programs are based on need. Need is the difference between the cost of attendance and family contribution. Grants were initially the largest component of federal aid, but by the early 1980s the majority of financial aid assistance was in the form of loans. As a result of the shrinkage in grant programs, many disadvantaged students turned to student loans to supplement or replace grant dollars.

Each year, states, institutions and private contributors make millions of dollars worth of grants, scholarships and loans available to postsecondary students. While federal aid provides 77 percent of all aid dollars nationwide, state and institutional grants have grown significantly in the last decade. For thousands of postsecondary students in Florida, financial aid provides the opportunity to attend an institution of higher education. While Florida has a number of both need-based and merit-based financial aid programs, the state policy (s. 240.437(2) F.S.) is that financial aid be provided primarily on the basis of need.

According to the 1991 Southern Regional Education Board (SREB) ***Fact Book on Higher Education***, Florida increased its funding for need-based programs by 73 percent between 1987 and 1991 although the State now spends 40 percent of all scholarship funds on need-based programs. In 1991, Florida ranked 17th in the nation for the percent of full-time undergraduates receiving state financial aid and 26th in the nation for the percent of undergraduates receiving state need-based financial aid. Eleven percent of Florida's full-time undergraduates received need-based scholarships and grants in 1990-91 while 22 percent of full-time undergraduates received some type of financial aid.

In 1990-91, students enrolled in Florida's public and private higher education institutions borrowed over $224 million from one of the federally guaranteed student loan programs. To analyze the debt incurred by Florida residents who graduated from public institutions in Florida and to determine if they had incurred unnecessary and burdensome debt to finance their education, the Commission requested longitudinal financial and demographic data on the SUS freshman class of 1985 for five years. Longitudinal data cannot currently be extrapolated from the community college data base but limited loan information on those students was obtained from the Office of Student Financial Assistance.

In its analysis of public student indebtedness and financial aid in Florida, the Commission held seven public meetings to allow for individual, institutional and agency input. Preliminary recommendations were disseminated to the public at the December 1991, January and February 1992, meetings. The Planning Committee presented a final report to the Commission on March 19, 1992 for action and transmittal to the Legislature and State Board of Education.

## II. FINANCIAL AID AND HIGHER EDUCATION

In 1990-91, over $27 billion in federal, state and institutional financial aid was provided to postsecondary students nationwide. Almost half of the nation's postsecondary students received some form of financial aid that year. Financial aid for postsecondary students is funded from four sources: federal and state governments, institutions, and private sources. Typical kinds of financial aid included loans, grants, scholarships, employment, and tuition and fee waivers.

Approximately three-fourths of financial aid dollars are awarded through federal student aid programs. These dollars are distributed to students through a variety of programs administered by the United States Department of Education. The largest of the federal aid programs (45% of all available aid) is low interest loans made by private banks and lending agencies that receive subsidies from the federal government. Repayment of those loans is "guaranteed" by the federal government. That is, if a borrower defaults on the loan, the federal government will reimburse the lender. Federal grants, which do not have to be repaid, are the second largest source of all available aid.

### Federal Financial Aid

The Higher Education Act (HEA) of 1965 created the primary federal student financial assistance programs. The programs initially authorized by Title IV of The Higher Education Act (HEA) were designed to identify eligible disadvantaged students and provide them with grants, loans, and work opportunities to support their postsecondary education. Every major federal student financial aid program has experienced a name change since its inception. Some programs have changed their focus by expanding or restricting eligibility requirements. To avoid confusion, only the current program names will be used in this study. The major source of federal grant aid to undergraduates is the need-based Pell Grant Program. Currently, the maximum Pell Grant Award is $2,400 per year. The major source of federal loan assistance is the need-based Stafford Loan Program. Undergraduates may borrow up to $2,625 annually for the first two years of college and $4,000 during the junior and senior years. Supplemental Loans for Students (SLS) and Parent Loans for Undergraduates (PLUS) were created in the early 1980s to help middle-income families finance their children's education. Loan volume skyrocketed throughout the 1980s as low and middle-income families borrowed up to $4,000 per year from these two unsubsidized loan programs. (Because parents and not students are liable for PLUS loans, this source of aid is often not included in calculating total student debt). Another source of federal financial aid is the Perkins Loan Program. Low interest, low volume Perkins loans are part of the Campus-Based loan and grant programs. That is, institutions provide matching funds for federal dollars. Undergraduates may borrow a maximum of $9,000 from the Perkins Program. All of the above aid sources are referred to as Title IV programs.

During 1989-90, almost five million undergraduates received some type of Title IV aid. Average amounts of Title IV aid varied considerably, depending on the type of institution attended, program of study, and the student's financial status. Most financial aid programs are based on need. Need is the difference between the cost of attendance (tuition, fees, room and board, books, supplies, and other educational expenses) and the family contribution (the amount that a student's family is expected to pay). The family contribution is determined by using a formula enacted by Congress. No loan may exceed cost of attendance less other financial aid. Pell Grants are awarded to the neediest students and are limited to a maximum grant ($2,400) or up to 60 percent of college expenses, whichever is less. In 1988-89, 69 percent of all Pell grants were awarded to undergraduates with family incomes of $15,000 or less. The percentage of loan recipients from low income backgrounds has increased since the Stafford Program became need-based in 1986, and has continued to grow as Pell Grants have provided less support toward total college expenditures. As recently as 1980 the Pell Grant covered 50 percent of a recipient's educational costs, by 1990, it paid for only 25 percent of those expenses.

Throughout the 1970s the majority of financial aid assistance was in the form of gifts such as grants, scholarships, and benefits. In 1975, 79 percent of all federal aid was comprised of grants, while loans, which have to be repaid with interest, made up only 21 percent of federal aid. During the 1980s, budget concerns dominated student aid policy. Since loans were cheaper for the federal government than outright grants, the grant-to-loan balance shifted toward loans. By 1988, loans comprised 66 percent of federal aid. As a result of the shrinkage in grant programs, many disadvantaged students had to either borrow student loans or forego higher education. Since 1980, the proportion of college freshmen from the bottom half of family income distribution has dropped appreciably, particularly at four-year universities. Students from the lowest 10 percent of family incomes represent only eight percent of all college freshmen nationwide. While access to certain institutions has been restricted (low income students are more likely to attend a two-year college) many low income students can no longer enroll at any institution of higher education without borrowing money. In 1989-90, over 40 percent of aided dependent undergraduates with incomes of less than $12,000 borrowed from the Stafford Loan Program. (Students with incomes of less than $12,000 make up only 8% of [illegible] borrowers). In short, the receipt of grant aid appears to directly affect needy students' level of indebtedness as well as their chances of acquiring postsecondary education.

While low-income families are struggling to meet educational expenses, a growing number of middle-income families, no longer eligible for Pell Grants or need-based loans, have turned to the non-subsidized, high interest PLUS and SLS loans to help offset college attendance costs. One reason so many middle-income students are borrowing high interest unsubsidized loans is that families earning more than $30,000 a year generally do not qualify for a minimum Pell Grant, Stafford Loan, or many state scholarships and grants. A major factor that precludes a middle-income student from qualifying for certain financial aid is that a percentage of an applicant's home, farm or business is considered as income when determining eligibility for grants or certain low-interest loans. Another reason is that inflation has not been a factor when determining eligibility for Pell Grants. For example, in 1978 a family earning an annual income of $25,000 could qualify for a Pell Grant. If inflation were factored in, a family today making $49,000 would be eligible for the grant. As part of the reauthorization of the Higher Education Act, the U.S. Senate voted in February 1992 to raise the maximum family income level of Pell Grant recipients to $42,000. The U.S. House of Representatives approved a similar provision.

As the costs of attending postsecondary institutions continue to rise, students and families often use a combination of sources to pay for educational expenses. For example, about half of all aided undergraduates received more than one type of financial aid in 1989-90. Among aid recipients, 36 received grants only, 29 percent received a combination of grants and loans, 11 percent loans only, nine percent received grants, loans, and work study, five percent grants and work study, less than one percent loans and work study, or work study only, and nine percent of students received aid from other sources. The average Stafford loan amount borrowed by aided undergraduates in 1989-90 was $2,303, the average Pell Grant amount was $1,494.

**Defaulted Loans**

Throughout the 1980s, the growing pool of student borrowers increased the risk for all of the student loan partners--guarantors, lenders, secondary markets and the Department of Education. With more high risk borrowers, the cost of administering and guaranteeing the student loan programs soared. Beginning in 1989, the proportion of federal aid being awarded as grants began to grow slightly as lending volume in the guaranteed student loan program slowed. This trend reflects eligibility restrictions enacted in the 1986 amendments to the Higher Education Act and other related legislation and polices. These restrictions were necessary to reduce spiraling student loan defaults. Bad loans cost the federal government $3.6 billion in 1991, about $1.2 billion more than in 1990 and about $800 million more than had been predicted. Even though the default rate continues to climb, most students who borrow money for their education do pay their loans back. For instance, in 1990, lenders reported that 16 percent of all borrowers had defaulted on Stafford loans. After figuring in collection agency recovery rates, the net default rate for 1990 was 11 percent. In Florida, the net default rate was 12 percent and the State was ranked 9th in the nation for defaults paid to lenders. Florida recovered 25 percent of defaulted loans and was ranked 37th in the nation for recovered loans in 1990. It should be noted that Florida changed collection procedures in 1991 in an effort to expedite the recovery of loans before they enter into default status. According to the latest available figures from the United States Department of Education (1989), 78 percent of all defaulters nation-wide attended proprietary schools.

The rising cost of defaulted student loans is only one of many financial aid issues under close scrutiny by advocates of major changes in the delivery and administration of federal aid. Throughout the 1980s, increases in college tuition and other costs of attendance were not offset by growth in aid programs. For instance, federal aid failed to keep pace with inflation during the last decade, while tuition increased by twice the rate of inflation each year from 1980 to 1987 (beginning in 1988, annual growth in college costs slowed substantially). Additionally, growth in disposable personal income per capita did not keep pace with inflation. Between 1989 and 1990, disposable personal income per capita fell from $15,790 to $15,695 in real terms.

As college costs rose during the 1980s, so did student loan indebtedness. A 1990 federal study however, determined that only 6.5 percent of 1986 college graduates had a debt burden that exceeded ten percent of their gross income--a figure lenders use to determine when debt burden is "onerous." A 1990 study, ***Debt Burden Facing College Graduates***, revealed that graduates from public schools had a lower median debt burden (3.4%) than those from private schools (5.1%). This disparity was based on the amount of money borrowed, not differences in salaries. Students with the least income after graduation (under $10,000) were more inclined to have borrowed money while in school (53.4%) than those with post-graduation incomes exceeding $30,000 (38.7%). The poorer students had a higher median debt burden (9.3%) than higher income students (2.3%). While providing useful indebtedness data, the study has been criticized for examining only students who graduated from a four-year college or university and for gathering data before the Stafford student loan limits were increased in 1987. In addition, loan officers disagree as to what constitutes discretionary income and what other variables--other miscellaneous debt, marital status, type of employment--determine a student's ability to repay a loan.

As students continue to rely more on loans to finance their education, some educators are calling for both federal and state governments to increase the number and amount of grants available to students, particularly those from lower family income brackets. Currently, federal grants comprise 18 percent of aid available to students nationwide, institutional grants provide another 18 percent while state grants provide seven percent. Institutional grants have increased proportionally at a higher percentage rate over the last decade than other forms of aid. Recent national studies suggest that a disproportionate number of institutional grants are awarded to students from the middle and upper middle class family income brackets. One analysis of data provided in 1989 by the National Association of State Scholarship and Grant Programs (NASSGP) Survey revealed that high family income students were two and one half to four times more likely to receive an institutional grant or scholarship than students from low family incomes. However, those students are often not eligible for need-based financial aid and have the most competitive grade point averages and admission test scores.

Many state scholarships and grants are awarded on the basis of student need. Nationally, 81 percent of state grant funds were spent on need-based aid during 1990-91. In the fifteen Southern Regional Education Board (SREB) states however, the percent spent on need was 49 percent during that same time period. In that region, non-need-based state aid increased by $71.1 million more than need-based state aid. Tuition waivers, merit programs, tuition equalization programs for students attending private schools and categorical aid programs have grown significantly in the last decade, contributing to the rise in non-need based state aid. It is interesting to note that over 59 percent of the additional dollars in aggregate merit scholarships since 1985 came from two states, Florida and Missouri, and over 80 percent of the additional aggregate categorical aid dollars came from Illinois and New York.

Support for non-need-based programs in states with need-based programs generally has increased since 1985-86. Of the 31 states with <u>both</u> types of programs, 22 have increased their non-need-based program dollars by greater rates and eleven have increased their dollars for non-need-based awards by more than their need-based awards. When all 50 states (as well as the District of Columbia and Puerto Rico) are counted, however, almost five dollars has been added to need-based programs for every one dollar added to non-need-based aid. It cannot be generally concluded therefore, that states are turning away from support of need-based to non-need-based grant programs.

Many of the financial aid issues that have developed over the last decade have been addressed recently in Congress during hearings and debate over the Reauthorization of the Higher Education Act. The hearings have focused on the Pell Grant and Guaranteed Student Loan Programs. Versions of the House and Senate bills differ on several points, most notably the amount of Pell Grant awards and how federal loan programs should be administered. The final bill will be sent to President Bush who has threatened to veto the legislation because of provisions to substitute direct loans for Stafford loans and expand Pell

Grant eligibility to more middle class families. If approved, the will take effect in 1994. The Act would then be in effect for five years and govern all aspects of federal financial aid programs.

## Financial Aid in Florida

Students enrolled in Florida's higher education institutions receive a wide variety of financial aid from federal, state, institutional and private sources. A student's financial aid package, a combination of all the aid a student is eligible for, is put together at the institutional level by financial aid counselors who must contend with varying federal and state eligibility requirements, deadlines, and eligibility standards. The largest source of student financial aid in Florida is the federal government, primarily through the guaranteed student loan programs. Stafford, PLUS, SLS, of the three GSL programs students borrow substantially more from the Stafford loan program than from the PLUS or SLS loan program, regardless of the type of institution they attend in Florida.

