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A STUDY OF THE 1978-79 APPLICATION AND PANEL REVIEW PROCESS FOR COLLEGE-BASED STUDENT FINANCIAL AID

By James E. Zimmerman

Introduction

The three student financial aid programs commonly referred to as college-based financial aid have evolved over a number of years. The National Direct (formerly Defense) Student Loan Program was established in 1958 by enactment of the National Defense Education Act. The College Work-Study Program was created with the passage of the Economic Opportunity Act of 1964, and the Educational Opportunity Grant Program was established by the Higher Education Act of 1965. The three programs have grown substantially from initial program funds totaling 144.7 million dollars to the 1976 funding of 972 million dollars.

Funds are allocated by program to each state according to procedures specified in legislation and regulations, and further allocated to schools and colleges based on an Institutional Application for funds. A description of the state allocation process has been written by Dr. Robert B. Holmes.¹ The purpose of this paper is to review the institutional application process and to evaluate the format used by institutions for requesting aid funds for 1978-79.

Institutions request National Direct Student Loan, College Work-Study and Supplemental Educational Opportunity Grant program funding by submitting to the Office of Education the "Institutional Application to Participate in Federal Student Financial Aid Programs" or Tripart application.

Institutional Application

The first Tripart application was developed in 1966 when the separate application forms for the NDSL and CWS programs were combined and the EOG program was created. Since the initial six page form, the application has undergone a number of changes in format. In 1970 the concept of institutional need analysis was introduced, and institutions were asked to complete the "long form". The "short form" was introduced in 1974 and allowed institutions the alternative of requesting funds on the basis of prior utilization. The long form was retained for institutions who wished to request more than 110% of the prior year's funding.

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¹ Holmes, Robert. "An Examination and Analysis of Selected Aspects of the Allocation Procedures for the Campus-Based Federal Student Financial Aid Programs." The University of Michigan, 1977.

Both the long and the short form formats have experienced considerable criticism. The long form was criticized because the institutional need analysis was based in part on non-verifiable data. Institutional aid officers were required to first calculate an aggregate student cost of attendance, then subtract from the aggregate cost all known or estimated resources and submit the result as representing the institution's need for funds. The long form gathered both actual and projected data. The actual funding decision and the institution's actual request for funds were based on the projected data. The ability of the institution to project accurately the information required on the application varied both by institutional type and by the data requested.² The short form was criticized for allowing up to a 10% growth in funds for institutions which may have experienced no growth in the need for funds.

Application Review

The Office of Education each year establishes regional panels for the purpose of reviewing institutional Tripart applications (See Figure 1). The panels recommend program funding levels based on the panel's perception of the validity of the institution's application. The recommended funding levels generally exceed by substantial amounts the actual funds an institution will receive. For example, for 1974-75 funds actual allocations satisfied only 49.4% of the total panel recommendations.³

The fact that much of the data supplied by institutions on the long form was non-verifiable, and the knowledge by aid officers that their institution would receive only a portion of the panel recommendation, led many panelists to believe that a number of institutions inflated their requests.⁴ Additionally, there remains the belief that aid officers have become somewhat skilled at inflating their requests as evidenced by the following quote: "Old, well-established programs with aggressive financial-aid officers consistently bring in the largest portion of the federal dollar for their students."⁵

That "grantsmanship" and politics became part of the application process is further described in a recent article which appeared in *The Chronicle of Higher Education*, titled "Playing the Student Aid Game".⁶

The Secretary of Health, Education and Welfare announced the establishment of a study group on September 1, 1976. The purpose of the study group

² Hollis Adams and Duane E. Richardson. "Study of Alternative Funding Mechanisms For Student Financial Aid", A Final Report to the U. S. Office of Education, Region X, August 11, 1976.

³ Ibid., Holmes, p. 98.

⁴ Donald Mullen. "Final Report of the Panel Review Process" (unpublished study, Office of Financial Aid, University of Montana, 1976). pp. 6-7.

