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ABSTRACT

This article examines the need for and use of financial aid for postsecondary students in the south, with special emphasis on the way state-sponsored programs function in the region. Areas of concern include the cost of education for the student, how much students can pay, financial needs of the students, state governments' efforts to assist students to meet their financial needs, and what states should do to meet the students' financial needs. (MJM)

Financing Higher Education

Freedom of Access or Freedom of Choice?

Student Financial Aid in the South

During the past five years public and educational policymakers, as well as the general public, have given increasing attention to the impact of rising postsecondary educational costs on institutions, families and students. Among others, the United States Department of Health, Education, and Welfare, the United States Congress, the Education Commission for the States, the Carnegie Commission, and the College Entrance Examination Board have commissioned major studies and policy reports on the ability and responsibility of the public and private sectors of the economy to pay for the costs of education beyond high school.

This issue of *Financing Higher Education* is devoted to an examination of the need for and use of financial aid for postsecondary students in the South, with special emphasis on the way state-sponsored programs function in the region.

What Does Education Cost the Student?

Postsecondary educational costs include out-of-pocket costs (such as tuition and fees, room and board, books and supplies, transportation, and some personal expenses) and the student's lost earnings as a consequence of attending school rather than taking full-time employment. While lost earnings exercise a real influence on student decisions to attend school, especially in the case of minority/poverty students whose earnings might be used to support their parents and other family members, policymakers have been reluctant to consider anything but monetary costs in designing programs to eliminate the financial barrier to postsecondary education. Another name for out-of-pocket costs is the "student budget". Institutional financial aid administrators prepare a variety of student budgets for different groups of students, but the most typical are budgets for the "dependent resident" and for the "dependent commuter" student. Both types of students are dependent on their parents for at least part of their financial support, but the "dependent resident" lives in a dormitory or off-campus housing and the "dependent commuter" resides with his parents. For financial aid purposes, the key distinction between these two types of students is whether they reside with their parents. Typical student budgets range, in the South, from $3,320 for the resident student at the four-year non-public college to $1,395 for the commuter student at the public vocational-technical school.

It is evident from Table 1 that a student's cost of education can vary considerably according to his choice of institution and housing arrangement.

Table I

Typical Student Budgets for Post-Secondary Institutions in the Southeast, 1972-73

Institutional Type	Resident	Commuter
4-Year Public Colleges	$2,275	$1,775
4-Year Non-Public Colleges	$3,320	$2,915
2-Year Public Colleges	$1,985	$1,715
2-Year Non-Public Colleges	$2,465	$1,935
Public Vo-Tech Institutes	$1,990	$1,395
Regional Average	$2,535	$1,850

A student can reduce or offset the burden of cost by choosing to enroll in a lower cost institution, live at home and commute to school, which many do. Students from lower income families tend to enroll in lower cost institutions. However, not all do. Many are able to secure financial aid to attend higher cost institutions while others, along with their families, make great economic, social and personal sacrifices to meet the costs.

Table 2 displays the family income distributions of students at five types of institutions in the region.

Not all upper income students attend higher cost institutions. The reason for this is that student choices of postsecondary education are not entirely economic, but are decisions influenced by many complex familial, personal, social and educational factors. If all lower income students chose lower cost institutions the need for financial assistance would, of course, be reduced. However, educators tend to believe that student bodies which are structured by socioeconomic status inhibit the intellectual and social growth of individual students. Many have taken steps to alleviate the likelihood of this happening on their campuses. Furthermore, it is believed that students should have the opportunity of choosing among different types of educational programs offered by various types of institutions with differing costs. The conviction that student choice of institution should be based as much as possible on academic and career-related factors rather than financial circumstances has many labels but the one most commonly used is "freedom of choice" of postsecondary education.

Public policymakers, particularly congressmen and legislators, have generally felt that students of poor family financial circumstances should have *access* to some form of postsecondary education but have not always subscribed to "freedom of choice". Or, to put it another way, students should have "freedom of access" to postsecondary education but the choice of program must be limited to what the taxpayers can afford to provide and the students can afford to pay.

The belief in "freedom of access" has been one of the forces undergirding both the development of the community and junior college movement and the maintaining of low tuition rates in public four-year colleges and universities. It has only been in recent years that public policymakers have attempted to provide students with "freedom of access" *and* "freedom of choice".