### Federal Aid

In 1990-91, students enrolled in Florida's public and private higher education institutions borrowed over $224 million from one of the federally guaranteed student loan programs. Thirty-nine thousand GSL and Perkins Loans combined were made to state university students who borrowed approximately $118 million from those sources. Approximately 33,000 Stafford loans totaling over $70 million were made to SUS undergraduates in 1990-91. Over 11,000 students enrolled in the community college system borrowed another $26 million from one of the three GSL programs, $22 million of that amount was borrowed from the Stafford Loan Program. Loan volume in both the PLUS and SLS loan programs grew steadily throughout the 1980s, but six times as many loans were made through the need-based Stafford loan program as were through the non-need-based SLS and PLUS programs combined in 1990-91. The average amount (for one year) borrowed by all SUS students (undergraduates and graduates) from the Stafford Loan Program in 1990-91 was $2,531. The average amount borrowed by community college students was $2,201. Over three times as many university students borrowed from the GSL program as did community college students.

Community college and university students received a substantial number of federal Pell grants during 1989-90. Pell Grants are need-based grants that do not have to be repaid. Over 25,000 State University System (SUS) undergraduates and 35,000 community college students received the need-based federal grants during that year. Although Pell Grants were created to enable low income students to attend college without incurring a large amount of debt, many SUS undergraduates who received Pell Grants also borrowed money from the Stafford Loan Program. According to a 1991 study conducted by the Florida Auditor General's Office, ***University Student Financial Aid Programs***, 65 percent of SUS students who received a Pell Grant in Fall 1990 also received a Stafford Loan. Between 1987-88 and 1989-90, total indebtedness reported for SUS Pell Grant Students with loans increased by 41 percent. During this same three year period, the average loan acquired by SUS Pell Grant students increased from $2,539 to $2,703. Over the three year period, the sum of the average loan amount was $7,612.

Twenty percent of community college students who received Pell Grants borrowed money from the GSL program during 1989-90. The average loan amount for Pell Grant community college students ($1,673) was higher than for non-Pell students ($1,205). Pell Grant community college students borrowed almost three times as much from federal loan programs as did non-Pell Grant students. Federal reports confirm that needy students who borrow from loan programs to help finance their educations comprise a disproportionate number of loan defaulters.

## State Financial Aid Programs

Florida has a number of need-based and merit-based financial aid programs for undergraduate and graduate students who attend both public and private institutions. The Florida Legislature has made it clear that it is in the best interest of the State to maintain financial aid programs that increase educational access to all citizens. As stated in s.240.437(2), F.S.:

*The objective of a state program is the maintenance of a state student financial aid program to supplement a basic national program which will provide equal access to postsecondary education to citizens of this state who have the ability and motivation to benefit from a postsecondary education. In the development of a state program to achieve this objective, it shall be the policy that: (a) state financial aid be provided primarily on the basis of financial need.*

The Office of Student Financial Assistance (OSFA) administers twenty-three financial aid programs. In 1991-92 the Legislature appropriated over $66 million for state grants and scholarships and $18 million for the Tuition Voucher Program for independent institutions. According to the 1990 report issued by the Statewide Task Force on Student Financial Aid, the proportion of all state funds for financial aid programs devoted to need-based aid has not kept pace in recent years with the proportion for non-need-based programs. For instance, $39.3 million in non-need-based aid was appropriated by the legislature in 1991, while $27.3 million was allocated to need-based aid. These funds do not include the State Tuition Voucher Program which is available to Florida residents regardless of need who attend eligible private postsecondary institutions in Florida on a full-time basis. Although Florida's largest achievement based aid program, the Florida Undergraduate Scholars Fund, is available to meritorious students regardless of family income, only 10 percent of the recipients in 1989-90 who received a scholarship qualified as a need-based student. Only 369 of the 6,382 SUS undergraduate scholars also received a grant from the Florida Student Assistance Grant (FSAG). Four percent of undergraduate scholars are minority students.

The Undergraduate Scholars Fund has grown dramatically over the past decade. The amount of money disbursed in the program grew from $797,813 in 1981-82 to $24,249,296 in 1991-92, an increase of 2,939 percent. The number of awards has increased by 677 percent. Although the initial maximum award was $1,000 (for the public sector) that amount increased 150 percent to $2,500 in 1988-89 (for all sectors). In contrast, the maximum need-based FSAG award is $1,300.

According to the 1991 SREB Fact Book on Higher Education, Florida has increased its funding for need-based programs by 73 percent since 1987 although the State now spends 40 percent of all scholarship funds on need-based programs. Five years ago Florida spent 53 percent of all scholarship funds on need-based programs. In its annual survey report (1990-91) the National Association of State Scholarship and Grant Programs (NASSGP) ranked Florida 17th in the nation for the percent of full-time undergraduates receiving state financial aid and 26th in the nation for the percent of undergraduates receiving state need-based financial aid. In comparison, New York ranked first in both categories. According to the report, 11 percent of Florida's full-time undergraduates received need-based scholarships and grants while 22 percent of full-time undergraduates received some type of state financial aid. Nationwide, 25 percent of all full-time undergraduates received some type of state aid, while 21 percent of all full-time undergraduates received need-based state aid. These percentages include only students who received aid from a state administered program and do not reflect support received through institutional or federal need-based aid as well.

## Florida Student Assistance Grant (FSAG)

The FSAG is the State's largest need-based financial aid program. The program has three major components, (1) the Florida Public Student Assistance Grant Fund, (available to students attending public institutions) (2) the Florida Private Student Assistance Grant Program, (available to students attending private institutions) and (3) the Florida Postsecondary Student Assistance Grant Fund (available to students attending independent postsecondary institutions). The FSAG was established to provide grants ranging from $200 to $1,500 to full-time Florida undergraduate students with demonstrated financial need. Recipients of FSAG awards must meet the general requirements for student eligibility as provided in s. 240.404, F.S. To be eligible a student must be a resident in the State for no less than one year preceding the award; comply with Selected Services System registration; participate in the college-level communication and computation skills testing program, and submit certification attesting to the accuracy, completeness and correctness of information provided to demonstrate eligibility. To renew awards, students must earn at least 12 credits per term and maintain a minimum cumulative grade point average of 2.0 on a 4.0 scale. In addition, students applying for FSAG funds must also apply for the Pell Grant. Pell grants are considered when conducting an assessment of the student's total family resources.

Students apply for the FSAG by filling out the financial aid form used to apply for federal financial aid. The form is sent to Multiple Data Entry (MDE) processors who are contracted by the federal government to perform needs analysis using a Congressional approved methodology. The MDE uses the information on the financial aid form to calculate the student's family contribution towards the cost of education. The MDE transmits the needs analysis data to the Department Of Education's (DOE) data base. DOE then screens out applicants who do not meet basic eligibility requirements such as Florida residency. All applicants whose family contribution has been determined to exceed $3,000 are determined ineligible. According to OSFA, this expected family income generally disallows students with family incomes that exceed $30,000. The Department then ranks all applicants from the lowest need ($200) to the highest need ($1300). That information is sent to the institutions that students plan to attend.

In its 20 year history, the FSAG Program has grown substantially. In 1972-73, 283 FSAG awards were made to qualified postsecondary students. In 1991-92 over 29,000 awards were made at a cost of $30 million in general revenue funds. The FSAG program receives partial funding ($1,851,069 in 1991-92) from the federal State Student Incentive Grant Program (SSIG). Because of this federal contribution, the FSAG must conform to certain federal guidelines and rules regarding participant eligibility and verification.

The appropriation for the FSAG program increased by 117 percent over a ten year period (1981-1991). The number of awards increased by 76 percent during that same time period. While more awards are being made to postsecondary students, the amount of the awards has not increased at the same percentage rate. According to s.240.409 (2)(a), F.S. grants shall be awarded for the amount of demonstrated unmet need for tuition and fees and may not exceed a total of $1,500 per academic year, or as specified in the Appropriations Act. The maximum award made in 1990-91 was $1,300, only $100 more than the original maximum award of $1,200 in 1972. While the maximum award has increased by less than ten percent, SUS tuition and fees have increased by 82 percent and the student budget for a dependent student living away from home has increased by 97 percent since 1981-82. (Community College tuition and fees have increased by approximately 70%). According to the Office of Student Financial Assistance, the average award for all students has historically been $100 less than the maximum award. For university students it has been approximately $1,100 and for community college students approximately $660.

As the FSAG program has grown over the years, changes in administration, distribution of funds, and application and award procedures have followed. For instance, controversies over the distribution of funds between the private and public sectors led to the creation of three separate appropriations, one for public institutions, one for private institutions and one for independent institutions licensed by the State Board of Independent Colleges and Universities. While there has been discussion concerning the provision of FSAG funds to part-time students, this position is not supported by the Commission or by OSFA. The most recent major change in the FSAG was setting aside $1.5 million each year for community college applicants who apply after the April 15 FSAG deadline to ensure that these students who traditionally apply for admission late were given equal opportunity to qualify for FSAG funds. Set-aside funds not utilized by late applicants are returned to the Trust Fund and can be reallocated to FSAG recipients attending any public institution.

Critics of the set-aside fund policy point to the amount of money ($ 915,000 in 1991) that was not expended on late applicants and note that it could have been distributed among the timely community college applicants who were not funded because of insufficient funds. Only 39 percent of the committed set-aside funds were utilized by late community college applicants in 1990-91. Most of the funds were unused because students decided to attend college part-time and became ineligible for the grant. According to financial aid officers, the decision to attend part-time is often made because grant money is not available when tuition and fees are due. Even with program, flaws however, 36,351 community college applicants applied for FSAG funds before the September 15 "late" deadline for 1991-92. Of that number, 6,791 were determined to be eligible and 2,274 students were actually disbursed funds. According to OSFA, it is not likely that funds will be returned to the State in 1992.

In 1990 the Florida Legislature directed the Auditor General's Office to conduct an audit of the FSAG. The audit focused on the administration of the program, particularly the policies and procedures of awarding FSAG funds. In addition, the Student Financial Aid Task Force, convened by the Commissioner of Education that same year, made a series of recommendations affecting all state administered financial aid programs including the FSAG. Both reports made several recommendations to improve the administration of the program including a streamlined and more timely method of determining eligibility and distributing funds. Many of the problems that had plagued the FSAG program were caused by the process of needs determination and eligibility notification. Historically, the Department of Education committed FSAG funds based on an assessment of statewide needs which was not complete until late in the summer before each school year. Because institutions were not notified of a student's initial eligibility for FSAG until fall registration, some students were given loans instead of FSAG funds simply because the institutions were unaware of the student's eligibility for that program. Because of the class ranking system, some awards were made to students whose need was less than students who were rejected because of their class ranking or application status. For instance, prior to 1991-92, all renewal students, whose need was at least $200, took precedent over all other FSAG applicants regardless of family contribution.

Beginning with the 1991 academic year, several changes took place. Using historical data and growth projections, OSFA now commits FSAG funds in January so that institutions can get a head start on financial aid packaging. In addition, applicants are ranked solely on expected family income, not on renewal status or class ranking; and OSFA has the authority to pro-rate awards so that all qualified needy applicants will receive an award (even if it is reduced) during the second semester. Because awards can be pro-rated, qualified students will no longer receive non-sufficient fund letters if funds do not exist to fully fund their award.

Changes in the process of distributing FSAG funds may eliminate some criticisms of the program, but concerns remain that eligible students are not receiving aid, that the program is underfunded and that the formula for setting the cap on FSAG awards is not adequate. Each year, institutions establish a student budget which factors in all educational costs. Financial aid counselors use this budget when packaging aid for individual students. OSFA has set a standard budget of $6,400 for those students who live away from home and $3,900 for those who commute from home. The only variable is the cost of tuition and fees which differ by sector and by individual institution. The average budget for a student attending any public university in 1990-91 is $7,800. Based on averages provided by BOR, OSFA and federal DOE records, a typical FSAG university recipient with a family contribution of $2,000 would receive a $1,400 Pell Grant, and an FSAG award of $1,200, which leaves $3,200 in educational costs to be covered by loans or working. While a community college student's tuition is lower than a student attending a university, the FSAG and Pell award is proportionally lower. The FSAG covers on average 15 percent of a public student's educational budget.

## Special Analyses

### Commission Surveys

When reviewing FSAG records, it is obvious that only a small percentage of the number of applicants actually receive FSAG funds from their institution. There is some concern that eligible FSAG applicants decide not to attend college or decide to attend part-time because of educational expenses that are not met by the FSAG and Pell grants. In order to determine why so many students become ineligible for FSAG after initial approval by the OSFA, or who remain eligible but are not disbursed funds, Commission staff asked OSFA for information on FSAG applicants who applied to public institutions as freshmen in the Fall of 1990. Of that class, 30,400 students applied for FSAG funds. OSFA determined that 12,247 freshmen were initially eligible to receive FSAG funds. Fifty-one percent (6,236) of those students never received FSAG funds from an institution in Florida. An additional 1,168 students (60% total) received FSAG funds for only one semester. According to OSFA staff, 72 percent of eligible university students and 56 percent of eligible community college students normally accept their FSAG award.

Because they were freshmen, only the renewal applicants could have been rejected by institutions because of failing to maintain a 2.0 average or for failure to take at least 12 hours a semester. None of the applicants could have been rejected for failure to pass CLAST or for other reasons pertaining to upper division students. They could have been rejected by the institutions once a more thorough needs analysis was made or because they received institutional scholarships or awards that covered their financial needs. Based on historical data provided by the state universities and community colleges, it seemed improbable that such a large number of students could have fallen into one of those categories. Consequently, Commission staff designed a survey to ask a sample (30%) of the initially approved applicants why they did not receive their FSAG award (Survey I). Students who fell into the category of those receiving the award for only one semester were asked similar questions (Survey II). Thirty percent of the students surveyed in each group returned a completed questionnaire.

