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**The North Carolina Contractual Scholarship Fund program:
Outcomes, administrative practices, and implications for
self-regulation for a state-supported student aid program at
independent colleges and universities**

Simmons, Barry William, Ed.D.

The University of North Carolina at Greensboro, 1987

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**THE NORTH CAROLINA CONTRACTUAL SCHOLARSHIP FUND PROGRAM:
OUTCOMES, ADMINISTRATIVE PRACTICES, AND IMPLICATIONS
FOR SELF REGULATION FOR A STATE-SUPPORTED STUDENT
AID PROGRAM AT INDEPENDENT COLLEGES AND UNIVERSITIES**

by

Barry William Simmons

**A Dissertation Submitted to
the Faculty of the Graduate School at
The University of North Carolina at Greensboro
in Partial Fulfillment
of the Requirements for the Degree
Doctor of Education**

**Greensboro
1987**

Approved by

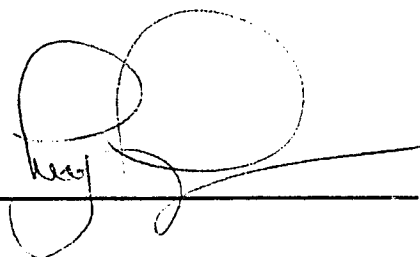


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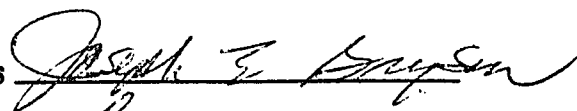
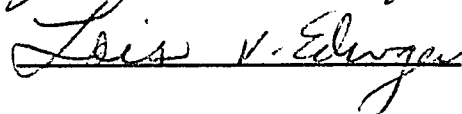
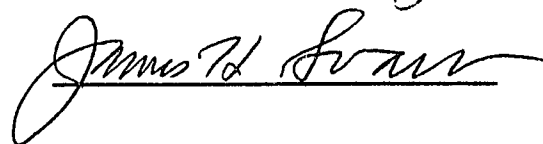
APPROVAL PAGE

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March 30, 1987

Date of Acceptance by Committee

March 30, 1987

Date of Final Oral Examination

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by

Barry William Simmons

SIMMONS, BARRY WILLIAM, ED.D. The North Carolina Contractual Scholarship Fund Program: Outcomes, Administrative Practices, and Implications for Self-Regulation for a State-Supported Student Aid Program at Independent Colleges and Universities. (1987) Directed by Dr. O. Terry Ford. 137 pp.

Since 1972, the State of North Carolina has funded a program of student financial assistance, called the North Carolina Contractual Scholarship Fund (NCCSF), for residents who attend North Carolina private colleges and universities. This study acts as an evaluation of the NCCSF with two purposes: (1) to determine whether the achieved outcomes are the intended of the program; and, (2) to examine NCCSF administrative operations to discover whether there are common practices among the institutions participating in the NCCSF and whether additional initiatives of self regulation are necessary.

The evaluation framework contains eight outcome indicators addressing both enrollment and institutional demographics. Data from existing higher education statistics are used in the analysis of outcome indicators. Indicators of administrative process and practice are driven by seven common elements of financial aid administration found in federal Title IV student financial aid programs. These indicators are tested with data assembled by a field survey questionnaire. An action model for securing self-regulation goals is also presented.

The results of the evaluation indicate that the intended outcome is being realized but does not determine the direct impact of the NCCSF upon that outcome. Common administrative practices are identified including the widespread application of satisfactory academic progress standards, the use of needs analyses, and the requirement that NCCSF recipients attempt full-time study.

Recommendations include a call for continued state support of the program coupled with a continued reliance upon the private sector to regulate itself in the administration of the NCCSF. However, the private sector must also substantially increase its efforts toward self-regulation in terms of the NCCSF. Institutions are furthermore encouraged to expand NCCSF availability to part-time students.

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CHAPTER I

INTRODUCTION

This dissertation is an examination of the administration of the North Carolina Contractual Scholarship Program (NCCSF), a program of the student financial aid for needy North Carolina residents attending independent colleges and universities within the state. The study has two goals. Enrollment and financial data are studied to determine whether the intent of the legislation establishing the aid program is being realized. The second goal is to discover what implications, if any, for self-regulation exist within the day-to-day administrative procedures of the program.