The cost of education to students clearly depends on their choices of institutions or programs. The amount of financial aid needed by students of a state or region depends on the choices of groups of students *and* how much emphasis public policymakers want to place on giving students "freedom of access" and "freedom of choice".

How Much Can Students Pay?

A simple truism is that paying for education costs students and/or their parents money. If the student and his family are affluent, the costs of education at most institutions in the region will not present a problem. The more affluent the general population is, the less effect costs will have on student choices of institutions. Furthermore, the more affluent the general population, the easier it will be for public policymakers to enable all students to achieve freedom of access and freedom of choice. However, the general population of the South is far from affluent.

One indicator of the potential financial aid needs in the states is the relationship between typical costs and median family incomes. Figure 1 displays median family incomes in 1972-73, the typical budget for students enrolled in that year, and the percentage the typical budget is of the median family income. Again, the way students distribute themselves among institutions influences costs; and family income influences ability to pay.

The typical costs for education in each of the states range from 18.7 percent to 26.9 percent of the median family income for each state. The average for the region is 22.7 percent. Since *median* family income represents the mid-point of all families' incomes, without financial aid over half of the families would have to expend well over one-fifth

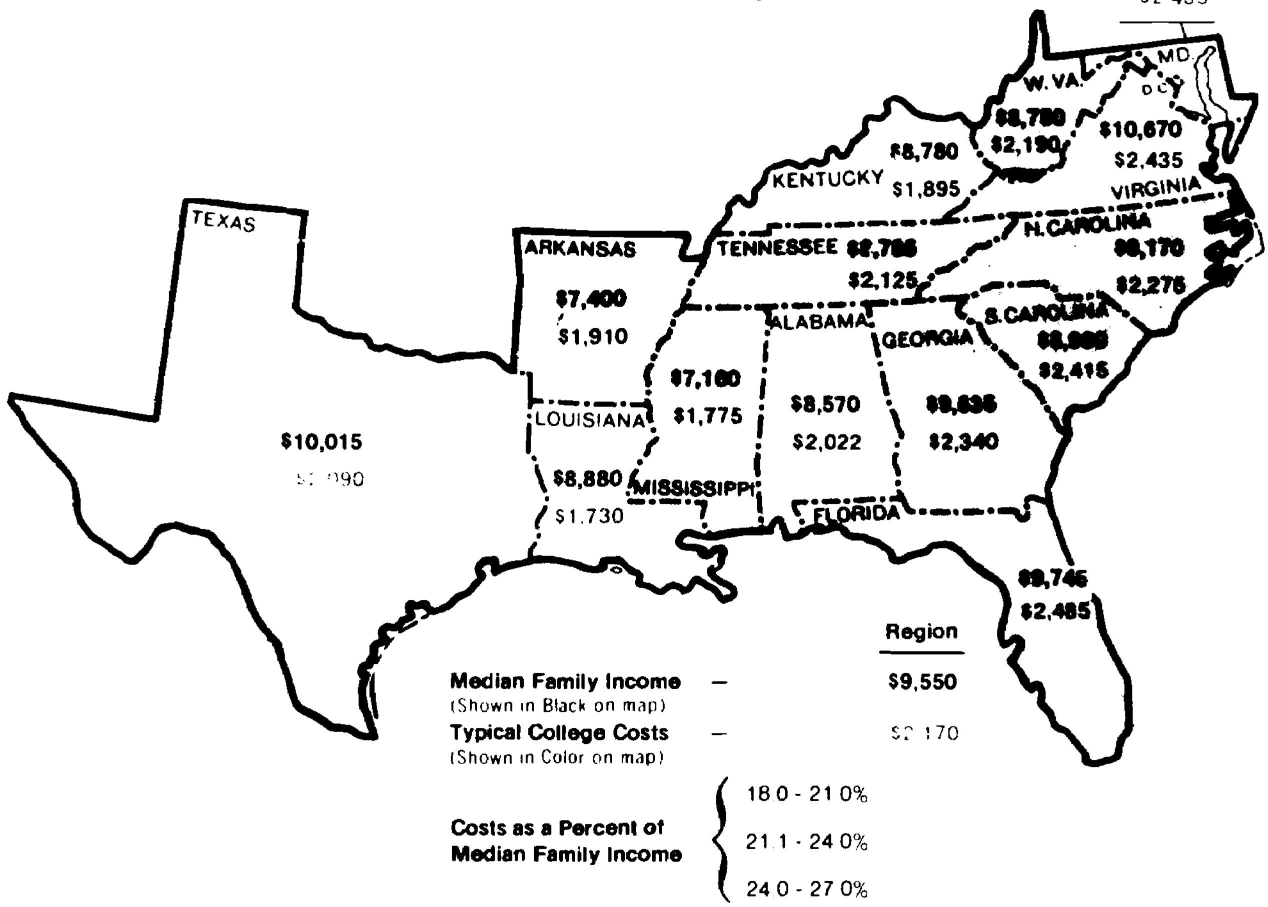
Table II

Family Income Distributions of Enrolled Dependent Students, By Institutional Types, Southeast, 1972-73

Income Interval	4-Yr Public	4-Yr Non-Public	2-Yr Public	2-Yr Non-Public	Vo Tech Institutes
Less than $6000	**23.8%**	**21.4%**	**31.9%**	**26.1%**	**46.7%**
$6000 to $8999	**20.4**	**17.8**	**26.4**	**24.0**	**25.5**
$9000 to $11,999	**19.1**	**16.3**	**19.8**	**19.4**	**15.8**
More than $12,000	**36.7**	**44.5**	**21.9**	**30.5**	**12.0**
	100.0%	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Median Income	**$9,911**	**$10,987**	**$8,057**	**$8,987**	**$6,388**

Figure I

Median Family Income and Typical College Costs, 1972-73



of their annual income to pay the costs of a typical educational program for one son or daughter going to college.

In their calculations of student financial need, financial aid administrators in colleges and universities do not expect the same proportionate contribution or expenditure from all families. By using a rather complex procedure called "need analysis" they determine what families of different sizes and financial circumstances can reasonably be expected to contribute to their student dependent's education each year. One of these need analysis systems is the College Scholarship Service Need Analysis System. Table 3 displays the CSS average expected contributions from families of various incomes and sizes. As income increases or family size decreases, the expected contribution increases.