Survey Results

Of the respondents to Survey I (initially approved applicants who did not receive their FSAG award), 70 percent were female and 60 percent were white. These percentages correspond with overall FSAG applicants and recipients. Respondents were asked if they attended a community college or university in Florida in Fall 1990 and 44 percent of those surveyed answered that they did not. That is, after applying for and receiving initial eligibility in the FSAG program, 44 percent of those initially approved did not attend college in Florida. Twenty-nine percent of those respondents went to college or universities out of the State. More than half of the respondents who did go to school in Florida went on a part-time basis making them ineligible for the FSAG. Simply put, 76 percent of the students surveyed were ineligible for FSAG. Of the 184 respondents who did not go to college in Florida, 35 percent identified personal circumstances such as work or family responsibilities as the primary reason for not attending a college or university. Of those respondents attending part-time, 66 percent did so because of those same personal circumstances. Ten percent of the respondents indicated that they did not attend a college or university in Florida because of the cost of attendance. Five percent decided not to go to college when their institution determined that they were ineligible for funds. Although the questions were designed to isolate certain responses, it is impossible to know if family and work responsibilities were not in some way related to the cost of attendance.

Of those respondents who did attend a college or university in Florida, the majority (92%) attended a community college. Of those respondents, 58 percent went on a part-time basis and 42 percent went on a full-time basis. All of those students (140 respondents) who attended college part-time were ineligible for FSAG. Of those that attended part-time, 66 percent said they attended part-time because of personal circumstances. Twenty-two percent responded that the reason they attended college part-time was because of the cost of attendance.

Twenty-four percent of the respondents to Survey I attended a college or university in Florida on a full-time basis. Of that amount, 45 percent replied that they did not know why they did not receive their FSAG award. Ten percent indicated that they did not meet FSAG requirements at the institution they chose to attend. Nine percent of the respondents checked "other," three percent said that they were notified of insufficient FSAG funds.

Of the students who received their FSAG for one semester only, 30 percent replied that due to personal circumstances (work or family responsibilities) they had to enroll as part-time students and consequently became ineligible for FSAG. Twelve percent withdrew because of personal circumstances and 16 percent indicated a variety of "other" reasons including lack of child care and transferring to another institution within Florida. Fourteen percent replied that they became ineligible for FSAG after one semester. Two percent indicated that they had to withdraw from school because of educational expenses.

In summary the FSAG survey indicates that students, particularly community college students, substantially alter their plans to attend college, whether to attend part or full time, and where to attend college, right up until time to enroll for classes. While the majority of the participants in Survey I attended an institution of higher education either in or out of the State of Florida (70%) a substantial number (58%) went part-time although a prerequisite for an FSAG award is full-time attendance status. Although given several opportunities on Surveys I and II to indicate that financial reasons dictated their choice of attendance or attendance status, only 10 percent of all the respondents to Survey I indicated that financial reasons kept them from attending college. Only two percent of the respondents to Survey II quit school or began going part-time because of the expense of attending college. When combined, nine percent of the respondents to both surveys mentioned the expense of attending college as the primary factor influencing their educational decisions. A tentative conclusion may be that a large percentage of lower income students are inclined to work while attending college on a part-time basis and consider family responsibilities as important as obtaining or completing their education. It can be reasonably assumed that family and work responsibilities, particularly for freshmen students, are directly linked to personal income and total educational expenses. A caveat must be noted: the students surveyed had applied for the FSAG and were determined to be need-based students by the OSFA. The survey did not include needy students who did not apply for FSAG or who applied and received aid for more than one semester.

### Other Surveys

In 1990, staff from the Auditor General's Office contacted 99 students who had received an FSAG award in the previous year. Fifty-one of those students (52%) said that they would not have attended college had they not received financial grant awards. Forty-five of these 51 students said neither they, nor their parents, could afford to pay the cost of college education. Forty-eight of the 99 students (48%) surveyed said they would have attended college without the receipt of grant aid award. Twenty of these students said they would have had to acquire loan assistance in order to finance their education.

### Data Matches

As previously mentioned, thousands of applicants to the FSAG are turned down each year for various reasons ranging from nonresidence or a lack of demonstrated need. To determine the percentage of non-funded FSAG freshman (applicants who planned to attend a public institution) who enrolled in college without state aid, the Commission asked both the Board of Regents and the State Board of Community Colleges to match their admissions file against applicant data tapes of non-funded applicants provided by OSFA. Results received from those boards indicate that 64 percent of all non-funded FSAG applicants enrolled in a public community college (53%) or university (11%) during

1990-91. Of the eligible applicants turned down because of insufficient funds*, 72 percent enrolled in a public community college or university. Of those students, 99 percent went to a community college, and 53 percent attended classes on a full-time basis.

On average, 57 percent of all FSAG recipients from the public sector attend a university, so it is clear that many students who were turned down for an FSAG award attended a community college because they could not afford the cost at a public university. A conclusion can be drawn from the data match of freshman applicants turned down for the FSAG that a majority do go on to higher education. However, factoring in historical attendance trends, a substantial number of the applicants altered their plans by attending a community college instead of a university and changed their plans to attend full-time because they did not receive FSAG funds.

Based on the Commission's survey, data match request, and the Auditor General's telephone survey, it is clear that the FSAG is an important source of financial aid for needy students in Florida. While the lack of those funds do not keep a significant number of students from continuing on in higher education, it is a significant factor in determining what type of institution a student will attend, and whether the student attends on a part or full-time basis. It also appears that for some students, the FSAG award amount is not sufficient to pay for full-time educational costs whether or not the student received other financial aid. Unless the FSAG is fully funded in the future to cover the unmet need of tuition and fees, needy students will have to borrow money to cover matriculation as well as other educational costs.

<u>Institutional Aid</u>

Two funding sources established by the Legislature that provide financial assistance to postsecondary students are the Student Financial Aid Fee and the Lottery Fund. The revenue from these two sources comprise the largest institutional grants available to university and community college students. Grants from the lottery fund are available only to university students. The community colleges collect and administer their own Student Financial Aid Fee Fund.

<u>Universities</u>

Thirty-eight percent of the money generated from the sale of lottery tickets is placed in Florida's Education Enhancement Trust Fund (EETF) for the purposes of funding education in the State. A portion of the EETF, referred to as the lottery fund, is used to provide financial aid to Florida's university students. A minimum of 71 percent of appropriated lottery funds must be distributed as need-based aid with no preference given to students who also qualify for merit-based or other financial aid awards. In 1989-90, the Legislature appropriated $9 million in lottery funds to the Board of Regents for the purpose of providing financial aid. The BOR allocates the money among the nine state universities which administer it as financial aid. Systemwide, 74 percent of those funds were used for need-based awards but individual institutions varied greatly in the distribution of lottery funds for financial aid. For example, the University of West Florida used nine percent of lottery funds for need-based programs, the University of South Florida used 38 percent, while Florida State University used 98 percent of its lottery funds for need-based programs. According to BOR records, SUS institutions

* No longer applicable because of changes in the FSAG Program as previously discussed.

had over five percent ($1.5 million) in carry-over lottery funds at the beginning of that academic year and $1.6 million at the end of the 1989-90 school year.

Universities have another funding source established by the Legislature that provides financial assistance to SUS students. Section 240.209(3)(d), F.S. allows the Board of Regents to collect fees for financial aid purposes, an amount not to exceed 5 percent of the student tuition and matriculation fee per credit hour. The law stipulates that a minimum of 50 percent of these funds shall be used to provide financial aid based on absolute need and that 40 percent of the fees may be carried forward to the following fiscal year. The Board of Regents has issued a standard practice supplementing Rule 6C-3.009, F.A.C. which provides system policies and guidelines related to the use and reporting of student financial aid. However, the Board has not developed procedures for enforcing these policies that will ensure institutions are held accountable for the appropriate distribution of fee and lottery funds. Systemwide, SUS institutions spent 52 percent of their fee funds on need-based aid. Institutions varied in the distribution of fee funds. For example, the University of Central Florida spent 30 percent of its financial aid fee revenue for need-based financial aid. To obtain such information from institutions, the BOR must request a special report from each SUS institution. Currently, the BOR data base does not generate a report separating how institutional aid (from the lottery and fee funds) is spent.

In 1989-90, universities carried forward, unexpended, $526,331 from the Financial Aid Fee Fund. In total universities did not spend over $2,186,306 in financial aid fees and lottery revenues earmarked for financial aid. Although universities have statutory authority to carry over a certain percentage of fee and lottery funds, many students incurred loans while fee and lottery monies were unspent. Although BOR policy guidelines state that financial aid funds be "used to minimize need based student loans," four universities used the financial aid fee money to provide matching funds for Perkins loans made by needy students in 1989-90. While matching loans with a portion of the need-based Financial Aid Fee may provide additional funds, it transforms a portion of grant aid available for needy students into loans.

According to the Auditor General's 1991 ***Audit of University Student Financial Aid Programs***, two universities distributed less than the minimum amount of lottery funds to needy students, four universities used the financial aid fee to match needy student loans, and two universities distributed to needy students the minimum amount of financial aid fee statutorily authorized to aid this group. While the BOR has developed a policy guide for institutions regarding the distribution of fee and lottery funds, it has not established an acceptable minimum level or range of loan indebtedness for students. Consequently, universities can not assess whether more or less grant funds should be channeled to students with demonstrated financial need.

Community Colleges

Because of statutory restrictions on the amount of monies that may be transferred from general funds to the community colleges' financial aid programs, community college students are currently not eligible for financial aid generated from the lottery funds. They are eligible however, for awards generated from financial aid fees. S.240.35(7)(a) Florida Statutes, states that:

*Each community college is authorized to collect for financial aid purposes an additional amount up to, but not to exceed, five percent of the total student tuition or matriculation fee collected. However, if the amount generated by the additional five percent is less than*

*$125,000, a community college that charges tuition and matriculation fees at least equal to the average fees established by rule may transfer from the general current fund to the scholarship fund an amount equal to the difference between $125,000 and the amount generated by the additional five percent of the total student tuition and matriculation fees.*

In 1989-90, twenty-seven colleges collected fees for financial aid purposes. Three of those institutions collected less than $125,000 and transferred funds from the General Current Fund to increase their amounts available for financial aid. Community colleges collected and transferred $6,100,084 to their financial aid fee accounts for 1989-90. Unlike universities, community colleges are not required to distribute 50 percent of the funds as need-based awards. Section 240.35(7)(c) states that:

*Up to 25 percent or $125,000, whichever is greater, of the fees collected may be used to assist students who demonstrate academic merit or who participate in athletics, public service, cultural arts, and other extra-curricular programs as determined by the institution. A minimum of 50 percent of the balance of these funds shall be used to provide financial aid based on absolute need, and the remainder of the funds shall be used for academic merit purposes and other purposes approved by the district boards of trustees.*

During 1989-90, community colleges collected $6,100,084 in financial aid fees and made 16,114 financial aid fee awards totals $5,945,999. Individual community colleges vary significantly in distributing fee funds. For instance, in 1989-90 Chipola Community College reported that 80 percent of collected fee funds went to athletic awards and zero percent went to need-based financial aid awards. Miami-Dade Community College spent 73 percent of collected fee funds on need-based financial aid awards. Data from all 28 community colleges revealed that 59 percent of the fee funds were distributed on a non-need basis. The Auditor General's study (based on data from 13 colleges) revealed that collectively community colleges awarded a greater proportion (67%) of Fee funds to non-Pell Grant students than Pell Grant students and that individual awards made from the fee fund were larger to non-Pell than Pell Grant students. It is important to note, however, that when all grant aid is combined from all sources, Pell Grant community college students received an average award of $1,232 while non-Pell students received a total grant average award of $432. Even with substantial grant awards, 29 percent of community college Pell recipients borrowed money from one of the guaranteed student loan programs.

In summary, the amount of grant aid a student receives influences the additional amount of money the student will need to meet the costs of education. While the Legislature has recognized the importance of grant aid to needy students and has authorized funding for these students from Financial Aid Fees and Lottery Funds, existing polices do not set an acceptable level of loan indebtedness or define what percentage of the cost of education state and institutional grants should meet. While it is not clear to what extent grants help to reduce total loan indebtedness among needy students in Florida, student indebtedness can be further reduced if the proportion of institutional need-based aid awarded by community colleges and universities exceeds the minimal requirements for such assistance established in law.

## III. STUDENT LOAN INDEBTEDNESS

### Background

As part of the study on student indebtedness, the Commission was instructed to "conduct an analysis of the debt incurred by college graduates from student loans and of the ability of Florida residents who graduate from state institutions to service this debt within discretionary income." Much has been written and discussed in recent years concerning the debt level of all postsecondary students. (See Chapter II of this study for a detailed analysis). To accurately gauge the indebtedness of graduates of public institutions in Florida, the Commission requested that the Board of Regents provide longitudinal financial aid data on the freshman class of 1985 (Florida residents only) for five years. Several questions beyond the scope of the legislative proviso were addressed; specifically, do race, sex, and family income have a significant effect on a student's borrowing pattern, and do students who receive grants incur less loan debt? Finally, the Florida data were compared to levels of national student loan indebtedness and debt burden in relation to income.

Only those students who began as freshmen in the SUS were included in this study. No community college transfers or students entering after the freshman year were included in the cohort. Not all students in the cohort borrowed at the same time, for example some students borrowed for all five years, others for only one year or several years that were not sequential.

