DIRECT OR INDIRECT STUDENT AID?

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If one accepts the premise that some, if not all, federal aid to higher education should be provided to students, what is the most appropriate means of transmittal? The basic options are two fold: aid can be provided directly by the sponsoring agency to the student, as are the GI Bill and social security educational benefits, or the support can be channeled through institutions of higher education for disbursement to eligible students. Historically, except for the GI Bill and social security, the latter route has been utilized by the federal government. In many states, both methods are used, with the state scholarship program awards going directly to the student, wherever he might be going to school, and other scholarships and grants in the form of fee remissions and general funds delegated to the state institutions for distribution. By direct aid, I am referring to actual selection of recipients by the agency even though the funds may be provided to the institution. By indirect aid, I mean funds provided to the college, with selection of recipients being done there, usually within more or less specific regulations or guidelines provided by the donor or source.

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More frequently in recent years, there has been advocacy of a shift toward direct student aid at the federal level. Both the Carnegie Commission on Higher Education report, *Quality and Equality: new levels of federal responsibility for higher education*, and the Rivlin Report, *Toward a Long-Range Plan for Federal Support for Higher Education*, advocate direct grants to students rather than the conventional method of allocating federal funds to institutions, who in turn distribute aid to students. This concept was later incorporated in legislation introduced by Senator Mondale and Representative Reid, in what was clearly a reflection of the Carnegie and Rivlin recommendations.

The reasons for the proposed shift from indirect to direct federal aid to students were indicated as being the following:

1. Maximum flexibility and fullest utilization (Carnegie).
2. Less uncertainty about the availability of funds; additional motivation of having knowledge of aid availability prior to the admissions process (Rivlin).
3. Greater “consumer power” to increase the responsiveness of institutions to the needs of students (Rivlin).
4. The provision of “free choice” of institutions (Mondale).
5. The success of the GI Bill.

Mrs. Rivlin has suggested that the financial aid community undoubtedly favors the concept of expanding educational opportunity, but will not be supportive of the direct grant proposal because “…the Kerr and Rivlin proposals would put most aid officers out of business; at least the activities they are engaged in now would no longer be needed.” With all due respect to Mrs. Rivlin, her idea of what we do is ill-conceived. My concerns about direct grants come from many sources, but none are related to fear of obsolescence. If direct aid through state programs is any indication, our work would expand, not dissolve. What, then, are my concerns about direct aid to students. These can best be related as responses to the purported advantages cited earlier.

1. The maximum flexibility and fuller utilization being sought cannot be accomplished so long as a set appropriation is used to finance the programs. A central agency would be no better able to project the actual enrollment or continued eligibility of recipients than can the colleges, nor could it be as flexible about providing substitutes for recipients who did not appear. I would predict that a national administration would find it necessary, due to sheer size of operation, to impose arbitrary deadlines for making application, deciding institution of enrollment, etc., that would give much less flexibility than presently provided by institutions. I further suggest that such deadlines would result in far greater unused balances at the end of a fiscal year than are presently experienced.
2. Any reduction of uncertainty about availability of funds could only come about by more timely and more adequate appropriations by the Congress. Centralization without advanced, adequate funding will not provide less, but greater uncertainty. Presently the colleges gamble that the money will eventually become available and make awards to students under that assumption, far in advance of program funding. A federal agency, on the other hand, would not be able to make awards until the money was actually in hand. Only if the centralized program were blessed with “open end” funding, as is the case with the GI Bill, would the uncertainty question be resolved. Such funding provisions could just as easily be extended to the present institutionally-based programs, with the same result.

3. The matter of “consumer power” involves the ability of students to influence the institutional policy-making machinery as colleges attempt to enroll students with direct grants on a competitive basis. This sounds fine in theory, but is not quite so simple in practice. Theodore W. Schultz, an economist from the University of Chicago, has observed: “One disadvantage of dependence upon the private self-interest of students and their families to make allocation decisions brought about by competitive pricing is the lack of good information upon which to base judgments. Students may be able to consider the impact of foregone earnings, but they are not in the position to either estimate the values which will accrue to them as a result of their education, nor are they able to properly compare the pricing of competitive institutions of the differences of quality contained therein.” Some educators have expressed concern that the quality of education might actually decline due to the competition of “open market” pricing policy, as colleges try to beat the price of the competition rather than provide a superior education.