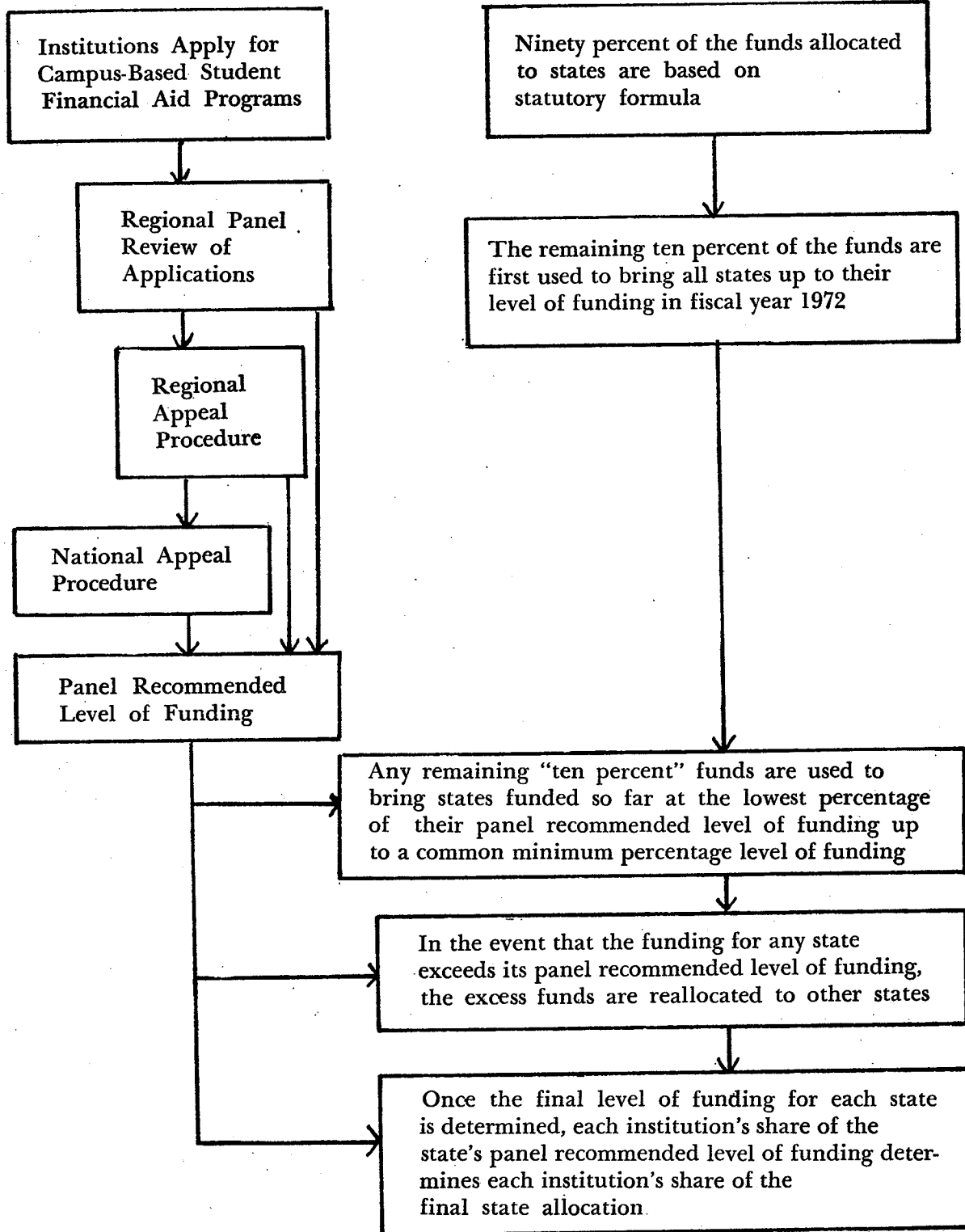
⁵ Anne C. Roark. "Federal Student Aid and How It Grew", *The Chronicle of Higher Education*, Vol. XV, Number 6, 1977, p. 6.

⁶ Anne C. Roark. "Playing the Student Aid Game", *The Chronicle of Higher Education*, Vol. XV, Number 7, 1977, pp. 6-7.

FIGURE 1
Highlights of the Application and Allocation Procedures for
Federal Campus-Based Financial Aid Funds

Application Process for the
Campus-Based Programs

Allocation Process for Each of the
Campus-Based Financial Aid Programs



Used by permission of R. Holmes

was "To advise of ways and means to implement more effectively the student financial programs administered by the Department".⁷ The study group included in their review an analysis of the institutional application for the campus-based programs. The 1978-79 application format was in part an attempt by the Office of Education to implement the following Study Group recommendations:

-The funding process should be as simple and straightforward as possible and should be designed to reduce administrative efforts in both institutions and the Office of Education.

-The appropriations process should precede the institutional application process so that the funding process can initially assign "actual" dollars rather than "panel recommended" dollars which are typically greater than the final allocation. In the event that the funding process continues to precede the appropriations process, initial notifications to institutions should provide realistic estimates of available funds, give projections of appropriations, and give the effects of the state allocation procedures.