Specific financial aid data were included only on those students who had borrowed from the federal Stafford and/or Perkins loan programs and from institutional loan programs during 1985-1990. Several caveats are noteworthy. The Guaranteed Student Loan Program (GSL) is comprised of the Stafford, PLUS and SLS loan programs. Debt incurred from the PLUS and SLS federal aid programs is not included in this study. The BOR data base does not separately identify these two federal programs. PLUS loans are made to parents of undergraduates and are not the responsibility of the student to repay. SLS loans, while on the rise among undergraduates, are available only to independent undergraduates or to dependent undergraduates under very specific circumstances. Independent students comprised only 14 percent of the loan recipients in this study. In addition, students attending proprietary schools accounted for 62 percent of SLS recipients nationwide.

The Stafford loan program is the largest of all federal aid programs. Nationally, 40 percent of all student loan recipients borrow from that source. Eighty percent of students who borrow from one of the GSL programs borrowed from the Stafford Program in 1989-90. In Florida, students attending SUS institutions borrowed over five times as much money from the Stafford Loan Program ($92,903,582) as they did from the SLS and PLUS programs ($17,443,482) combined in 1990-91. In general, students borrowed less from the low interest campus-based Perkins Loan Program. SUS students borrowed over seven million dollars from the Perkins Program in 1990-91. For this study, students identified as federal borrowers participated in the Stafford and/or Perkins loan programs.

In 1985, undergraduate students could borrow a maximum of $2,500 per year from the Stafford Loan Program. Only those students with family incomes of over $30,000 a year were required to show need to qualify for the government subsidized loan. The Higher

Education Amendments of 1986 established a uniform needs analysis for all Stafford applicants and at the same time raised the amount a first year undergraduate could borrow to $2,625 per year while third, fourth and fifth year undergraduates could borrow $4,000 per academic year. The aggregate maximum for any undergraduate student under Stafford is now $17,250. Some students in the study may have borrowed from the Stafford program before the limits were raised and never borrowed again. Others may not have borrowed until the limits were raised in January, 1987. Maximum limits for the Perkins Loan Program have varied slightly since 1985. Undergraduate students who have not yet completed two years of a bachelor's degree may borrow up to $4,500 through the Perkins Program. An undergraduate who has completed two years of a bachelor's degree may borrow up to $9,000 - this limit includes all the money the student has ever borrowed under the Perkins Loan Program. As noted in Chapter II of this study, Perkins loan funds are a combination of capital from the Federal Government and from participating schools. The schools must contribute at least one-ninth the amount contributed by the Federal Government.

Another source of loans for students in Florida, although on a much smaller scale, is institutional loans usually made on a short term, low or no interest basis. Institutional loans and federal loans as described above were factored in as part of a student's loan indebtedness for this study.

Loan information gathered on the cohort is disaggregated by demographic characteristics of recipients (race, sex, family income, GPA, attendance status, graduation or completion status and major area of study) as was information on any grants received by loan recipients. Grants considered for this study were Florida Student Assistance Grants (FSAG), Pell Grants and all institutional grants. Grants included were need-based except for institutional grants which were not separated in the BOR data base and could be based on merit or need.

## Data Results

There were 8,494 FTICs in the Study Cohort. Of that number, 2,912 (34%) borrowed from the loan sources described above. These borrowers, the focus of this study, are referred to as Loan Recipients. Loan Recipients (L) were further subdivided into recipients of federal loans only, (L1) recipients of institutional loans only (L2) and recipients of both sources (L3). The 5,582 students (66%) in the Study Cohort who did not receive loans from the Stafford, Perkins, or institutional loan programs are referenced as (NL) Non-Borrowers. Loan Recipients were subdivided into graduates, continuing students (those who were still attending school in the Spring of 1990 but had not graduated) and non-completers (students who left school for any reason and did not re-appear at an SUS institution by Spring 1990). Those Loan Recipients who received grants from the sources described above are referenced as Grant Recipients. All grant recipients in this study were borrowers. Not all borrowers were grant recipients. No information is provided on grant recipients who were non-borrowers.

### Loan Recipients

Thirty-four percent of the total Study Cohort were borrowers. Eighty-three percent of the borrowers (Loan Recipients) were dependent students and 64 percent attended classes on a full-time (12 or more hours) basis. Eighty-four percent of the Loan Recipients borrowed from the federal program only, three percent borrowed from institutional loan programs only, and 13 percent borrowed from both sources. Women were 53 percent of the Study Cohort and 54 percent of the borrowers. Men were 47 percent of the Cohort and 46 percent of the borrowers. Gender differences were minimal among borrowers as well as grant recipients. (See Tables 1 & 2). Race differences among borrowers and grant recipients were more noticeable. Whites (6,866) were 81 percent of the Cohort and 73 percent (2,115) of the borrowers. Blacks were ten percent (889) of the Cohort, and 18 percent (529) of the borrowers, Hispanics were six percent (543) of the Cohort and seven percent (192) of the borrowers, and Asians were two percent (162) of the Cohort and two percent (61) of borrowers. Within each racial category, 60 percent of black students were borrowers while 31 percent of whites, 35 percent of Hispanics, and 38 percent of Asian students were borrowers. Black students were twice as likely to borrow as white students.

Loan Indebtedness

Of all Loan Recipients, Black students accumulated more debt ($4,974) than other students, i.e ten percent more than whites and 26 percent more than Hispanics (Table 3). When comparing only students who had graduated however, Asian students borrowed more than whites or Blacks (Table 4). When compared to national data on student indebtedness, several caveats must be noted. A national survey conducted in the spring of 1990 asked students from all postsecondary institutions to provide the total amount of money they had borrowed from all loan sources as of Fall 1989. Students were classified according to their status as freshmen through 5th year undergraduates. An average "snapshot" of indebtedness was computed for all undergraduate students and separately for those at different types of institutions. Total debt was probably underestimated as twice as many freshmen and sophomore students were included as juniors, seniors, and 5th year non-graduates combined. Thus, the national study was a reasonable approximation of the SUS Study Cohort. Students in the national survey were asked to list all of their loan debts regardless of sources. The SUS data were also cumulative but were collected longitudinally for a single cohort. Debt was calculated for all SUS borrowers, graduates and continuing students. Table 5 provides a summary of the cumulative debt incurred by the SUS Loan Recipients ($4,594) and those students in the nationwide sample ($4,285). When the average debt of all SUS borrowers was compared to the average debt of national borrowers from all public institutions (less than 4-year institutions included) SUS students borrowed slightly more (7%). When the average debt of SUS borrowers was compared to students attending four-year public institutions with no PhD program, SUS debt was slightly more (3%). When compared to the national average debt of students attending four-year public institutions with a PhD program, SUS debt was 20 percent less (See Table 5). An important factor to consider is that debt for SUS Loan Recipients was comprised of loans from two federal programs as well as institutional loans. The national students reported loan debts from all federal, state, institutional and private sources.

Family Income

SUS borrowers were disaggregated by family income to determine if the students with the lowest income were disproportionately represented as borrowers. As shown in Table 6, 14 percent of all dependent students with reported incomes had family incomes of more than zero but less than $11,000. Thirty-seven percent of all dependent borrowers with reported incomes had family incomes below $20,000. The largest number of Black dependent borrowers were in the $11,000-19,000 income range, the largest number of white and Hispanic borrowers were in the $20,000-29,0000 range and the largest number of Asian borrowers were in the $30,000-39,000 family income range.

As expected, independent borrowers of all races had much lower family income ranges across the board. Of those independent borrowers with reported family incomes, 51 percent had incomes below $5,000. Sixty-one percent of Black borrowers, almost half of white borrowers, and 45 percent of Hispanic borrowers and incomes of less than $5,000.

Students who received grants but were not borrowers were not included in this study. However, the 1991 Auditor General's Report on SUS Institutional Aid revealed that in Fall 1990, 65 percent of SUS students who received a Pell grant (by all accounts the neediest of students) also received a Stafford loan. It is not known if the remaining 35 percent borrowed money from another source or borrowed at all. As noted in Chapter II of this study, the average annual budget for a student attending an SUS institution is $7,800. Based on averages produced by BOR, OSFA and Federal Department of Education records, a typical university financial aid recipient with a family contribution of $2,000 would receive a $1,400 Pell grant and an FSAG award of $1,200. That leaves $3,200 in educational costs to be covered by loans or working.

## GPA And Graduation Status

Table 7 compares the grade point averages (GPAs) of student borrowers and non-borrowers in the Study Cohort. While there are no striking differences between the two groups, loan recipients were less likely to have below a D average and more likely to have between a B and C average than non-borrowers. Less than ten percent of the students in both groups had an overall GPA of 3.5 - 4.0.

Both Loan Recipients (L) and the Non-Borrowers (NL) were divided into three groups according to their class status as of Spring 1990: graduates, continuing students (not graduated as of 5\90) and non-completers (students who had left one of the nine SUS universities at any time from 1985-1990). Borrowers were slightly more likely to have graduated and more likely to be continuing students. Non-borrowers were one-third more likely to be non-completers than Loan Recipients (Table 8). When the Loan Recipients are divided into two groups, (graduating/continuing students and non-completers) and compared by race, Black borrowers were one-third more likely to be non-completers than white students or Hispanic students (Table 9).

## Grant And Non-Grant Recipients

Sixty-seven percent of Loan Recipients (1,937) received some type of grant(s). Grant recipients were subdivided into the following categories: FSAG Only, Institutional Grants Only, Pell Only, Pell and FSAG, and Pell/FSAG/Institutional. Eighty-five percent of Black borrowers received a grant; 62 percent of white borrowers, 68 percent of Hispanic and 69 percent of Asian borrowers received one or more grants (Table 10). Twenty-eight percent of Loan Recipients received both Pell and FSAG grants. Forty-two percent of all grant *recipients* received both the Pell and FSAG grants (Table 11).

When analyzing loan recipients by their grant status and family income (Table 12), the data reveal that in general, the lower the family income the more likely a student was to receive a grant. For instance, 91 percent of borrowers with family incomes between $11,000 and $19,999 received a grant, and 84 percent of borrowers with family incomes of less than $11,000 and greater than zero received a grant. Among independent borrowers, 91 percent of the Loan Recipients with incomes below $5,000 and greater than zero received a grant(s). Only one independent borrower with a "zero" reported income did not receive a grant. Grant recipients received an average grant(s) award of $4,775 (Table 13). Among grant recipients, only whites borrowed more money than they received in grant awards.

Students who received the most grant money (those that had a combination of state, federal and institutional aid) borrowed the most money (Table 14). Students who received grants from all three sources (29% of grant recipients) borrowed the most money ($6,138). Non-grant recipients borrowed the least amount of money ($3,124) during their educational experience.

## Debt Burden

According to a federal study, ***Debt Burden Facing College Graduates*** (1991) only 6.5 percent of 1986 college graduates had a debt burden that exceeded ten percent of their gross income - a figure lenders use to determine when debt burden is "onerous." Education debt burden was defined as the ratio of education debt payments to gross income. Only those students who had a first year income were included in the study. Debt burden for all students was calculated based on a median first-year income of $19,000, a median debt of $4,800 and the number of monthly payments required to amortize the debt. Students who graduated in 1986 (and through 1990) had loan terms of 8.5 percent for ten years. The study revealed that bachelor's degree recipients from public postsecondary institutions had a lower median debt burden (3.4%) than those from private institutions (5.1%). (Tables 20 & 21)

The median debt of graduates of the SUS Study Cohort was $4,403. Based on the formula used by the federal study, it is clear that the debt burden of SUS graduates would be well below the ten percent debt burden used to represent excessive debt. It is important to note that according to the federal study, students with the least income after graduation were more inclined to have borrowed money while in college and had a higher median debt burden (based on their salaries) after graduation. Salary estimates of the SUS cohort can only be assumed to be near the national median (Table 22).

## Summary

- Thirty-four percent (2,912) of the Study Cohort, SUS freshmen in Fall 1985 who were Florida residents, borrowed from the Stafford Loan Program, the Perkins Loan Program and/or an institutional loan program. (Table 1)

- Gender differences were minimal among SUS borrowers as well as grant recipients. Race differences among borrowers and grant recipients were more noteworthy. (Tables 2 & 3)

- Black students were twice as likely to borrow as white students. Sixty percent of Black students in the Cohort borrowed at some point during 1985-1990. (Table 2)

- Black borrowers accumulated more debt than other students. (Table 3 & 4)

- Compared to national data, a lower percentage of SUS students in the study cohort were borrowers; however, the cumulative average SUS debt for all borrowers ($4,594) was slightly more (3%) than the average debt of national borrowers who attended public institutions with no PhD program and substantially less (20%) than the debt incurred by national borrowers who attended 4-year public institutions with PhD programs. (Table 5)

- Borrowing money did not have a negative affect on a student's GPA or graduation status. Borrowers were slightly more likely to have graduated within five years or to be continuing students in good academic standing. (Tables 7 & 8)

- A larger percentage of Black borrowers were represented in the lowest family income group; however, 85 percent of Black borrowers received a grant as compared to 62 percent of white borrowers, 68 percent of Hispanic borrowers and 69 percent of Asian borrowers. (Table 10)

- In general, the lower the family income the more likely a student was to receive a grant. Ninety-one percent of dependent borrowers with family incomes between $11,000 and $19,999 received a grant. (Table 12)

- Loan Recipients who received grants were awarded an average cumulative grant amount of $4,775. (Table 13)

- Students who received the most grant monies borrowed the most money. Among Loan Recipients, students who did not receive grants borrowed the least amount of money. (Table 14)

- All maximum annual grant sources combined (FSAG $1,300) (Pell $2,400) (Institutional approximately $1,000) equate to 60 percent of educational costs at any of the SUS institutions.

- The debt burden of SUS Loan Recipient Graduates was not excessive according to guidelines established by a federal study on debt burden. (Tables 20, 21 & 22)

## IV. ISSUES AND RECOMMENDATIONS

The delivery and administration of financial aid programs are complicated, interdependent processes that include federal, state, private and institutional resources. Federal financial aid programs were created to provided monetary assistance to qualified students who were unable to meet all of the costs of education. The majority (three-fourths) of dollars received by students is awarded through federal student aid programs. The requirements, restrictions and eligibility criteria for those programs are determined by the federal government but programs are administered and funds disbursed at the state level. State financial aid programs were created to supplement existing federal programs. The purpose of Florida's financial aid programs is to enhance educational access to all students, particularly those with financial need. The Florida Department of Education administers twenty-three financial aid programs. Each postsecondary institution administers institutional grant and loan programs.