4. Closely related to the “consumer power” theory is that of greater choice of institutions if the student were to receive direct grant aid not tied to any one college. I would propose that total free choice would not in reality exist because:

a.) grants would not meet full need except in the very low cost institutions, thereby making enrollment elsewhere dependent upon the college’s ability to supplement the grants;

b.) students will tend to enroll where the grant funds will cover the most cost, i.e., public institutions in most cases;

c.) the types of training most likely to be sought by those persons depending upon these grants will be concentrated in the public institutions, rather than distributed uniformly, as these students are more apt to be vocationally oriented than seeking a liberal arts education;
d.) institutional admissions standards will still be applied to enrollment choice, regardless of financial considerations;

e.) students of the type to be served by direct grants tend to underestimate their own abilities, and would be likely to by-pass prestige schools in favor of those with lesser academic images.

I would further suggest that total freedom of institutional choice might not always be in the best interest of the student. Realistic choice of college, based upon curriculum offerings, level of competition, and social “climate” should be thoroughly considered. Financial limitations often cause serious evaluation that might go undone if no such restrictions existed.

5. The parallel drawn to the success of the GI Bill as a form of direct grant seems hollow to me. Its success was not restricted to the fact that it was a direct grant, but that it met a need. It might have been just as successful, or more so, as an institutionally-based program. Likewise, I am not so impressed with the efficiency of the GI Bill as are the proponents of the direct grant. I have made too many emergency loans to veterans whose GI Bill payments have gotten tangled in red tape and bureaucracy to be less than skeptical. The comparison also suffers due to the differing degrees of complexity. An individual is either eligible or ineligible for GI Bill benefits, which have a set amount of stipend for a set number of months. There is no complicated need analysis, no consideration of other aid received, but only a certification of enrollment. Much of the process can be handled by clerks and computers. Not so with grants if the student’s full circumstances are to be considered. There are institutional budgets to be set, need analysis to perform, other aid to consider, and many other factors. The staff and operational budget needed to administer a centralized direct grant program would be many times larger than the machinery of the GI Bill, both due to complexity and the far greater volume. The proponents of the direct grant, I fear, have little conception of the magnitude of the program they propose.

So much for the response to the proposed “advantages” of a direct grant program. There are other reasons which seem to me to argue for a continuation of institutionally-based aid.

A direct grant program will make more — not less — work for financial aid officers. Student aid comes from many sources — federal, state, the student’s home community, national competition, and the institution itself. The greatest problem is one of logistics, getting the pieces of the puzzle in the same place at the same time. Such coordination is one of the roles of the institutional aid officer. The aid officer must look at the “broad picture” of available funds versus needy students. He must be able to project the amount of outside support his students will receive in order to develop an institutional plan for disbursement of funds. His job has been complicated.
in recent years by the expansion of major sources, particularly large state scholarship programs. These large centralized operations are continually beset with functioning problems that cause them to miss deadlines for student and college notifications, and they subsequently cause delays in institutional planning and operation that are nearly overwhelming. I shudder to think of the dimension of the logistical challenge if a direct grant to several hundred thousand students is added to the present log jam.

Another concern relates to the overall problem of duplication and consistency in need analysis. The direct grant proposals suggest utilization of simplified, but still fairly sophisticated need analysis methods for determining grant eligibility. If such analysis is done centrally, even with the help of a standardized process, several factors are important to consider.