This first chapter introduces the purpose of the study. After a brief overview of the history of the NCCSF Program, the significance of the study is presented along with a discussion of the general importance of financial aid to the higher education enterprise and specifically to private higher education. A treatment of the significance of accountability within financial aid programs and its relationship to self-regulation and the political arena compose the final portion of the chapter.

Purpose and Platform of the Study

The book What They Don't Teach You At Harvard Business School (McCormick, 1984), identifies "Business Paradox," a concept illustrated by the following situation: "the better you think you are doing, the greater should

be your cause for concern; the more self-satisfied you are with your accomplishments, your past achievements, your 'right moves,' the less you should be" (p. 254).

The purpose of this study is to place the NCCSF in the light of this paradox in order for current data to be gathered and analyzed. No study has recently been conducted to determine whether the program is meeting its legislative intent. Moreover, this researcher has been unable to locate any formal study whatsoever that addresses the campus-bound administrative practices of the program. A study of intended as opposed to actual outcomes is warranted in addition to an investigation of how the program is being administered. The results can be used to fulfil two functions:

1. To develop a data base regarding the intended versus actual outcomes of the program.
2. To determine whether there are common administrative practices for the NCCSF among the 38 private colleges and universities, and, in the existence or absence of such common practices, what initiatives for self-regulation they present.

Completing these purposes are the values and assumptions which form the platform and horizons of this study. Importance is given to both theory and practice. The premise that neither parochial practicality nor isolated academia provide a proper atmosphere for the development, implementation, or actual operation of programs, procedures, measures, or guidelines is the primary assumption upon which this study is based.

Historical Perspective

In 1963, the North Carolina Legislature considered a proposal for a program of financial aid for North Carolinians who were attending a North Carolina private college or university. This program would have provided \$200 per student per year (Allen, 1977, p. 3). However, it was not until 1971 that the General Assembly passed enabling legislation to establish a program called the North Carolina Contractual Scholarship Fund (NCCSF). The legislation established a framework whereby the State of North Carolina, through the Board of Governors of the University of North Carolina System, was authorized to enter into contracts with "private" (more often referred to within the private sector as independent) institutions:

In order to encourage and assist private institutions to continue to educate North Carolina students. . . [D]uring any fiscal year in which. . . funds were received, the institution would provide and administer scholarship funds for needy North Carolina students in an amount at least equal to the amount paid to the institution. . . during the fiscal year. (An Act to Utilize the Resources of Private Colleges and Universities in Educating North Carolina Students, 1971)

The major impetus for the NCCSF came from the predecessors of the present Board of Governors, the Board of Higher Education. In 1971 the Board of Higher Education favored a state program of student financial aid to the private sector in order to stabilize campuses (Young, 1977, pp. 12-13). The North Carolina Association of Independent Colleges and Universities lobbied heavily for passage of this program. Much of their lobbying effort was based on the concept of diversity in higher education coupled with the

economic argument that by preserving the private sector, the state would ultimately save money (Allen, 1977, p. 4).

Allocation of funds to independent higher education would be to each institution based upon its enrollment as of October 1 of each year for which funding was to be sought. There were few additional restrictions and directions for implementation of the program, except for two definitions included in the act. First, an independent institution was essentially defined as (1) an educational entity located in North Carolina, (2) not under state or public control, (3) accredited by the Southern Association of Colleges and Schools, (4) with a purely secular mission. Second, a student is defined as a North Carolina resident (as stipulated by the Board of Governors) who does not hold an undergraduate degree.

Yearly allocation would be determined within the normal two-year budget cycle as requested by the Board of Governors. In 1972, \$46 per student was allocated and subsequently expended. Additional operational issues were identified for modification during the early years of operation. The issue of First Amendment separation of church and state arose prompting a restriction barring students pursuing non-secular programs from participation in the program. The question of First Amendment separation of church and state matters was resolved in Smith vs. Board of Governors based on Roemer. Thus, this issue is not addressed in this study.