Previous state studies on financial aid have focused on the administration of all or certain aid programs. The two central issues addressed in this study, loan indebtedness of public sector students and funding for the State's need-based financial aid programs, are closely related.

To ascertain the indebtedness level of students attending and graduating from public postsecondary institutions, the Commission analyzed longitudinal financial aid data provided by the Board of Regents for the SUS Freshman Class of 1985 (Florida residents). The data revealed that the average indebtedness level of that class ($4,594) over a five-year period was close to the national average and for most graduates could be repaid without exceeding the federal definition of an onerous debt burden (an annual repayment that exceeds 10 percent of gross income). Students who drop out or who work in low paying jobs would have a higher debt burden than graduates earning near or above the average starting salary of $19,000. Students who attended and/or graduated from independent, private or vocational postsecondary institutions were not the focus of this study; therefore, analyses were not made of their levels of indebtedness or debt burden.

While the average indebtedness level of the SUS cohort was not excessive, the data revealed significant variance among races. For instance, Black students were twice as likely to borrow as white students, accumulated more debt than other students, and among borrowers were one-third more likely to be non-completers five years after enrolling. At the same time, 85 percent of Black borrowers were grant recipients, thereby reducing the amount of loans necessary to meet educational costs.

Grants are crucial to low-income students who must either borrow money or work while attending a postsecondary education institution. The combined maximum need-based grant sources equate to 60 percent of education costs at any of the SUS institutions. Need-based students are only ten percent of Academic Scholar grant recipients. Academic Scholars receive a larger stipend ($2,500) than recipients of the FSAG ($1,300) the State's largest need-based grant program. Sixty-five percent of SUS Pell Grant recipients (the federal indicator of need) borrowed from a federal loan program in 1990-91. It is not clear what role grants have on reducing the level of indebtedness of needy students, but it is clear that the neediest SUS students are at least partially dependent on loans to finance their education.

***Recommendation:***

*1. Public postsecondary institutions should maximize all financial aid resources and revenues to reduce students' dependency on loans. The Legislature should adequately fund all need-based grant and scholarship programs to help reduce the number and amount of loans students must borrow to meet higher education expenses.*

In order to analyze the sources and amounts of institutional aid that is distributed to SUS students, it is necessary to request a special report from the Board of Regents as that information is not available in the *BOR Fact Book* nor is that information part of the BOR financial aid data base. Institutions award millions of dollars in need-based and merit aid that is generated in part from lottery revenues and financial aid fees. That information should be collected and disseminated by the Board of Regents.

***Recommendation:***

*2. The Board of Regents should update its financial aid data base in order to collect and generate information by institution and systemwide on how the nine state universities use institutional financial aid. The funds available, the source of those funds, and the distribution of funds as institutional aid should be made a part of the financial aid section of the BOR Fact Book.*

Community college students are eligible for financial aid awards that are generated from financial aid fees. Because of statutory restrictions on the amount of monies that may be transferred from general funds to the community colleges' financial aid programs, students are not eligible for financial aid generated from the lottery funds allocated to the community colleges. The Commission believes that community colleges should be given greater flexibility at the local level to administer funds from all sources to maximize the availability of these sources for the local administration and distribution of financial aid.

***Recommendation:***

*3. Community colleges should be permitted to use lottery enhancement money to fund financial aid programs at their respective institutions. Any lottery money transferred for the purpose of funding financial aid programs must be used to fund need-based financial aid awards.*

The State Board of Community Colleges does not yet have a separate, viable financial aid data base. It is impossible to extrapolate longitudinal financial aid data for the community college students. Available financial aid information is inconclusive and at variance with data generated by the Office of Student Financial Assistance. Reliable, accurate information needed for this study was not available from the State Board of Community Colleges.

***Recommendation:***

*4. The State Board of Community Colleges should create a separate financial aid data base comparable to the one used by the Florida Board of Regents.*

The Florida Student Assistance Grant (FSAG) is the State's largest need-based financial aid program. The FSAG was established to provide grants ranging from $200 to $1,500 to full-time undergraduate students with demonstrated financial need. In its 20 year history, the FSAG Program has grown substantially. In 1972-73, 284 FSAG awards were made to qualified postsecondary students. In 1991-92, over 29,000 awards were made at a cost of $30 million in general revenue funds. The appropriation for the FSAG program increased by 117 percent over a ten year period (1981-1991). The number of awards increased by 76 percent during that same time period. While more awards are being made to postsecondary students, the amount of the awards has not increased at the same percentage rate. Historically, the FSAG has been linked to an arbitrary figure based on available funding and not to a systematic analysis of educational costs. There is no provision in statute that allows for increases in FSAG grants if tuition and fees are increased beyond the dollar cap provided in law. According to s. 240.409 (2)(a) F.S. grants shall be awarded for the amount of demonstrated unmet need for tuition and fees and may not exceed a total of $1,500 per academic year, or as specified in the Appropriations Act. The maximum award made in 1990-91 was $1,300, only $100 more than the original maximum award of $1,200 in 1972.

*Recommendation:*

*5. In order to meet the educational costs of Florida residents attending public institutions in Florida, Florida Student Assistance Grants should be indexed to the average cost of full-time tuition and fees at the nine state universities and the 28 community colleges. A formula for determining the percentage of increase in grant awards should be established by the Office of Student Financial Assistance and included in the Department of Education's budget request.*

The Legislature should fully fund the Department of Education's budget request for the Florida Student Assistance Grant Programs. The amount of tuition and fees should not be specified in statute to avoid annual revisions to the statute and to clarify that the unmet need for full tuition and fees should be met by he Florida Student Assistance Grant.

*Recommendation:*

*6. Section 240.409 F.S. should be amended to provide that state student assistance grants shall be awarded for the amount of unmet need for tuition and fees or as specified in the General Appropriations Act.*

The FSAG set-aside fund of $1.5 million for community college students applying after the April 15 application deadline went into effect for the first time in the 1990-91 academic year. The set-aside was established because of the open door admissions policy of the community college system which allows students to be admitted through the first week of classes at most community colleges. Historically, community college students who decided to go to college after the April 15 application date were not eligible to receive FSAG funds. To make FSAG funds available for these "late applicants," the 1990 Legislature appropriated $1.5 million, although it was not known how many students would apply or be eligible. In 1990-91, over 17,000 students applied for the set-aside funds and 796 (5%) actually received funds. Over $900,000 was returned to the Florida Public Student Assistance Grant Trust Fund because qualified students were no longer enrolled or enrolled part-time. This year (1991-92) over 37,000 community college students applied for the set-aside funds, 6,791 students were qualified and 2,248 (6%) were awarded funds. No money is expected to be returned to the Trust Fund. With an annual unadjusted allocation of $1.5 million, the set-aside can fully fund approximately 2,250 students a year.

Critics of the set-aside argue that the $1.5 million appropriation is inadequate to fund the number of "late" applicants who qualify for funds. This year, all late applicants will receive a pro-rated award in the spring semester as there is not enough money to fully fund the awards. Awards for timely applicants were not pro-rated due to a one-time budget amendment approved by the Legislature in the Fall of 1991. Because of the number of late applicants applying, the family contribution for dependent students is only $900 as opposed to $3,000 for timely applicants.

Students who apply for set-aside funds often take out loans or are given deferments until the money arrives. Some students may be incurring debt by taking out a short term loan with the anticipation of repaying that loan after they receive an FSAG award. Those students who do not receive an FSAG award are still responsible for repaying their loan. Some financial aid directors report that a number of FSAG applicants drop out of school or attend part-time while waiting to receive their FSAG funds. Students do not know if they are eligible for funds until months after they apply and the semester has begun.

Proponents of the set-aside argue that the neediest of community college students who would otherwise be ineligible for state scholarship monies are served by the set-aside funds. Supporters of the set-aside have suggested that the deadline for "late" applicants be changed from September 15 to July 15 in order to make the money available to students earlier in the semester. This date change would make the money available earlier, but not at the beginning of the semester. Staff from the OSFA insist that changing the application deadline to any date beyond April 15 would prevent students from receiving their money before school starts. Although some problems in administering the program were identified, supporters of the FSAG set-aside believe they are minimal compared to the access problems that would be created if the set-aside were abolished. Because the program is only two years old, and because of the importance of accommodating all eligible community college students, supporters of the FSAG maintain that many of the administrative problems can be solved in the coming years.

***Recommendation:***

*7. The FSAG set-aside policy for community college students should be continued. Community colleges should discourage indebtedness of FSAG applicants and be prepared to forgive loans made to students in anticipation that the loans would be repaid through FSAG funds. Tuition and fee waivers or institutional grants may be awarded to FSAG applicants at the colleges' discretion.*

The data collected for this study provides a composite of financial aid information on SUS students from 1985-1990. To broaden this composite into a statewide financial aid profile, accurate and comparable financial aid data from each educational sector must be included. When each sector has a viable, comparable financial aid data base, it will be possible to regularly monitor the indebtedness levels and borrowing patterns of Florida's postsecondary students.

***Recommendation:***

*8. The Board of Regents, State Board of Community Colleges, State Board of Independent Colleges and Universities, and the State Board of Independent Postsecondary Vocational, Technical, Trade and Business Schools should routinely compile data and maintain a longitudinal data base on the indebtedness level and borrowing patterns of Florida residents attending higher education institutions in the State. The Division of Public Schools should collect similar data on postsecondary students attending area centers operated by school districts. The Office of Student Financial Assistance should report this data as requested to state agencies and policy makers.*

# Appendix A

# TABLES

## TABLE 1

## SUS STUDENT INDEBTEDNESS STUDY COHORT
## LOAN STATUS BY RACE AND GENDER

| | L | L1 | L2 | L3 | NL | TOTAL |
|---|---|---|---|---|---|---|
| BLACK TOTAL | [redacted] | 461 | 8 | 60 | 360 | 889 |
| FEMALE | [redacted] | 293 | 4 | 35 | 192 | 524 |
| MALE | [redacted] | 168 | 4 | 25 | 168 | 365 |
| WHITE TOTAL | [redacted] | 1783 | 62 | 270 | 4751 | 6866 |
| FEMALE | [redacted] | 942 | 36 | 136 | 2450 | 3564 |
| MALE | [redacted] | 841 | 26 | 134 | 2301 | 3302 |
| HISPANIC TOTAL | [redacted] | 147 | 15 | 30 | 351 | 543 |
| FEMALE | [redacted] | 76 | 9 | 14 | 183 | 282 |
| MALE | [redacted] | 71 | 6 | 16 | 168 | 261 |
| ASIAN TOTAL | [redacted] | 51 | 1 | 9 | 101 | 162 |
| FEMALE | [redacted] | 30 | 1 | 5 | 47 | 83 |
| MALE | [redacted] | 21 | 0 | 4 | 54 | 79 |
| INDIAN TOTAL | [redacted] | 4 | 0 | 0 | 2 | 6 |
| FEMALE | [redacted] | 0 | 0 | 0 | 2 | 2 |
| MALE | [redacted] | 4 | 0 | 0 | 0 | 4 |
| N/A TOTAL | [redacted] | 7 | 1 | 3 | 17 | 28 |
| FEMALE | [redacted] | 4 | 0 | 2 | 8 | 14 |
| MALE | [redacted] | 3 | 1 | 1 | 9 | 14 |
| TOTAL | [redacted] | 2453 | 87 | 372 | 5582 | 8494 |

Study Cohort: All FTIC FRESHMEN, CLASS OF 1985, FLORIDA RESIDENTS ONLY, TRACKED THROUGH SPRING 1990.

L = LOAN RECIPIENTS (ALL BORROWERS FROM SOURCES DESCRIBED BELOW) 34% of cohort
L1 = Borrowed from the Stafford and Perkins' Loan Programs only. (84%)
L2 = Borrowed from institutional loan programs only. (3%)
L3 = Borrowed from both Federal and Institutional loan programs. (13%)
NL = Members of the cohort who never borrowed from sources described above. (66%)
NA = Students whose race is unknown.

SOURCE: FLORIDA BOARD OF REGENTS

## TABLE 2

### SUS STUDENT INDEBTEDNESS STUDY COHORT
### LOAN RECIPIENTS
### PERCENT BORROWING BY RACE AND GENDER

| | NUMBER COHORT | NUMBER BORROWING | PERCENT BORROWING |
|---|---|---|---|
| BLACK TOTAL | 889 | 529 | 60 |
| Female | 524 | 332 | 63 |
| Male | 365 | 197 | 54 |
| WHITE TOTAL | 6866 | 2115 | 31 |
| Female | 3564 | 1114 | 31 |
| Male | 3302 | 1001 | 30 |
| HISPANIC TOTAL | 543 | 192 | 35 |
| Female | 282 | 99 | 35 |
| Male | 261 | 93 | 36 |
| ASIAN TOTAL | 162 | 61 | 38 |
| Female | 83 | 36 | 43 |
| Male | 79 | 25 | 32 |
| FEMALE TOTAL | 4453 | 1581 | 36 |
| MALE TOTAL | 4007 | 1316 | 33 |

NOTE: Does not include 6 Indian students and 28 students for whom race is unknown.
Black students were twice as likely to borrow as white students.
Gender differences are minimal.

SOURCE: FLORIDA BOARD OF REGENTS

## TABLE 3

## SUS STUDENT INDEBTEDNESS STUDY COHORT

## LOAN RECIPIENTS CUMULATIVE AVERAGE BORROWED BY RACE

## 1985 - 1990

| BLACK (529) | WHITE (2115) | HISPANIC (192) | ASIAN (61) |
|---|---|---|---|
| $4,974 | $4,536 | $3,949 | $4,753 |

* Excludes four Indian students and eleven students for whom race is unknown.