The typical student budget for the region is $2,170. In order to reasonably afford these costs, a family with two dependent children would have to earn in excess of $14,000 and a family with three dependent children would have to earn in excess of $15,000.

The students themselves are expected to contribute toward the costs of their education through savings from summer and term-time earnings. The average expected contributions vary by sex and by lower division or upper division enrollment status. Men are expected to earn and contribute more than women, and upperclassmen are expected to earn and contribute more than lowerclassmen. Generally, the typical student, regardless of his family circumstances, is expected to contribute about $500 per year toward the costs of his education. An SREB research report to be published later this year estimates that students in the region in 1971-72 contributed over $580 million toward the costs of their education from savings and earnings.

While, as a group, students can and do contribute much toward the cost of their education, the financial resources of minority/poverty students are more limited than those of their more affluent peers. For example, studies of student contributions in North Carolina, Georgia and South Carolina have shown that minority students and students from families of less than $6,000 yearly income were able to save from $100 to $300 less than the average white student from a more affluent family. Two factors account for this: one, these students generally have poorer access to better paying jobs; and, two, much of what they earn must be used to supplement their parents' and other family members' income.

Table III

Total Parents' Contribution From Income Before Taxes, By Size of Family*

	Number of Dependent Children				
Income	One	Two	Three	Four	Five
Less than $4000	0	0	0	0	0
$5000	23	0	0	0	0
$6000	269	24	0	0	0
$7000	514	217	72	0	0
$8000	756	441	243	101	29
$9000	995	668	446	250	169
$10,000	1260	893	645	447	349
$11,000	1558	1121	845	641	535
$12,000	1884	1406	1044	635	719
$13,000	2234	1720	1305	1029	902
$14,000	2619	2047	1597	1298	1112
$15,000	3039	2401	1903	1584	1388
$20,000	5568	4907	4295	3851	350
$25,000	7164	6520	5920	5489	5220

* Adapted from **CSS Need Analysis Theory and Computation Procedures**, (New York: College Entrance Examination Board, 1973)

If a student can, on the average, earn and save $500 to contribute toward his educational costs and the typical student budget is $2,170, then the student's family must have an annual income in excess of $12,000 in order to reasonably afford the costs of education—if there are two dependent children in the family. If there are three dependent children, the annual family income must be in excess of $14,000. The SREB regional financial aid study has found that only one-third of all students enrolled in postsecondary education in 1971-72 came from families earning over $12,000 per year. Students from families with lower incomes were able to enroll in school because they attended low cost institutions, received financial assistance, or they and their families made financial and personal sacrifices in order to afford the costs.