A student applying to only one college for aid will have his financial need reviewed at least twice (federal grant and institution), with the distinct possibility of additional reviews for a state scholarship program and/or a private competition (National Merit, Elks, etc.). Those who apply to several institutions would have even more reviews made. Requiring as it does the expenditure of trained staff time, need analysis repeated at several levels is an inefficient duplication of time and effort. It is already being done unnecessarily in several states because of state scholarship programs and should not be added at the national level. Superimposing a separate need analysis determination at the federal level will duplicate more than time and effort, for these people will not work without pay. The expenditures of funds necessary to centrally administer a direct grant program will be great. It seems so foolish to take money that would otherwise be used to support students in order to finance an operation that is already being done at the institutional level. Need analysis, properly done to insure that both the student and the granting agency are treated fairly, requires trained personnel and significant time per application. It cannot be done accurately in a totally mechanized (optical scanner to computer, etc.) fashion, for even human scanning and key punching results in more inaccuracy than a financial aid office can tolerate in dealing with individual students and their families.

Added to the inefficiency noted above is the problem that results when the multiple need determinations do not yield the same results. These discrepancies arise very validly even when the same analysis systems are employed, because different people interpret the application of standard principles differently. The variations are usually very minor, but they can prove to be troublesome through the confusion that results from differing notifications to the student. These problems are compounded when one granting agency adheres strictly to its own need determination and withdraws aid when the student appears to receive more assistance than that particular agency feels is needed. The coordination and compromise required between two agencies is already burdensome and I hate to see another need analysis superimposed. Only if the federal grant determination was so simple that anyone, even the family itself, could determine eligibility with the same result, would the interagency consistency problem be avoided.
The question of consistency of treatment between institutions can fairly be raised. My own argument about discrepancies between levels indicates that this is currently a problem. No greater problem, I would maintain, than the differential treatment given at the federal level unless the same person did all need analysis, which is of course impossible. Even the same person will have variations from time to time because of external factors imposing upon him. The inter-institutional differences can be minimized by the adoption of a few standardized need analysis systems to be employed for each federal award (the Office of Education until recently recognized any standardized system, national or institutional). There are those who believe the single system approach for establishing federal awards under present programs should be adopted. I don’t feel it necessary or wise to go that far, as long as similar results are achieved.

I come to a final concern which I feel outweighs all other arguments for continuing the practice of delegating the awarding process to institutions. That reason relates to the students themselves. Responsiveness to student needs is an important facet of any financial aid program. There must be sufficient flexibility to allow adjustment of individual awards when circumstances warrant such changes. These situations arise for two primary reasons:

a) Inaccurate original evaluation of the student’s financial need, either through erroneous or incomplete information submitted by the student and/or his family, or error of analysis;

b) A change in the student’s financial position after the original evaluation was made, i.e., death of a parent, serious illness in the family, failure of the family income source, etc.

All of these causes for reanalysis of student eligibility arise with considerable frequency at the institutional level. Many of the situations are sufficiently complicated as to require personal consultation with the student and/or his family. Some cases demand interim solutions to solve immediate problems while long term resolutions are made, such as probation of a will or collection of insurance claims. My experience with state scholarship programs indicates frequent inability (not an unwillingness) to provide the flexibility to handle such situations. Multiply such a handicap fifty times and one can estimate the barrier to the necessary responsiveness to individual student circumstances by a centralized grant administration.

I don’t need to dwell upon the current student frustrations with “red tape, channels, and impersonality,” all of which would be present to overflowing in a centralized grant administration. The students already feel these things when dealing with the V. A. and S.S.A. and these agencies have local representatives which a federal grant program could ill afford.

The financial aid officer, in order to do his job, must have the authority to handle these circumstantial changes without long delays and reams of paper. To the individual student, his financial needs are paramount. He wants action (and money), not red tape. Institutionally-based federal programs per-
mit the aid officer to provide, with good professional judgement and responsiveness (but always accountable for acting within the spirit and law of the program), the kind of solutions that permit the student to continue his education uninterrupted. I see no prospect for such flexibility beyond the institution.

As an aid officer, I firmly believe that student aid can be handled most effectively at the institutional level. Although there are problems with the present system of delivery, solutions can be provided without changing the entire system. Current methods have, considering the lack of adequate funding, served the student, the institution and the taxpayer extremely well over the years.

BIBLIOGRAPHY