NOTE: Blacks had accumulated less than 10 percent more debt than whites. Blacks had 26 percent more debt than Hispanics.

## TABLE 4

## LOAN RECIPIENT GRADUATES

## CUMULATIVE AVERAGE BORROWED BY RACE

| BLACK | WHITE | HISPANIC | ASIAN |
|---|---|---|---|
| $5,645 | $5,003 | $4,295 | $6,013 |

NOTE: Among graduates, Asians had accumulated more debt than other races, 20 percent more than white students, less than 10 percent more than Blacks.

SOURCE: FLORIDA BOARD OF REGENTS

TABLE 5

CUMULATIVE LOAN DEBT SUS LOAN RECIPIENTS AND NATIONWIDE SAMPLE

| 1985 - 1990 | | FALL 1989 | | |
|---|---|---|---|---|
| AVERAGE SUS LOAN DEBT ALL BORROWERS | AVERAGE SUS LOAN DEBT GRADUATES | AVERAGE NATIONAL LOAN DEBT, PUBLIC INSTITUTIONS * | AVERAGE NATIONAL LOAN DEBT, 4-YEAR INST. PhD | AVERAGE NATIONAL LOAN DEBT, 4-YEAR INST. NO PhD |
| $4,594 | $5,068 | $4,285 | $5,519 | $4,458 |

NOTE: SUS Loan debt is cumulative for a particular cohort, i.e. data are longitudinal.

National debt is cumulative for all students measured at a single point in time (snapshot). National data was comprised of twice as many freshman and sophomores as juniors, seniors and 5 year non-graduates combined.

* Includes less than four-year institutions.

There is a slight difference (3%) between the average amount borrowed by SUS borrowers and national borrowers attending public four-year institutions without a PhD program.

There is a more substantial difference (20%) between the average borrowed by SUS borrowers and national borrowers attending public four-year institutions with a PhD program.

SOURCE: FLORIDA BOARD OF REGENTS

## TABLE 6

## SUS STUDY COHORT

## LOAN RECIPIENTS BY FAMILY INCOME/RACE

| DEPENDENT STUDENTS N = 2397 | TOTAL | | BLACK | | WHITE | | HISPANIC | | ASIAN | |
|---|---|---|---|---|---|---|---|---|---|---|
| | N | % | N | % | N | % | N | % | N | % |
| $50,000 - ABOVE | 180 | 7 | 14 | 3 | 152 | 9 | 9 | 6 | 5 | 10 |
| $40,000 - 49,999 | 235 | 10 | 26 | 6 | 196 | 11 | 10 | 6 | 3 | 6 |
| $30,000 - 39,999 | 505 | 21 | 65 | 14 | 385 | 22 | 37 | 23 | 18 | 33 |
| $20,000 - 29,999 | 598 | 25 | 113 | 25 | 430 | 24 | 42 | 26 | 13 | 24 |
| $11,000 - 19,999 | 472 | 20 | 115 | 26 | 314 | 18 | 35 | 22 | 8 | 15 |
| LESS THAN $11,000 | 338 | 14 | 88 | 19 | 223 | 13 | 22 | 14 | 5 | 10 |
| ZERO | 69 | 3 | 30 | 6 | 35 | 2 | 3 | 2 | 1 | 2 |
| INDEPENDENT STUDENTS N = 387 | TOTAL | | BLACK | | WHITE | | HISPANIC | | ASIAN | |
| | N | % | N | % | N | % | N | % | N | % |
| $20,000 - ABOVE | 21 | 5 | 3 | 4 | 15 | 5 | 2 | 10 | 1 | 17 |
| $11,000 -19,999 | 25 | 7 | 1 | 2 | 23 | 8 | 1 | 5 | 0 | 0 |
| $5,000 - 10,999 | 113 | 29 | 11 | 16 | 92 | 31 | 8 | 40 | 2 | 33 |
| LESS THAN $5,000 | 197 | 51 | 42 | 61 | 144 | 49 | 9 | 45 | 2 | 33 |
| ZERO | 31 | 8 | 12 | 17 | 18 | 6 | 0 | 0 | 1 | 17 |

NOTE: Students without dependency status or no reported income (113) not included.

SOURCE: FLORIDA BOARD OF REGENTS

## TABLE 7

## SUS STUDENT INDEBTEDNESS STUDY COHORT

## BY TYPE OF LOAN AND GPA

| | < 1.0 | | 1.0 - < 2.0 | | 2.0 - < 3.0 | | 3.0 - < 3.5 | | 3.5 - 4. | |
|---|---|---|---|---|---|---|---|---|---|---|
| | N | % | N | % | N | % | N | % | N | % |
| L1 (2,453) | 147 | 6 | 376 | 15 | 1,178 | 48 | 539 | 22 | 213 | 9 |
| L2 (87) | 1 | 1 | 12 | 14 | 43 | 49 | 21 | 24 | 10 | 1 |
| L3 (372) | 6 | 2 | 50 | 13 | 201 | 54 | 93 | 25 | 22 | 6 |
| L (2,912) | [illegible]54 | [illegible] | [illegible]3 | [illegible]5 | [illegible]422 | [illegible]9 | [illegible]53 | [illegible]2 | [illegible]45 | [illegible] |
| [illegible]L (5,582) | [illegible]76 | [illegible]0 | [illegible]15 | [illegible]6 | [illegible]310 | [illegible]1 | [illegible]255 | [illegible]2 | [illegible]26 | [illegible] |

**NOTE:** Loan recipients less likely to have below D average and more likely to have between B and C average.

L = LOAN RECIPIENTS (ALL BORROWERS FROM SOURCES DESCRIBED BELOW)
L1 = Borrowed from the Stafford and Perkins' Loan Programs only.
L2 = Borrowed from Institutional loan programs only.
L3 = Borrowed from both Federal and Institutional loan programs.

SOURCE: FLORIDA BOARD OF REGENTS

## TABLE 8

### SUS STUDENT INDEBTEDNESS STUDY COHORT
### STATUS OF STUDY COHORT, SPRING 1990

| | GRADUATES | | CONTINUING STUDENTS | | NON-COMPLETERS | | TOTAL | |
|---|---|---|---|---|---|---|---|---|
| | N | % | N | % | N | % | N | % |
| L1 | 1084 | 44 | 618 | 25 | 751 | 31 | 2453 | 100 |
| L2 | 50 | 57 | 17 | 20 | 20 | 23 | 87 | 100 |
| L3 | 182 | 49 | 128 | 34 | 62 | 17 | 372 | 100 |
| TOTAL L | 1316 | 45 | 763 | 26 | 833 | 29 | 2912 | 100 |
| NL | 2391 | 43 | 990 | 18 | 2201 | 39 | 5582 | 100 |

NOTE: Continuing students were enrolled in Spring, 1990. It is not known if they continued or dropped out.

NL students are one-third more likely to be non-completers.

L = LOAN RECIPIENTS (ALL BORROWERS FROM SOURCES DESCRIBED BELOW)
L1 = Borrowed from the Stafford and Perkins' Loan Programs only.
L2 = Borrowed from institutional loan programs only.
L3 = Borrowed from both Federal and institutional loan programs.

SOURCE: FLORIDA BOARD OF REGENTS

## TABLE 9

### SUS STUDENT INDEBTEDNESS STUDY COHORT
### STATUS OF LOAN RECIPIENTS* BY RACE

| | GRADUATES AND CONTINUING | | NON-COMPLETERS | | TOTAL | |
|---|---|---|---|---|---|---|
| | N | % | N | % | N | % |
| BLACK | 339 | 64 | 62 | 36 | 529 | 100 |
| WHITE | 1539 | 73 | 576 | 27 | 2115 | 100 |
| HISPANIC | 144 | 75 | 48 | 25 | 192 | 100 |
| ASIAN | 46 | 75 | 15 | 25 | 61 | 100 |
| TOTAL | 2068 | 71 | 829 | 29 | 2897 | 100 |

NOTE: * Does not include four Indian students and 11 students for whom race is unknown.

Among borrowers, Black students were one-third more likely to be non-completers, but the majority of all racial categories graduated or continued their education as of Spring 1990.

SOURCE: FLORIDA BOARD OF REGENTS

## TABLE 10

## SUS STUDENT INDEBTEDNESS STUDY COHORT

### LOAN RECIPIENTS
### PERCENT RECEIVING GRANTS BY RACE AND GENDER

| | LOAN RECIPIENTS NUMBER/BORROWING | LOAN RECIPIENTS NUMBER GRANTS | LOAN RECIPIENTS PERCENT WITH GRANTS |
|---|---|---|---|
| BLACK TOTAL | [illegible] | [illegible] | [illegible]5 |
| Female | 332 | 286 | 86 |
| Male | 197 | 163 | 83 |
| WHITE TOTAL | [illegible]115 | [illegible]306 | [illegible]2 |
| Female | 1114 | 712 | 64 |
| Male | 1001 | 594 | 59 |
| HISPANIC TOTAL | [illegible]92 | [illegible]30 | [illegible]8 |
| Female | 99 | 65 | 66 |
| Male | 93 | 65 | 70 |
| ASIAN TOTAL | [illegible]1 | [illegible]2 | [illegible]9 |
| Female | 36 | 24 | 67 |
| Male | 25 | 18 | 72 |
| FEMALE TOTAL | [illegible]581 | [illegible]87 | [illegible]9 |
| MALE TOTAL | [illegible]316 | [illegible]0 | [illegible]4 |

NOTE: Male and Female totals do not include 11 students for whom sex is unknown and 4 Indian students.

Sixty-seven percent of loan recipients (1,937) received some type of grant

Eighty-five percent of Blacks received a grant.

Sixty-two percent of whites received a grant

SOURCE: FLORIDA BOARD OF REGENTS

## TABLE 11

### SUS STUDENT INDEBTEDNESS STUDY COHORT
### TOTAL LOAN RECIPIENTS
### BY GENDER, RACE AND GRANT STATUS

| | FSAG ONLY | INST. ONLY | PELL & FSAG | PELL ONLY | PELL/FSAG AND INST. | NONE | TOTAL |
|---|---|---|---|---|---|---|---|
| FEMALE | 46 | 29 | 482 | 222 | 313 | 495 | 1587 |
| MALE | 36 | 21 | 336 | 201 | 251 | 481 | 1325 |
| BLACK | 8 | 4 | 237 | 103 | 97 | 80 | 529 |
| WHITE | 67 | 45 | 500 | 286 | 408 | 809 | 2115 |
| HISPANIC | 5 | 1 | 57 | 26 | 41 | 62 | 192 |
| ASIAN | 2 | 0 | 21 | 6 | 13 | 19 | 61 |
| OTHER | 0 | 0 | 3 | 2 | 5 | 5 | 15 |
| TOTAL | 82 | 50 | 818 | 423 | 564 | 975 | 2912 |
| PERCENT | 3 | 2 | 28 | 15 | 19 | 33 | 100 |

*OTHER: Includes males and females for whom race is unknown and four Indian students.

SOURCE: FLORIDA BOARD OF REGENTS

TABLE 12

SUS STUDENT INDEBTEDNESS STUDY COHORT
LOAN RECIPIENTS
FAMILY INCOME BY DEPENDENCY STATUS AND TYPE OF GRANTS RECEIVED
DEPENDENT STATUS ONLY

| INCOME | FSAG | INST. | PELL | PELL & FSAG | PELL/FSAG/INST. | NONE | TOTAL LOAN RECIPIENTS | PERCENT LOAN RECIPIENTS WITH GRANTS |
|---|---|---|---|---|---|---|---|---|
| $50,000 + | 5 | 2 | 9 | 8 | 10 | 147 | 181 | 19 |
| $40 -49,999 | 13 | 8 | 16 | 20 | 24 | 156 | 237 | 34 |
| $30 -39,999 | 19 | 10 | 42 | 86 | 77 | 273 | 507 | 46 |
| $20 -29,999 | 20 | 18 | 98 | 170 | 131 | 162 | 599 | 73 |
| $11 -19,999 | 7 | 4 | 90 | 196 | 135 | 42 | 474 | 91 |
| LESS $11,000 | 6 | 3 | 60 | 146 | 70 | 54 | 339 | 84 |
| ZERO | 2 | 0 | 19 | 19 | 11 | 18 | 69 | 74 |
| NOT REPORTED | 0 | 1 | 1 | 8 | 7 | 0 | 17 | 100 |
| TOTAL | 72 | 46 | 325 | 653 | 465 | 852 | 2423 | 66 |

INDEPENDENT STATUS ONLY

| INCOME | FSAG | INST. | PELL | PELL & FSAG | PELL/FSAG /INST. | NONE | TOTAL LOAN RECIPIENTS | PERCENT LOAN RECIPIENTS WITH GRANTS |
|---|---|---|---|---|---|---|---|---|
| $20,000 + | 3 | 0 | 3 | 8 | 1 | 6 | 21 | 71 |
| $11 -19,999 | 3 | 0 | 4 | 5 | 6 | 7 | 25 | 72 |
| $5 - 10,999 | 0 | 0 | 28 | 37 | 33 | 16 | 114 | 86 |
| LESS $5,000 | 4 | 0 | 30 | 97 | 51 | 18 | 200 | 91 |
| ZERO | 0 | 0 | 16 | 11 | 5 | 1 | 33 | 97 |
| NOT REPORTED | 0 | 0 | 0 | 1 | 1 | 0 | 2 | NA |
| TOTAL | 10 | 0 | 81 | 159 | 97 | 48 | 395 | 88 |

NOTE: Charts do not include 94 students whose dependency status is unknown. Percentages are rounded. Of those students receiving loans, generally, the lower the family income the more likely a student was to receive a grant.