The legislation required that the moneys go to "needy" North Carolina students. The Board of Governors clarified this concept by defining need as whatever might be a nationally accepted definition as approved by the North Carolina State Education Assistance Authority NCSEAA. A method of needs

analysis called "Uniform Methodology" is the most widely used formula and is also approved by the NCSEAA. The major needs analysis vendors, the College Scholarship Service of the College Entrance Examination Board and the American College Testing Program, both use only this Uniform Methodology. Simply stated, a student has need when the cost of education exceeds his or her computed resources. The amount of excess cost is referred to as "need."

In September of 1973, representatives of the independent colleges and universities met near Asheboro, North Carolina, at Camp Carraway under the sponsorship of the North Carolina Association of Independent Colleges and Universities to discuss the NCCSF Program and potential needs for self-regulation. No longer were there 41 independent colleges and universities in North Carolina as there had been at the beginning of the 1972-73 academic year. Two institutions had closed their doors reducing the number of independents to 39. Three days of discussion ensued at this meeting. Majority agreement was reached on three major areas of program administration and guidelines.

1. A distinct, separate institutional deposit account must be established for the NCCSF funds.
2. Students must be notified, in writing, that they are receiving state funds from the NCCSF Program.
3. Institutions must not use the NCCSF Funds to replace or release institutional financial aid funds.

The North Carolina Association of Independent Colleges and Universities established a Financial Aid Advisory Committee in 1978 that

would assist and advise in developing and implementing policy for the NCCSF Program, along with like responsibilities for a program called the North Carolina Legislative Tuition Grant (NCLTG), established in 1975.

Responsibility for administering the NCLTG program was assigned not to the Board of Governors of the University System, but to the North Carolina State Education Assistance Authority (NCSEAA). Most of the coordination that has existed between the two state grant programs stems from occasional efforts by the NCAICU and its Financial Aid Advisory Committee. One such effort was a 1979 policy that set a maximum combined amount of NCCSF and LTG that could be awarded to a student during one year. This maximum is the yearly average per full-time equivalent (FTE) average paid to the constituent institutions for in-state undergraduates. The Advisory Committee has also encouraged all of the independent institutions to meet program reporting deadlines and to assist in developing budget figures and rationale to present state officials in support of funding requests.

Two annual reports are required by the Board of Governors. The first, and more important, establishes each institution's yearly funding level. As of October 10 of every year, each college or university must furnish a report detailing the FTE enrollment of North Carolina residents for that fall term. Even though the total yearly appropriation is generally based on a per student allotment, the Board of Governors does not determine institutional allocations until it can determine that all institutional allocations do not exceed the funds available. Were this to be the case, the act directs the Board of Governors simply to divide the total statewide FTE independent enrollment into the total allotment of monies. This operation would yield a

revised per FTE allocation to each institution. A second report is required to indicate program activity during the fiscal year (July 1 to June 30). A listing of NCCSF recipients, including their name, address, major, class, and amount of NCCSF monies received is the content of this second report. It is to be submitted to the General Administration of the Board of Governors each year prior to the end of July.

Relatively little compliance survey work has been done on this program. The major focus of such surveys has centered on the Legislative Tuition Grant program and sampling to discover whether recipients satisfy statutory residency requirements. These are the same requirements that the 16-campus University of North Carolina constituent institutions must apply to those requesting in-state tuition rates.

Since 1971, the NCCSF program has provided over \$75 million to North Carolina students attending independent colleges and universities (see Appendix A). North Carolina has long enjoyed the reputation of a strong and healthy dual higher education system. Programs such as the NCCSF ensure the state's continued national prominence in higher education. But this prominence could be somewhat tenuous: the Carnegie Council on Policy Studies in Higher Education has included North Carolina among its 13 most vulnerable states in terms of enrollment shifts (1977).

Significance of the Study

With so few formal guidelines, one might wonder how consistently the NCCSF program has been administered by the 38 independent institutions.

(The total shrank from 39 to 38 in 1974 when another private college closed its doors). No such determination has been made other than one or two isolated audits. In addition, only limited formal inquiry has been pursued regarding the success of the NCCSF program in addressing the goal of encouraging North Carolina residents to attend North Carolina private colleges and universities. Only one study of the NCCSF has been located and it is over ten years old (see chapter 11). Current and more in-depth study is needed of the NCCSF and its interaction with implementation procedures and the intended outcomes of the program.