-Ideally, the funding process should utilize only data that can be verified and audited. Authority to require such verifications should be included in regulations. This implies that, to the extent possible, all data represented must be actual, not estimated or projected.

. . . The policies and procedures governing review and appeal must be clearly defined and published simultaneously with the document used by institutions to request funds. . .

The study group recommendations established the philosophy upon which the 1978-79 format was based. The form was designed to request verifiable data. Additionally, the actual request for funds should be based, to the extent possible, on prior utilization with some allowance for inflation. *Student Aid News* announced in its October fourth issue: "The Office of Education also formally proposed a change in the tripartite application process which OE officials have said for several months would be forthcoming. The change, which affects all three 'campus-based' student aid programs, would simplify and shorten the application form and allow colleges to base funding requests on actual, rather than estimated, data. . .".

1978-79 Application Process

The 1978-79 form continued to ask for projected data; however, the projections were derived by applying a 'projection rate' to the prior year's actual program funding. The projection rate was the institution's actual prior year's utilization expressed as a percentage and taken directly from the institution's Fiscal Operations Report for the college-based programs. Thus, the request for funds was based on verifiable, auditable data.

Institutions were allowed to use one of two methods for determining the amount of funds they could request. The first method was to merely sum the program expenditures for the 1976-77 award year as reported on the Fiscal Oper-

⁷ The Student Financial Assistance Study Group. "Report to the Secretary", U.S. Department of Health, Education, and Welfare, June 1977.

ations Report, multiply the result by a two year inflation factor of twelve percent, multiply that result by an enrollment factor, and the resulting figure established the institution's formula limit. The formula limit represented the maximum dollar amount an institution could request.

Institutional financial aid officers complained that institutions which as a result of the 1977-78 application process had received a large increase in program funding would have that increase ignored or invalidated if a process which considered only 1976-77 expenditure data were used. Therefore, the second method for calculating the formula limit was provided. This method instructs institutions to multiply their 1977-78 allocated funds by the projection rate for each program. The results are totaled and the sum multiplied by a one year inflation factor of six percent and the enrollment factor. After completing the calculations using both methods, the institution has the option depending on which results in greater potential funding for the institution of selecting either the formula limit calculated using the first method or the formula limit calculated using the second method.

The enrollment factor for both methods is determined by dividing the institution's actual fall 1977 enrollment by the actual fall 1976 enrollment.

Augmentation

Institutions which met specified guidelines were allowed to request funding in excess of their calculated "formula limit". Institutions, requesting augmentation in addition to the standard form were asked to justify the request by submitting additional data.

The Office of Education stressed throughout the application and review process the concept that the 1978-79 application represented an attempt to distribute "available funds", not "unlimited" funds. The cover letter from James Moore (Director of the Division of Student Financial Aid, U.S. Office of Education) which accompanied the application form cautioned each applicant to ". . . Understand, from the outset, that the requests (Section IX of the application), if recommended for support by the review panels, may only result in an actual dollar increase for one institution at the expense of all other institutions within the State."

Regional Panels

Each tripart application is reviewed for correctness and validity by a regional review panel. Regional panels are comprised of selected financial aid officers, representing the types of institutions in the particular region, and a representative of the Office of Education. Equitable panel decisions are the "heart" of the application review process, since panel decision-making is the last step where professional judgment enters the process before the statutory allocations and regulatory procedures come into play.

Therefore, it is important to examine the composition of panels and their attitudes toward the application process.

Region V of the Office of Education was chosen for this examination because it is the largest region in terms of both the number of institutions filing tripart applications and in terms of total program dollars awarded.

Accordingly, a survey was administered to twenty-two panel members who participated in the Region V panel process in November 1977. Survey questionnaires were returned by seventeen or 77% of the panelists. In addition to the survey, five panel members were interviewed.

Survey Results

Tripart Experience: fourteen of the seventeen respondents or 82% indicated they complete the application for their institutions; 47% indicated they had done so for at least the past seven years; nine of the seventeen said they had been a member of a prior year's panel. These results would suggest a good working knowledge of the application form. However, two panelists indicated only indirect involvement with completion of the form. Individuals surveyed could have indicated that they do not complete the application but do review the completed form. Therefore, indirect involvement would suggest only minimal contact with the form.