SOURCE: FLORIDA BOARD OF REGENTS

TABLE 13

SUS STUDENT INDEBTEDNESS STUDY COHORT
LOAN RECIPIENTS
AVERAGE CUMULATIVE
GRANT(S) AMOUNT
1985 - 1990

| GRANT AVERAGE AMOUNT ALL RECIPIENTS (1,937) | BLACK (449) | WHITE (1306) | HISPANIC (130) | ASIAN (42) |
|---|---|---|---|---|
| $4,775 | $6,198 | $4,292 | $4,253 | $5,038 |

NOTE: Does not include students for whom race is unknown and Indian students.

TABLE 14

SUS STUDENT INDEBTEDNESS STUDY COHORT
LOAN RECIPIENTS
AVERAGE LOAN AND GRANT RECEIVED

| GRANT | NUMBER | AVERAGE GRANT* | AVERAGE LOANS |
|---|---|---|---|
| FSAG | 82 | $881 | $5,026 |
| INSTITUTIONAL | 50 | 1,240 | $3,879 |
| PELL | 423 | 1,910 | $4,374 |
| PELL + FSAG | 818 | 5,788 | $6,397 |
| PELL/FSAG/INST. | 564 | 12,471 | $6,138 |
| NONE | 975 | 0 | $3,124 |

* Students who received funds from only one grant source typically received those grants for only one year--hence the low average.

NOTE: Students who received the most grants borrowed the most money.

NONE = Students who did not receive grants.

SOURCE: FLORIDA BOARD OF REGENTS

## TABLE 15

### SUS STUDENT INDEBTEDNESS STUDY COHORT
### LOAN RECIPIENTS *
### DEPENDENCY STATUS

| DEPENDENT STUDENTS | | INDEPENDENT STUDENTS | | NOT REPORTED | |
|---|---|---|---|---|---|
| NUMBER | PERCENT | NUMBER | PERCENT | NUMBER | PERCENT |
| 2423 | 83 | 395 | 14 | 94 | 3 |

NOTE: * Non-borrowers are not required to reveal dependency status.

## TABLE 16

### SUS STUDENT INDEBTEDNESS STUDY COHORT
### ENROLLMENT STATUS

| | FULL-TIME | | PART-TIME | |
|---|---|---|---|---|
| | NUMBER | PERCENT | NUMBER | PERCENT |
| All Borrowers (L) | 1856 | 64 | 1056 | 36 |
| Non-Borrowers (NL) | 3229 | 58 | 2353 | 42 |

NOTE: Borrowers (L) are more likely to attend classes on a full-time basis.

SOURCE: FLORIDA BOARD OF REGENTS

TABLE 17

## SUS STUDENT INDEBTEDNESS STUDY COHORT
## LOAN RECIPIENTS

### AVERAGE AMOUNT BORROWED BY LOAN SOURCE

| | ALL BORROWERS | | GRADUATES & CONTINUING | | NON-COMPLETERS | |
|---|---|---|---|---|---|---|
| | NUMBER | AMOUNT | NUMBER | AMOUNT | NUMBER | AMOUNT |
| L1 | 2,453 | $4,464 | 1702 | $5,253 | 751 | $2,676 |
| L2 | 97 | $722 | 67 | $843 | 20 | $679 |
| L3 | 372 | $6,341 | 310 | $6,722 | 62 | $4,436 |

L1 = Borrowed from the Stafford and Perkins' Loan Programs only.
L2 = Borrowed from Institutional loan programs only.
L3 = borrowed from both Federal and Institutional loan programs.

SOURCE: FLORIDA BOARD OF REGENTS

TABLE 18

SUS STUDENT INDEBTEDNESS STUDY COHORT
LOAN RECIPIENTS
AVERAGE AMOUNT BORROWED BY SELECT DISCIPLINE, RACE

| | | BLACK (529) | WHITE (2115) | HISPANIC (192) | ASIAN (61) |
|---|---|---|---|---|---|
| BUSINESS & MANAGEMENT | NUMBER | 83 | 467 | 48 | 7 |
| | AMOUNT | $4979 | $4642 | $4137 | $4570 |
| COMMUNICATION | NUMBER | 34 | 179 | 10 | 2 |
| | AMOUNT | $5482 | $4435 | $3246 | $5381 |
| COMPUTER & INFO. SCIENCE | NUMBER | 33 | 44 | 4 | 5 |
| | AMOUNT | $4712 | $3592 | $6328 | $4877 |
| EDUCATION | NUMBER | 40 | 200 | 19 | 1 |
| | AMOUNT | $5621 | $5019 | $2622 | $9538 |
| ENGINEERING | NUMBER | 31 | 198 | 16 | 14 |
| | AMOUNT | $4596 | $4281 | $4232 | $5388 |
| FOREIGN LANGUAGES | NUMBER | 0 | 15 | 2 | 1 |
| | AMOUNT | 0 | $5953 | $12,026 | $4720 |
| LETTERS | NUMBER | 11 | 76 | 2 | 2 |
| | AMOUNT | $6146 | $5641 | $3281 | $3750 |
| LIFE SCIENCES | NUMBER | 23 | 76 | 7 | 4 |
| | AMOUNT | $5799 | $4599 | $3561 | $9081 |
| PSYCHOLOGY | NUMBER | 20 | 89 | 8 | 1 |
| | AMOUNT | $5340 | $5104 | $5398 | $2500 |
| SOCIAL SCIENCES | NUMBER | 51 | 212 | 18 | 3 |
| | AMOUNT | $6502 | $4824 | $5227 | $2716 |

NOTE: Average loan borrowed includes amounts for students who graduated, were still enrolled, or dropped out.
SOURCE: FLORIDA BOARD OF REGENTS

## TABLE 19
## SUS STUDENT INDEBTEDNESS STUDY COHORT
## AVERAGE BORROWED BY LOAN RECIPIENTS
## BY SELECTED DISCIPLINES AND STATUS

| STATUS | AVERAGE BORROWED | NUMBER BORROWING |
|---|---|---|
| ALL BORROWERS | [redacted] | [redacted]912 |
| GRADUATES & CONTINUING | $5,330 | 2,079 |
| NON-COMPLETERS | $2,789 | 833 |
| **GRADUATES - CONTINUING BY SELECTED DISCIPLINES** | | |
| DISCIPLINE | AVERAGE BORROWED | NUMBER BORROWED |
| BUSINESS & MANAGEMENT | $5,138 | 480 |
| COMMUNICATIONS | $4,973 | 178 |
| COMPUTER & INFO. SCIENCE | $4,980 | 57 |
| EDUCATION | $5,487 | 214 |
| ENGINEERING | $5,082 | 179 |
| FOREIGN LANGUAGES | $7,555 | 13 |
| LETTERS | $5,775 | 88 |
| LIFE SCIENCES | $6,053 | 78 |
| PSYCHOLOGY | $5,598 | 91 |
| SOCIAL SCIENCES | $5,546 | 239 |
| **NON-COMPLETERS BY SELECT DISCIPLINE** | | |
| BUSINESS MANAGEMENT | $2,901 | 129 |
| COMMUNICATIONS | $2,953 | 48 |
| COMPUTER & INFO. SCIENCE | $2,735 | 29 |
| EDUCATION | $2,480 | 46 |
| ENGINEERING | $2,811 | 81 |
| FOREIGN LANGUAGES | $3,968 | 5 |
| LETTERS | $2,706 | 5 |
| LIFE SCIENCES | $2,308 | 35 |
| PSYCHOLOGY | $3,602 | 27 |
| SOCIAL SCIENCES | $2,906 | 48 |

NOTE: Continuing students were enrolled in Spring 1990, their status beyond that date is unknown. Non-Completers left one of the nine State Universities without graduating.

SOURCE: FLORIDA BOARD OF REGENTS

TABLE 20

Estimated debt burden for bachelor's degree recipients in their first year after graduation, by control of institution: 1986

| CONTROL | PERCENT WITH DEBT | MEDIAN DEBT,a | PERCENT WITH FIRST-YEAR INCOME | MEDIAN FIRST-YEAR INCOME,b | MEDIAN FIRST-YEAR DEBT BURDEN,c (PERCENT) |
|---|---|---|---|---|---|
| PUBLIC | 45.0 | $4,000 | 91.3 | $18,000 | 3.4 |
| PRIVATE | 50.7 | 7,000 | 90.7 | 18,900 | 5.1 |
| ALL | 50.1 | 4,800 | 90.6 | 19,000 | 3.9 |

SOURCE: 1987 Survey of Recent College Graduates.

a = Of those with debt

b = Of those with first-year income and debt.

c = The median of individually computed debt burdens, not the ratio of median debt to median first-year income. Computed only for those with debt and first-year income.

TABLE 21

Estimated debt burden of teachers and other professionals among bachelor's degree recipients in their first year after graduation: 1986

| JOB CATEGORY | PERCENT WITH DEBT | MEDIAN DEBT,a | MEDIAN FIRST-YEAR INCOME,b | MEDIAN FIRST-YEAR DEBT BURDEN,c (PERCENT) |
|---|---|---|---|---|
| TEACHER,d | 50.7 | $4,500 | $16,800 | 5.0 |
| OTHER PROFESSIONAL,e | 47.1 | 5,000 | 18,700 | 3.6 |

SOURCE: 1987 Survey of Recent College Graduates.

a = Of those with debt

b = Of those with first-year income and debt.

c = The median of individually computed debt burdens, not the ratio of median debt to median first-year income. Computed only for those with debt and first-year income.

d = Includes elementary through postsecondary teachers. The survey does not permit disaggregation by teaching level.

e = Includes managers, engineers scientists, writers, and other professionals.

TABLE 22

Debt burden of 1986 college graduates, by starting salary

| SALARY | PERCENT WITH DEBT | MEDIAN DEBT,[a] | ANNUAL REPAYMENT,[b] | MEDIAN INCOME,[c] | MEDIAN FIRST-YEAR DEBT BURDEN,[d] (PERCENT) |
|---|---|---|---|---|---|
| UNDER $10,000 | 53.4 | $4,300 | $640 | $7,100 | 9.3 |
| $10,000 - 20,000 | 51.4 | 4,500 | 670 | 15,600 | 4.5 |
| $20,000 - 30,000 | 50.8 | 5,000 | 744 | 23,000 | 3.1 |
| $30,000 + | 38.7 | 5,000 | 744 | 32,000 | 2.3 |

a = Of those with debt.

b = Loan terms of 8.5 percent for 10 years.

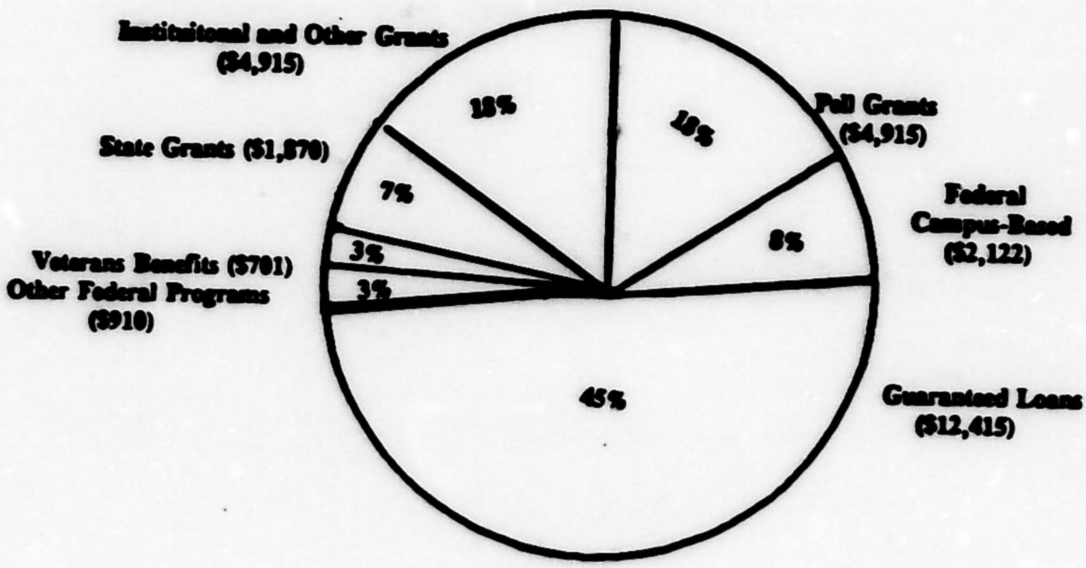
c = Of those with income and debt

d = The median of individual debt burdens, not the ratio of median debt to median income in the first year after graduation. Individual debt burden are calculated as the ratio of annual repayment to gross income. Annual repayment is the total of monthly payments required to amortize the median debt. Computed only for those with debt and first-year income.

SOURCE: 1987 Survey of recent college graduates.

## TABLE 23

## ESTIMATED STUDENT AID BY SOURCE FOR ACADEMIC YEAR 1990-91 (CURRENT DOLLARS IN MILLIONS)




Total Aid Awarded = $27,850

SOURCE: College Entrance Examinaton Board

"Other Federal Programs" includes SSIG, ICL, Military, Other Grants, and Other Loans.

Percentages do not add up to 100% due to rounding.