Regardless of how students pay for the costs of education or how they determine the college of their choice, the greater a person's family income the more likely he will be enrolled in some form of postsecondary education. An individual from a family with an annual income of $12,000 or more is four times as likely to be enrolled in a postsecondary school than one from a family of less than $6,000 income. Someone from the upper income family is twice as likely to be enrolled in school than a potential student whose family income is from $6,000 to $12,000.

What Are the Students' Financial Needs?

The distribution of students of various family circumstances among institutions of various costs produces a large financial aid need for the region. SREB has estimated that the financial need of undergraduate students in the region in 1972-73 exceeded one billion dollars, or approximately $1,100 for each student with financial aid needs. This estimate was derived from information on average costs, family incomes, and estimates of student contributions from summer and term-time earnings.

What Is Being Done to Meet the Needs?

The sources of financial assistance are myriad in number, but they can be grouped into four basic categories: state governments, the federal government, postsecondary institutions, and private groups, agencies or associations. More private agencies (banks, credit unions, professional associations, businesses and industries, church and civic groups, and service clubs) than any single category provide students with financial assistance. However, the federal government and the institutions provide more total financial aid than the private agencies or state governments. To put it another way, while many private agencies aid students, the total money value of their assistance is less than aid from the federal government or the institutions.

Financial aid is offered to students in the form of scholarships, grants, loans, or employment. Scholarships or grants include awards of money, tuition discounts, remissions of tuition and fees, or similar conditions that require neither repayment nor service to be performed by the student. Loans include awards of money that require repayment in dollars or service, in whole or in part, or without payment of interest. Employment awards require the student to provide his services for either a specific and announced duration, or for an unspecified duration, limited by the time needed to complete a given task. All financial assistance to students helps defray costs of education but assistance may also accomplish other purposes or goals.

The goals and purposes of financial aid programs may be grouped in five general categories: *one*, to reward the recipient for some achievement or status; *two*, to encourage recipients to enroll in particular programs of study, generally for the purpose of meeting some manpower or professional need; *three*, to encourage recipients to enroll in specific institutions or kinds of institutions; *four*, to provide recipients with freedom of access to some form of postsecondary education; *five*, to provide recipients with freedom of choice of postsecondary institutions or programs. As program goals move from the first category to the fifth, the programs are more likely to emphasize student financial need as the main criterion for eligibility and the amount of the award. Also, as program goals move from the first category to the fifth, more students are likely to become eligible for a program's awards.

All financial aid programs, regardless of their goals, directly and indirectly meet some financial needs of students, of postsecondary institutions, and of the states or nation. The design of a program can dramatically influence its direct and indirect impact on student, institutional, or state financial aid needs.

Furthermore, program design can create circumstances in which the direct needs of one or more of these three constituencies are in conflict. For example, financial aid which is tied to attendance at a particular institution or type of institution prohibits the use of those dollars by equally needy students who may wish to attend a different institution. Such a program may also operate inefficiently if more needy students wish to attend institutions with limited funds than those who wish to attend institutions with less limited funds.

Financial aid programs designed to encourage enrollment in a program to meet a particular state manpower need prohibit the use of those dollars by equally needy students whose enrollment in some other program might equally benefit the state. Such programs also limit the use of the funds to students who choose to enroll at institutions which offer the particular program, thus discriminating against institutions which do not have that program.

The design of programs, the criteria for eligibility, amounts of awards and levels of funding contribute to the student financial aid problem of the region and the nation. Students of varying financial capabilities distribute themselves among institutions of varying costs, but the students also have varying access to financial aid from institutional, private and governmental sources.