The significance of the investigation is twofold as is its purpose. First, by providing data regarding the outcomes of the program, information is generated in order to determine what adjustments, if any, need to be implemented to prevent or reduce performance gaps or unintended outcomes. This knowledge base can be a valuable resource for policy-makers to consult when considering future funding levels of the program. The information gleaned here also can act as somewhat of an indicator (in a very narrow scope) regarding the condition of private higher education in North Carolina. The second purpose of the study centers on broad, administrative practices that occur through the on-campus operation of the North Carolina Contractual Scholarship Program and what opportunities and needs, if any, exist for self-regulation.

Financial Aid and Higher Education

Financial aid is no longer the stepchild of higher education. Those responsible for the management and health of colleges and universities are paying attention to student assistance as never before.

After two decades of spectacular growth, the sharp leveling of . . . student aid in the early 1980's [has] brought home its importance to the postsecondary enterprise. (Gladieux, 1983, p. 399)

This new awareness for the present importance of the various sources of public and private financial aid along with their changing horizons is crucial for all independent institutions. Just as important as an awareness is the matter of coordination between the many aid sources even though a high degree of coordination is not likely (Fenske, 1983, p 24).

Financial aid can be a matter of life and death for many independent institutions (Fenske, 1983; Fenske & Huff, 1983). A major reason for this extreme dependence is that private colleges and universities are so tuition-dependent. Public institutions transfer around 20 per cent of their incremental costs to tuition. Private institutions transfer approximately 70 per cent of their incremental costs to tuition (Lewis, 1980, p. 70). Independent institutions do not have the generous state subsidy that public institutions enjoy. Without this subsidy, substantially higher tuitions must be charged. The existence of any source of financial aid helps to make independent institutions more competitive in attracting students and thus satisfying that 70 per cent demand on tuition.

Until about 1950, the private and public sectors of higher education each shared about one-half of the available enrollment. With the burgeoning demand for higher education in the late 1950's lasting until the mid-1970's, the enrollment mix shifted. Public higher education responded by not only increasing its four-year capacity, but it also practically created a new sector, the two-year public institution. In 1980 The Carnegie Council on Policy Studies in Higher Education placed the distribution of postsecondary

enrollment share at four-fifths public and one-fifth private (1980).

According to the Digest of Educational Statistics 1985-86 (Grant & Snyder, 1986), the mix has remained stable at 78 per cent public and 22 per cent private (p. 89),

"A substantial majority of all students at private colleges and about half of the students in the public sector cannot meet total college costs with their own financial resources" (Boyd & Henning, 1983, p. 308). Because of the higher deficit in the private sector, students in independent colleges and universities receive a greater amount of aid than is their proportion according to their enrollment share (Atwell, 1981, p. 66).

In addition to receiving a disproportionate share of aid based on enrollment share, students attending private institutions receive funds allocated specifically to offset the heavy tuition subsidy at public institutions. Finn (1985) has stated that:

The rationale that heavy institutional subsidies---and resulting low 'posted prices'---of public colleges and universities has caused a competitive disadvantage for private institutions as a class and has led to the creation of a number of specific programs (often state sponsored) of aid to students attending private colleges and to provisions in broader-gaged aid programs (such as the half-cost limitation in the Pell Grant Program) designed to achieve similar results via the subsidies. (p. 3)

Private Higher Education

Even with subsidies, the net cost to students in private colleges and universities is greater than their public sector colleagues. So why do students continue to frequent the private sector? "The...private sector continues to survive mainly because of its 'differentiated product'" (Lewis,

1980, p. 68). "Private colleges have done a great deal to make themselves more attractive and better known, and have thereby sought to give more weight to what they have to offer in exchange for high tuition" (Carnegie Council on Policy Studies in Higher Education, 1979, p. 168). Some must be quite attractive for in many instances, the cost for four years at a private college can be as much as 800 per cent more than four years at a public institution within the same state. Admittedly this is an extreme case but the average still ranges between 200 to 400 per cent difference (Lewis, 1980, pp. 68-69).