TABLE 24

FSAG SET-ASIDE FUNDS
ALLOCATION 1991-92

| COMMUNITY COLLEGES | APPLICANTS | NON-QUALIFIED | QUALIFIED | RECEIVED | *AMOUNT $ (FALL 1991) |
|---|---|---|---|---|---|
| Santa Fe Community College | 1,278 | 1,084 | 194 | 38 | 25,900 |
| Gulf Coast Community College | 436 | 343 | 93 | 45 | 14,864 |
| Brevard Community College | 1,460 | 1,227 | 233 | 111 | 43,290 |
| Broward Community College FT. LAUDERDALE-CENTRAL | 1,177 | 985 | 192 | 58 | 21,308 |
| Broward Community College HOLLYWOOD-SOUTH | 733 | 602 | 131 | 36 | 13,428 |
| Lake City Community College | 362 | 278 | 84 | 43 | 15,400 |
| Miami-Dade Community College-NORTH | 2,585 | 1,887 | 698 | 274 | 109,874 |
| Florida Community College-Jacksonville | 2,410 | 2,080 | 330 | 81 | 30,774 |
| Pensacola Junior College | 1,663 | 1,347 | 316 | 166 | 69,252 |
| South Florida Community College | 334 | 267 | 67 | 36 | 14,292 |
| Hillsborough Community College | 2,204 | 1,852 | 352 | 132 | 50,952 |
| Chipola Junior College | 287 | 202 | 85 | 45 | 14,358 |
| Lake Sumter Community College | 274 | 235 | 39 | 19 | 7,500 |
| Edison Community College | 837 | 719 | 118 | 44 | 16,764 |
| Tallahassee Community College | 1,092 | 909 | 183 | 67 | 22,110 |
| Miami-Dade Community College-HOMESTEAD | 204 | 160 | 44 | 7 | 2,807 |
| North Florida Junior College | 110 | 82 | 28 | 19 | 6,194 |
| Manatee Junior College | 671 | 575 | 96 | 25 | 8,827 |
| Central Florida Junior College | 727 | 580 | 147 | 56 | 20,696 |

(CONTINUED, NEXT PAGE)

| COMMUNITY COLLEGES | APPLICANTS | NON-QUALIFIED | QUALIFIED | RECEIVED | *AMOUNT $ (FALL 1991) |
|---|---|---|---|---|---|
| Florida Keys Community College | 94 | 85 | 9 | 3 | 1,835 |
| Okaloosa-Walton Junior College | 521 | 435 | 86 | 32 | 10,000 |
| Valencia Community College | 2,663 | 2,277 | 386 | 100 | 39,700 |
| Palm Beach Junior College | 1,339 | 1,122 | 217 | 65 | 23,855 |
| Pasco Hernando Community College | 942 | 761 | 181 | 83 | 33,046 |
| St. Petersburg Junior College-CLEARWATER | 752 | 655 | 97 | 34 | 20,930 |
| St. Petersburg Junior College-TARPON SPRING | 201 | 168 | 33 | 16 | 4,483 |
| St. Petersburg Junior College-ST. PETERSBURG | 956 | 788 | 168 | 70 | 27,930 |
| Polk Community College | 607 | 488 | 119 | 36 | 14,292 |
| St. John River Junior College | 376 | 307 | 69 | 24 | 10,395 |
| Indian River Community College | 690 | 592 | 98 | 48 | 15,840 |
| Seminole Community College | 634 | 537 | 97 | 28 | 10,920 |
| Broward Community College - POMPANO BEACH-NORTH | 709 | 599 | 110 | 31 | 11,963 |
| Daytona Beach Community College | 1,529 | 1,242 | 287 | 116 | 44,179 |
| Miami-Dade Community College-SOUTH | 2,343 | 1,789 | 554 | 99 | 39,699 |
| Miami Dade Community College-WOLFSON | 2,496 | 1,784 | 712 | 124 | 49,724 |
| Miami Dade Community College-MEDICAL CENTER | 735 | 597 | 138 | 37 | 14,837 |
| TOTAL | 36,351 | 29,560 | 6,791 | 2,248 | $ 888,649 |

* Amount disbursed to individual community colleges for fall semester only.

**Appendix B**

**SURVEYS**

STATE BOARD OF EDUCATION

Survey I

POSTSECONDARY EDUCATION PLANNING COMMISSION

Financial Aid Survey

I. The Florida Legislature has directed The Postsecondary Education Planning Commission to conduct a study on Student Financial Aid. State records indicate that you were approved for participation in the Florida Student Assistance Grant (FSAG) Program for the 1990-91 academic year but did not receive that award. Would you please take a moment to indicate why you did not receive your grant during the Fall 1990 term. Fill out the section that applies to your situation and check the reason that most accurately describes why you did not receive your FSAG award. Your answers will help the Commission advise the Legislature on how to improve financial aid programs in Florida. All responses will be treated confidentially. Individual results will not be released. Return this questionnaire in the enclosed envelope. No postage is necessary. Please mail your completed questionnaire by September 20. Thank you for your cooperation.

II. Please provide the following information by checking the appropriate response.

1. GENDER: [ ] female [ ] male
2. RACE: [ ] White non-Hispanic [ ] Black non-Hispanic [ ] Hispanic [ ] Asian
   [ ] American Indian/Alaskan Native [ ] Other (specify)__________________.

III. Please answer the following questions ONLY if you DID NOT attend a community college or university in Florida during Fall 1990. If you did attend a community college or university in Florida in Fall 1990 proceed to Section IV. Please check the response that most accurately describes why you did not attend a public community college or university in Florida. (Check only one)

1. ____ I went to a college or university out of the State of Florida.

2. ____ I went to a postsecondary institution in Florida that could not participate in the FSAG program.

3. ____ Even with FSAG funds I could not afford all of the educational expenses at the institution of my choice in Florida.

4. ____ I did not want to apply for a student loan to help pay for the cost of my education.

5. ____ Due to personal circumstances (work, family, etc.) I was unable to attend a college or university.

6. ____ I decided to attend college at a later date.

7. ____ Other. (Please Explain)______________________________________________________

_____________________________________________________________________________

OVER

IV. **Please answer the following questions ONLY if you DID attend a community college or university in Florida during fall 1990. Check only one answer.**

1. **Institution attended in Florida :**

____ community college

____ university

2. **Attended institution on a:**

____ part-time basis (go on to Section V)

____ full-time basis (go on to Section VI)

V. **Answer the following question Only if you DID attend a college or university on a PART-TIME basis during Fall 1990. (If you attended full-time, proceed to Section VI.) Check the answer that most accurately describes why you decided to attend classes on a part-time basis. (check only one)**

1. My decision to attend classes part-time was primarily based on:

____ expense of attending college full-time

____ personal circumstances (work, family, etc.)

____ academic circumstances (more time to study or bring up grades)

____ Other (Please explain)________________________________________

________________________________.

VI. **Answer the following question only if you DID attend a college or university on a FULL-TIME basis during Fall 1990. Check the answer that most accurately describes why you DID NOT receive your FSAG. (check only one)**

1. I did not receive a grant from the FSAG because:

____ I did not meet FSAG requirements at the institution I attended.

____ I do not understand why I did not receive a grant from FSAG.

____ Other Please Explain)________________________________________

________________________________________

GAR 9/91

**STATE BOARD OF EDUCATION**

**SURVEY II**

**POSTSECONDARY EDUCATION PLANNING COMMISSION**

**Financial Aid Survey**

I. The Florida Legislature has directed The Postsecondary Education Planning Commission to conduct a study on Student Financial Aid. State records indicate that you were approved for participation in the Florida Student Assistance Grant (FSAG) Program for the 1990-91 academic year but did not receive an award for the second semester. Would you please take a moment to indicate why you did not receive your FSAG award during that time period? Please check the reason that most accurately describes why you did not receive FSAG after the first semester. Your answer will help the Commission advise the Legislature on how to improve financial aid programs in Florida. All responses will be treated confidentially. Individual results will not be released. Return this questionnaire in the enclosed envelope. No postage is necessary. Please mail your completed questionnaire by September 20. Thank you for your cooperation.

II. Please provide the following information by checking the appropriate response.

1. GENDER: [ ] female [ ] male 2. RACE: [ ] White non-Hispanic
[ ] Black non-Hispanic [ ] Hispanic [ ] Asian [ ] American Indian/Alaskan Native
[ ] Other (specify)______________________________.

III. In the FALL of 1990 did you attend a _____ community college or a _____ university in Florida? (Please indicate by checking the correct answer).

IV. Please check the reason that most accurately describes why you DID NOT receive the FSAG <u>after</u> FALL semester 1990. (Check only <u>one</u>)

1. _____ I went to a college or university out of the State of Florida.

2. _____ Due to personal circumstances (work, family responsibilities) I had to enroll as a part-time student and became ineligible for FSAG.

3. _____ I decided to attend college on a part-time basis because of the expense of attending school on a full-time basis.

4. _____ I decided to attend college on a part-time basis because of academic reasons.

5. _____ I decided that I did not want to continue my education at this time and did not enroll for any classes in Spring 1991.

6. _____ Even with FSAG funds I could not afford all of the educational expenses at the institution of my choice in Florida.

7. _____ I did not want to apply for a student loan to help pay for the cost of my education.

8. _____ Other. (Please Explain)________________________________________

GAR 9/91

## Appendix C

## STATEMENT FROM THE FLORIDA COUNCIL OF STUDENT AID ADVISORS

# FLORIDA COUNCIL OF STUDENT FINANCIAL AID ADVISORS



**To:** Dr. Glenda A. Rabby, Educational Policy Analyst
Postsecondary Education Planning Commission

**From:** Mr. William T. Abare, Jr., Chairman
Florida Council of Student Financial Aid Advisors

**Subject:** PEPC Study on Student Indebtedness

**Date:** March 10, 1992

I am writing on behalf of the Florida Council of Student Financial Aid Advisors in response to your request for comments on the report to be titled "Public School Indebtedness and Financial Aid." Because the final report has not been reviewed and approved by the Commission, the Council has decided to withhold comments on the specific findings and recommendations contained in the report. The Council, however, wishes to address two matters that have implications for the current study and for future studies.

The first matter concerns the period in which the longitudinal study was initiated and completed. The study was concluded at a time when social, political, and economic conditions in the nation and the world were changing significantly. In the early 90s the United States was mired deeply in a recession; unemployment was affecting white collar and blue collar workers alike; state legislatures were seeking solutions to the dilemma of dwindling revenue projections and increasing costs for essential programs and services; the costs of higher education were continuing to rise at a faster rate than inflation or the consumer price index; many students and families were finding the cost of a college education less affordable; state and federal student financial aid grant programs were either declining or remaining constant; public support of higher education was weakening; changing demographics were placing greater demands on institutions to serve increasingly diverse student bodies; and the overarching issue for governing boards and administrators was the challenge of allocating limited resources and maintaining positive public relations in a period of expanding performance expectations. The Council believes that these conditions may have an immediate impact on the borrowing patterns of students and families in financing a college education in the State of Florida.

To support this assertion, the Council points to data reported by the Office of Student Financial Assistance (OSFA), Barnett Bank, and financial aid officers at selected colleges and universities in Florida. OSFA is the guaranty agency for the State of Florida, and Barnett is a major lender in the guaranteed loan programs. With respect to the data reported by OSFA and Barnett Bank, it should be noted that the loan volumes include students from all sectors of postsecondary education in Florida.

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For the 1988-89 fiscal year, the OSFA reported that it guaranteed 69,178 loans with a total volume of $190,343,224. In 1989-90, the number of loans dropped to 63,401, a decline of 24.44 percent, and the Guaranteed Loan Program volume fell to $187,714,202, a decline of 1.23 percent. This marked the end of the period through which the Student Indebtedness study was conducted.

The fiscal year 1990-91 saw a dramatic increase in the loan volume. The number of loans soared to 87,333, an increase of 73.15 percent, and the GLP volume rose to $249,318,294, an increase of 32.82 percent. That trend is continuing in 1991-92, as the number of loans for the period July 1991 through February 1992 shows an increase of 28 percent for the same period in the previous year (79,000 loans in 1991-92 as compared to 61,739 loans in 1990-91). The GLP volume for the period ending in February 1992 is already $211,501,789 with four months remaining in the fiscal year. The Office of Student Financial Assistance expects an increase of at least 25 percent for 1991-92, and is forecasting a similar increase for the following year.

Barnett Bank is now the largest lender in Florida for the guaranteed loan programs, including Stafford Loans, Parents Loans for Undergraduate Students (PLUS), and Supplemental Loans for Students (SLS). According to a Barnett representative, Barnett began originating loans in March of 1990 and processed $29 million in loans that fiscal year. Practically all of the loans were for Florida residents. In 1990-91, Barnett processed $117 million in loans, of which 96 percent were Florida residents. This year, Barnett expects to process between $170 million and $180 million in loans and estimates that 92 percent will be Florida residents.

The Barnett representative also reported that the average loan balance has increased during the past two years. He indicated that the average loan balance has increased 10 percent per year or 20 percent over the two year period. He added that the average loan increased from $2,500 to nearly $3,100 during this time. He attributed this increase to the fact that the Barnett loan portfolio now contains a larger number of juniors and seniors who can borrow more than underclassmen. He also indicated that Barnett had experienced a significant interest in the PLUS and SLS programs. He reported that the PLUS and SLS programs increased from 5 percent of its portfolio to 20 percent in two years.

An informal poll of financial aid directors at selected public and independent institutions shows patterns and trends similar to those reported by OSFA and Barnett. The poll supports the supposition that the average loan indebtedness of students in Florida is on the rise. Several financial aid directors indicated significant increases in all types of loans. The reported increases ranged from approximately 25 percent to more than 40 percent in one year. They also anticipate increases similar to those projected by the OSFA for the 1992-93 fiscal year.

These reports and trends suggest that students and families may be borrowing more, both now and in the future, to help pay college expenses. They also suggest that, because of changing social, economic, and political conditions which impact financial aid programs, this study should be conducted periodically to assess differences in borrowing patterns and loan burden among students attending institutions in Florida. If a similar longitudinal study were to be done for the five year period 1990-91 to 1994-95, it is believed that the results would show a marked increase in the average loan indebtedness of undergraduate students.

A second matter to be addressed is the need to include other sectors in the study. The current study includes only students enrolled at state-supported institutions. Future studies should include both independent institutions and proprietary schools. Previous studies have revealed that the loan burden carried by students attending independent institutions was twice that of students enrolled in SUS institutions and was six times that of students enrolled at state-supported community colleges. The Council believes this trend will continue and that the differences in loan burden among students in the three sectors will widen. The Council recognizes the problems of collecting accurate data from different institutions within the three sectors, but encourages PEPC to undertake this study soon.