Financial Aid Experience: sixteen respondents identified themselves as directors/coordinators or as associate directors/coordinators of financial aid. One respondent identified himself as an assistant dean of students. Twelve respondents indicated they had held or were currently holding an office in a financial aid professional association at either the state, regional, or national level.

Type of Institution: thirty-five percent of the responding panelists represented universities; 24% or four respondents were from two-year institutions; and two respondents (12%) represented area vocational-technical schools.

Institutional Control: Nine respondents or 56% were from publically controlled institutions; five (32%) were from private, non-profit schools; and two panelists were from proprietary institutions.

Panelist's Opinion: Panelists were asked to select one of three responses to the question, "Would you like to see this year's format used again next year?" Seventy percent answered the question "yes", 18% selected "no, change to a new format" as their response, and two panelists chose not to respond. The response "no, change to prior year's format" was not chosen by any of the responding publically controlled instructor panelists, thereby indicating general acceptance of the 78-79 format over previous forms. Two of the three panelists who selected the "No" response represented privately controlled institutions. Although far from conclusive, the response suggests that the 1978-79 methodology as it affects private schools may warrant further study.

In describing the panel process, the Student Financial Assistance Study Group said: "An additional weakness in the present process is the inability of panels to properly consider the immense amount of data presented to them. Without computer or other analytical support, the process is plagued with inequitable and inconsistent decision-making both within panels and between regional panels."⁸

An attempt was made to obtain panelist's opinions relative to this shortcoming identified by the study group. They were asked to select one of four responses to the question, "Do you feel it is important to have computer generated com-

⁸ Ibid., The Student Financial Assistance Study Group, p. 95.

parisons of financial data (FISC-OPS, prior Triparts, etc.) available for panel review?" Eleven (65%) answered "yes, very important", while six (35%) responded "yes, moderately important". Not one panelist thought it was not important, and none of the panelists indicated "no opinion". In addition to the data suggested within the question, one panelist mentioned that it would be helpful to have available the comments that prior panels had made relative to an institution's previous applications.

A number of survey respondents, in addition to completing the questionnaire section of the survey, offered recommendations for improving or identifying the shortcomings in the 1978-79 format. The following is representative of the comments:

"If an institution did not do a good job on prior years' applications, it would be penalized on this one and will never be able to equalize the inequity."

"Projected enrollment figures should be required as well as a precise explanation of how the projection was formulated. . . This is especially important for non-traditional and proprietary schools."

"Schools which had underutilized funds in one program could increase their request in a different program. . . The result was dramatic increases, generally for SEOG funds."

"Section VIII (current year to-date expenditures) should be modified and required of all requests, not just for augmentation. Modification could include simply the institution's estimate of the current year's expenditures and number of students."

"Information provided by new or first year institutions was entirely too limited to give adequate consideration of the requests. Therefore, panels relied heavily on comparisons to similar institutions within the state."

Interviews

Interviews were conducted with five members of the 1978-79 Region V panel. From these interviews a list of shortcomings was developed. The lists forms a constructive criticism of the 1978-79 application form.

1. The format did not adequately address the problem of delinquent loan repayments to an institution's National Direct Student Loan Program. Institutions are required to collect repayments for loans which they have made. A loan which is in repayment status and which is not being repaid by the borrower is "delinquent". An institution's NDSL delinquency rate is expressed as a percentage representing that portion of the total loans in repayment status not being repaid. The only mention made to delinquency rate in the 1978-79 Tripart application was in reference to requests for augmentation. Specifically, "An NDSL Delinquency Rate in excess of 20% will preclude Augmentation in that program."⁹ Institutions could therefore have an NDSL delinquency rate as high as 50% and yet request funding equivalent to prior years.

Recommendation: Apply a penalty to NDSL program requests where the delinquency rate exceeds a "national norm". It would have been inappropriate to institute such a penalty for the 1978-79 application because the formula for calcu-

⁹ Appendix 2, Tripart Instructions, p. 4.

lating the delinquency rate, as prescribed by the Office of Education, was revised. However, a norm can be established for the 1979-80 application process, and, in the opinion of those interviewed, should be used to formulate a penalty for unusually high delinquency rates.

2. Some schools indicated enrollment increases of 130% or greater, resulting in a concomitant increase in program funding. Because the "formula limit" was determined partially by the "enrollment factor", institutions which indicated a large enrollment increase automatically could request a proportionate increase in funding.

Recommendation: All enrollment figures should be accompanied by an explanation from the institution describing how the figures were derived. In cases where increases in enrollment exceed a standard (one panelist indicated some proprietary schools reported enrollment increases of 300%), additional documentation addressing problems of administrative capability should be required.