SREB has estimated that less than 40 percent of all financial aid is available to students *primarily* on the basis of demonstrated financial need. And, since most federal student aid programs and many state student aid programs are administered through institutions, less than half of all student financial aid is available for students to use for postsecondary education wherever they may choose to enroll. Only Veterans Administration and Social Security Administration educational benefits, funds from a few state scholarship and loan programs, funds from the Federal Insured Student Loan Program, grants from the new federal Basic Educational Opportunity Grant Program, and funds from some private sources are available for use at virtually any postsecondary institution. Of these funds, only the BEOG and some state funds are generally available to students primarily on the basis of student financial aid needs.

These systematic limitations or restrictions on available aid are accompanied by procedural limitations in the administration of aid at the institutional level. Research has shown that the process of awarding aid, the amounts of the awards, and the types of awards are closely tied to institutional recruitment and admissions policies. For example, the greater the individual student's need, the less are his chances of admission, regardless of control for quantifiable indicators of ability. Furthermore, the greater the admitted student's need, the less likely that it will be met by financial aid funds controlled by the institution and the more likely the student's aid will include loans or job, rather than a grant.

While the simple lack of student financial aid resources is a problem in the region, the way currently available aid is distributed also contributes to the total problem. SREB has estimated that over $830 million in student aid funds were available to students in the region from all sources in 1972-73. Figure 2 displays the total available aid by source, type, and its degree of availability.

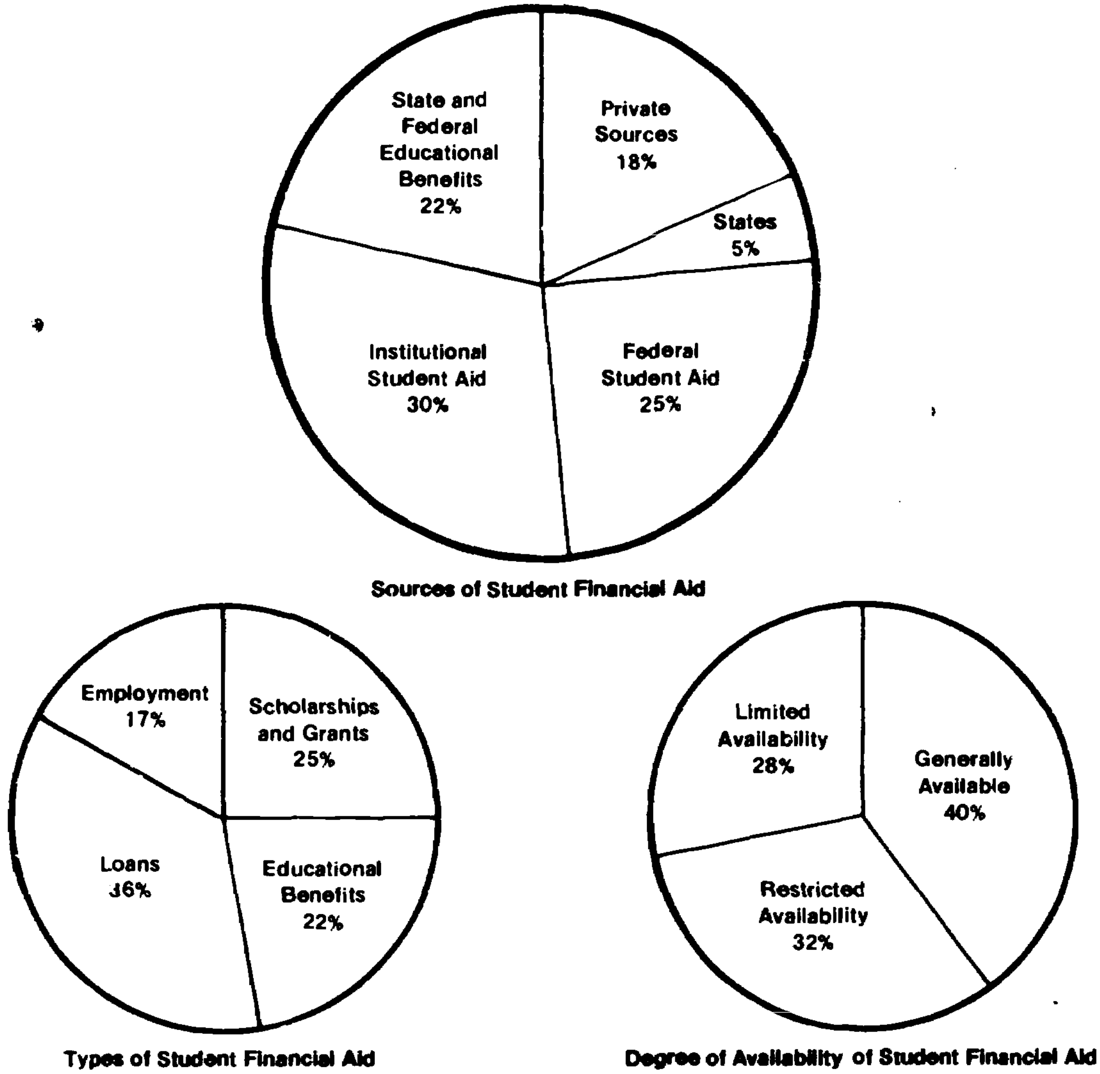
The varying costs of postsecondary education, the way students of varying financial ability to pay distribute themselves among these institutions, and the students' access to varying types and amounts of available student financial aid, along with the simple lack of financial aid resources, all contribute to an unmet financial need problem for students in SREB states which exceeds $350 million. Or, to put it another way, students and their parents are making financial, social, familial and personal sacrifices to pay for postsecondary education. This amounts to $350 million per year or approximately $400 per student with financial aid.