The more expensive private institutions generally provide some degree of prestige for their students. This prestige can be one characteristic of the independent differentiated product. Generally, they also spend more on everything. However, Bowen (1980) noted that these "rich" institutions, "on a percentage basis...spend less on direct instruction and physical plant and more on student financial aid, nonacademic staff, and goods and services... and they accumulate more endowment" (p. 414). But spending more money on non-instructional functions has little or no impact on educational outcomes.

The relationship between institutional affluence and outcomes is tenuous and uncertain. Even when the correlations were significant and positive, regression analysis suggested that the impact of affluence on outcomes was very small. (pp. 414-415)

Independent higher education remains different and highly desirable. Several reasons for this difference include such factors as smaller classes, more personal attention, smaller everything (including enrollments), post-first-generation attendance by children of alumni, and the big-fish-in-a-

small-pond factor (where the student feels he or she will have a much better chance of succeeding or excelling in some activity because of the perceived lower level of competition inherent in smaller numbers).

Accountability

In spite of the fact that independent institutions of higher education are different from public sector institutions, they still must face the cold hard facts of higher education in the 1980s: the contraction of public funds for higher education, coupled with shrinking cohorts graduating from high school, dictates changes in the way higher education operates. The Carnegie Council on Policy Studies in Higher Education has stated that "Institutions of higher education, by and large, will need to be more concerned with the effective use of their resources" (1980). This concern is driven by a demand for increased accountability and deficiency (Bowen, 1977). "Accountability may be conceived of as a form of consumer protection where the effectiveness of programs must be demonstrated to the ultimate supporters of these programs, the taxpayers" (Airasian, 1983, p. 165).

Some observers have questioned the worth of higher education. Public confidence has historically been high in traditional postsecondary education but is beginning to wane (Carnegie Council on Policy Studies in Higher Education 1980). "There can be no doubt that the loss of priority [in higher education] is related to a lack of public confidence as to the importance of supporting higher education" (Henry, 1975, pp. 136-137). This loss of confidence began in the late 1960s and early 1970s with the advent of campus unrest and violence fueled by a disenchantment with the

"Establishment" and later exacerbated by economic insecurity (pp. 137-139). The Carnegie Council on Policy Studies in Higher Education (1980) has lamented that "We have...expressed concern for the deterioration of integrity on campuses. In particular, we have noted: Grade inflation, reduced academic requirements...[and] false promises by institutions" (p. 100). The critical concern here is the political consequence(s) of this loss of confidence and integrity.

The concept of accountability has emerged as a method to build confidence and integrity in our higher education enterprise. Some anxious politicians have adopted the broader "quality in education" movement and have singled out higher education. Henry (1975) noted that:

More often than not, the call for accountability has come from those who would spend less and who would like to dictate the ways and means to that end. Others would apply empirical standards to the essentially immeasurable---quality, intellectual growth, personal development, educational values. (p. 143)

Accountability issues have affected federal financial aid through the imposition of academic standards in order to remain eligible to receive aid, and continuing efforts of the Department of Education to verify and validate information applicants submit on their financial statements when applying for aid. The academic standards issue requires that in order to continue receiving funds from Title IV federal programs the recipient must be progressing toward program completion at a certain rate rather than merely registering for courses and then dropping them after the tuition refund period expires. In addition, an aid recipient cannot continuously take courses, all of the time receiving financial aid, yet never graduate or

complete a program of study. The limitation is generally the equivalent of ten semesters unless unusual circumstances are present. Income validation began with the Basic Educational Grant Program (now the Pell Grant) in an attempt to curb fraud and abuse. Originally, aid applications were selected for review and validation according to rather loose computer edits during the central processing phase of the financial statement. The actual review and validation was completed by the campus financial aid administrator using tax returns and other documented evidence furnished by the applicant or agencies such as the Social Security Administration or Veterans Administration. Once the campus aid administrator reconciled all questioned items and completed any required recalculations, if any eligibility survived, an award was then made. More recently, this validation has been expanded to verification requiring a great deal more documentation entailing additional review by the campus aid administrator.

"The large growth in government programs and spending...[has] increased the demand by the public, legislators, the media, and interest groups for information about the management of government programs" (Deck, 1985, p. 1). Jonsen (1980) agrees by stating:

The recognition of the public function served by the nonpublic sector of higher education, as well as the increased governmental support, inevitably means that nonpublic institutions will more and more be accountable to state agencies, for their performance and for their use of tax funds. (p. 16)

With the increase of both funds and requirements, "public officials are now not only required to be accountable for fidelity in handling government

resources, but they must be equally accountable for their performance in using these resources" (Deck, 1984, p. 1).