3. Augmentation requests were approved on the basis of unique circumstances experienced by a given institution. For example, institutions used circumstances such as employment strikes, natural disaster, etc. as justification for their augmentation requests. However, there was no requirement for an institution to address the issue of how a change in the unusual circumstances (i.e., settlement of the strike) might affect the need for additional funds.

Recommendation: For augmentation requests based on unique circumstances and where those circumstances might reasonably change, institutions should be required to address the issue of a sudden change in circumstances.

4. Institutions were asked to calculate a minimum and a maximum formula limit for each program. The methodology for calculating the limits was based on the 1977-78 institutional awards rather than actual expenditure or utilization data.

Recommendation: Allow institutions the option of calculating minimum and maximum limits by using either expenditure data from the most recent Fiscal Operations Report or by using current year's authorized amounts. Additionally, those institutions which demonstrated extremely poor utilization could be required to use actual expenditure data when calculating their program limits.

5. Institutions were not allowed to use utilization as justification for their request for augmentation. The application was such that an institution could experience both an overall increase in campus-based funds and a substantial decrease in funding of one of the programs. This was caused by the program formula limits being derived only from 1977-78 awarded fund amounts as described above (4). Given the differences in the type of aid each program provides (loan, work, and grant), it may have been unacceptable to an institution to sustain a large decrease in program funds for any one of the programs.

Recommendation: Provide methodology for institutions to use who wish to request program augmentation based on demonstrated prior utilization.

The 1978-79 Tripart application for Region V institutions included a worksheet. The work-sheet provided a formula for computing line 64, NDSL level of lending, of the application. The level of lending is critical to the application because it establishes the current institutional award amount and the resulting

funding limits for the NDSL program. The formula prescribed by the worksheet assumed 3% interest was realized on the institution's NDSL capital fund. Institutions which have participated in the NDSL program for more than just a few years realize considerably more than three percent interest. The difference between the actual interest and the 3% used in the formula amounted to \$217,646. (\$269,605 actual, versus \$51,959 calculated, using the formula). The actual amount an institution has earned on the NDSL fund is available from its Fiscal Operations Report.

Recommendation: The formula for computing the interest earned on the NDSL fund should be changed such that the actual interest is taken directly from the institution's Fiscal Operations Report.

Requests for Augmentation

The 1978-79 Region V Tripart panel reviewed 730 institutional applications. Of the 730, 152 applications included a request for augmentation. Nineteen (12.5%) of those requesting augmentation actually had their request approved by the panel. This seemingly low success rate could in part be due to insufficient instruction about what information the panel would require of institutions as adequate justification for a request for augmentation. During the public review of proposed regulations for the college-based aid programs, a commentator suggested, "The regulation should require that the panel review guidelines be supplied to institutions as a guide to assist them in completing the application". The Office of Education official responded, "The suggestion was not adopted. The panel guidelines contain no requirements which are not included in the regulation and are an internal working document intended to assist panel members in the review process."¹⁰

The Study Group chose to pursue the matter and recommended, "The policies and procedures governing review and appeal must be clearly defined and published simultaneously with the document used by institutions to request funds".

In order to evaluate how well institutions understood the instructions for justifying a request for augmentation, a follow-up study could be conducted. The study could consider both the opinions of those institutions requesting augmentation and the completeness of the appeals submitted after receipt of the panel checklists. The results of the study could be used to support the argument that institutions would have provided more properly documented augmentation requests had the checklists been included with the application materials. Or the results may indicate that the instructions as provided were adequate.

Conclusions

The 1978-79 Tripart application process attempted to correct shortcomings inherent with earlier application forms, and to implement some of the recommendations of the Student Financial Assistance Study Group. The format and the review procedures have in part been successful in this attempt. The application

¹⁰ Department of Health, Education and Welfare - Office of Education, Interim Regulations for NDSL, SEOG, Part II, Federal Register, Vol. 41, No. 228, November 24, 1976, pp. 51948-51949.

is much easier for institutions to complete; it does contain primarily auditable, verifiable data; and the process does minimize the opportunity for "grantsmanship" to play a significant role. However, certain shortcomings continue to exist. In some cases data which is available has been overlooked; in others not enough information has been requested; and in some areas previous recommendations may not have been satisfied. The analytical techniques used to gather information for this study have addressed a number of the shortcomings. Where possible recommendations have been provided for improving the process. Additionally, areas have been identified where further study may be needed.