What Are State Governments Doing to Help Students Meet Their Financial Needs?

Proportionately few of the total aid dollars available to students comes directly from state governments. Monies identified as institutional aid (Figure

Figure II

Sources, Types, and Degree of Availability of Student Financial Aid, SREB States, 1972-73



2) are undoubtedly, in some instances, funds from state appropriations to institutions. However, the different ways appropriations are allocated within states, the different ways in which the monies are distributed to students (such as tuition remissions), and the ways in which the funds are reported as used by the institution, all make it extremely difficult, if not impossible, to obtain the exact proportional distribution by source.

There are state financial aid programs in the region which are designed to achieve each of the five goals mentioned in the previous section of this report. For example, all but three SREB states (Arkansas, Georgia and Mississippi) have programs or procedures for awards or tuition remissions for veterans and their dependents to attend public institutions. These programs and procedures are designed to reward veterans or dependents for the veteran's service to his country.

Many state financial aid programs are designed to encourage students to enroll in a program of study which will meet a particular state manpower or professional need. Historically, states have implemented more of these kinds of financial aid programs than any other kind. They are commonly referred to as "categorical aid" programs because they assist categories of students. Only four SREB states (Arkansas, Kentucky, Mississippi and South

Carolina) do not currently have some categorical aid program or provision for undergraduate students.

The most common of the categorical aid programs are those which support students in teacher education and nursing/health services. Six states (Alabama, Florida, Georgia, Maryland, North Carolina and Virginia) have scholarships or scholarship/loan programs expressly for students enrolled in teacher education. However, Florida, Georgia and Maryland are phasing out their programs, presumably because there is no longer a teacher manpower shortage in their states. Six states have undergraduate financial aid programs for students in nursing or health services. They are Alabama, Florida, Georgia, North Carolina, Tennessee and Virginia. These are program responses to health service needs in these states.

The states' categorical aid programs offer students grants or scholarships or scholarship loans. The latter type of award is a scholarship if the student practices his or her profession in the state for a specified length of time. If the students don't enter the profession in that state, they are required to repay the loan with a small interest charge.

In response to the financial plight of private postsecondary institutions, the need to educate the citizenry at the lowest cost by utilizing all educational resources, and in an effort to maximize student freedom of access and freedom of choice, some states have recently developed programs of financial aid to private college students. Georgia, South Carolina and Texas have tuition equalization grant programs which are expressly for private college students. The Georgia program provides for a $400 per year stipend to full-time undergraduate residents of Georgia who attend an accredited nonpublic college or university in the state. The South Carolina program is based on student financial need and will provide up to $1,500 per student per year for tuition and fees. The Texas program is based on student financial need and will provide up to $600 per student per year for tuition cost only. Kentucky is in the litigational/developmental stages of creating grant programs for private college students.

North Carolina has a tuition equalization grant program which operates through the state's private institutions. Private colleges are awarded $200 for each full-time resident undergraduate with the stipulation that the total amount of money to each institution be matched with institutional money for a needs-based grant program to North Carolina residents.

In addition to the state programs that are expressly for private college students, seven states have student aid programs which offer awards which can be used at public and private colleges. They are Florida (loans and grants), Georgia (loans and grants), Maryland (grants), North Carolina (loans), Tennessee (grants), Virginia (loans and grants) and West Virginia (grants).

Five SREB states have comprehensive state scholarship/grant programs which are designed to help meet the goals of student freedom of access and freedom of choice. Comprehensive state programs are state-funded programs for financially needy undergraduate students of the state to attend either public or private institutions or private institutions only, without the requirement of a specific occupational preparation, career choice, or military service-related benefit. These types of programs, by criteria for eligibility, are designed to support the largest numbers of students. The extent to which they accomplish their purposes is, of course, dependent on their level of funding.

In 1972-73 nearly $9 million was available in grants to students through the comprehensive scholarship programs of the states of Florida, Maryland, Tennessee, Texas and West Virginia. An estimated 14,000 students received grants through these programs last year. While this is a substantial expenditure and a large number of students, the number of students represents only about three percent of all needy students enrolled in those states. Furthermore, $9 million is much less than one percent of the total estimated financial need of the enrolled undergraduates in these states.

The largest state programs, in terms of recipient and dollar volume, are the guaranteed loan programs. These are state programs in the sense that they are administered by states, funded in some cases by state appropriations or sale of general revenue bonds, and operated for the citizens of the states. They are, however, cooperative efforts by the states, the federal government, and private lenders. States administer the loan programs, private lenders provide most of the capital and the federal government guarantees to the lender that the loan will be repaid and, in some cases, provides an interest subsidy to the borrower while he is enrolled in college.

Seven of the SREB states have state-supported agencies which distribute monies through the federal guaranteed loan program. They include Arkansas, Georgia, Louisiana, Maryland, North Carolina, Tennessee and Virginia. In 1971-73, an estimated 43,600 undergraduate students received loans totalling $43,742,000 from these programs. This represents about 10 percent of the enrolled needy undergraduate students, and the total loan amounts met about nine percent of the total estimated used in the nine states.

While the efforts of SREB states to provide their citizenry with student financial aid are diverse in goals and levels of funding, it is evident that these efforts play a limited role in the partnership among governments, institutions and private agencies in the total financial aid picture.

What Should the States Do with Regard To Student Financial Aid?

There are no good answers to this question for all of the states all of the time. What a state *should* do depends on which goal or goals of student financial aid its public policymakers decide are paramount. What states *can* do, of course, depends on their access to new, or the redistribution of old, fiscal and monetary resources.

Regardless of their policymaker's goals or their access to resources, what states can do is to examine the financial aid needs and resources of their students and pay particular attention to enhancing the partnership among them, the federal government, the institutions, and private agencies. The partnership as it stands today in most states is a loosely knit coalition.

None of the current financial aid programs has legal or administrative regulations or relationships which involve more than three of the four partners at any one time. For example, state and federal governments and private lenders cooperate through the Guaranteed Loan Program. Many state programs are administered through institutions. Three of the major federal programs (National Direct Student Loans, College Work Study Program, Supplementary Educational Opportunity Grant Program) are administered through institutions. Private lenders or donors frequently have their programs administered by institutions.

All of the partners' programs have goals which may or may not be congruent or consistent with each other's or the state's goals. Once states are aware of what these other programs' goals are and how they function (which types of students receive what kinds and amounts of aid to study what or where), it is possible to design state programs which supplement and complement the others in order to achieve state goals.

While state programs have diverse goals, these should include supplementing and complementing existing programs of aid from other sources and attempting to coordinate the delivery of all financial aid to students. The former goal is derived from the need to utilize maximally state resources to achieve state objectives. The latter goal is derived from the state's basic responsibility for the education of its citizenry.

The need for state programs of student financial aid is extended and extant. One type of state program will not meet all states' students' needs. Nor will federal, private or institutional programs meet each state's students' needs. States must take the leadership of the partnership in student aid.

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