The states too have no small stake in the financial aid arena. They have established programs providing over \$1 billion a year (Huff, 1983, pp. 96-97). Some states, especially North Carolina with respect to the NCCSF program, have established few accountability standards.

The question of what conditions are attached to state aid is a sensitive one, since it is fear of governmental encroachment on institutional autonomy which makes some spokesmen for the private sector hostile to either Federal or state aid. But, clearly, public monies cannot be granted without some regard for protection of the public interest. So the real question becomes: What constitutes adequate protection of that interest? (Berdahl, 1971, p. 213)

The Carnegie Council on Policy Studies in Higher Education (1976) has also commented on this issue by identifying three important questions:

How to support the private sector while maintaining its independence...how to get accountability by higher education without stifling it with detailed regulation, and...how to balance the public interest against the need for institutional autonomy in academic areas of decision-making...? (p. xi)

We need to expand the scope of the questions and search more for where the answer might be found rather than what answer might be found.

Self-Regulation

Representatives of higher education have recently emphasized self-regulation as a much more efficient form of governance than government mandates. Government mandates, coming as they do from individuals and agencies external to higher education and often unfamiliar with its traditions and circumstances, are usually clumsy.

They secure some objectives at the expense of other social or academic values. (Bennett, El-Khawas, & O'Neil, 1985, p. 6)

If external regulation is to be avoided, then the institutions must become more proactive in identifying issues and formulating policy alternatives. In student financial aid, they "...must continually monitor the legality and conformance of student aid practices" (Boyd & Henning, 1983, p. 309).

Unfortunately, financial aid administrators are not always right and sometimes need help and guidance. A 1982 study (cited in St. John & Sepanik, 1982) states that "Financial aid offices have not always been well managed; as a result, institutional error has been identified as a major source of overall error in the disbursement of student aid" (pp. 57-58). Many reasons for this institutional error can be listed. Often, however, it is the failure of college and university administrators to properly staff and support the student aid office. Included here are practices such as hiring incompetents or offering insufficient salaries to attract quality administrators. Most common is understaffing of the office.

The federal government is taking a much more concerned stance on this issue. In the Education Amendments of 1976 "the Commissioner of Education was empowered to provide regulations establishing reasonable standards of financial responsibility and institutional capability in the administration of Title IV programs." Included is a provision requiring fiscal audits of the Title IV institutions' program records (Hadden, 1980, p. 145). Current federal guidelines require a program review once every three years (Martin, 1983, p. 266). The reason for audits and program reviews is to identify potential problems and correct them before they become

unmanageable, but when federal agencies find such problems, "...they intend to penalize sloppy management" (Hadden, 1980, p. 154). Such penalties can include measures such as repayment of improperly awarded funds plus fines to suspension of the institution from participation in the program.

"State agencies administering...[financial aid] resources have sought to ensure proper use through regulations and to monitor that use through regular reports, program reviews, and audits" (Huff, 1983, pp. 96-97). Hadden (1980) noted that the Higher Education Services Corporation of New York was given authority to conduct program reviews in 1978.

Unfortunately, financial aid, be it at the federal, state, or institutional level, is not easy for the public or politicians to understand. There are many questions that defy easy, straightforward explanation except for the myth that aid is almost impossible to get unless one is on the steps of the alms house. This is because "each individual financial aid administrator, exercising his/her professional judgement, determines how individual family financial circumstances shall be evaluated in reaching a judgement about what need is and how it should be met" (Van Dusen & Higginbotham, 1984, p. 9) This professional judgement is perhaps the crux of the issue of better understanding financial aid. Professional judgement is weighing guidelines against a situation and then referring to the essential intent of the enabling legislation before reaching a judgement on the situation at hand. Many student aid administrators see professional judgement as reading and applying the regulation or guideline with little or no interpretation. Moreover, the interpretation that is most often exercised almost always gravitates toward the path of least bureaucratic resistance: be on the safe

side and rule for the regulation and against the student. Professional judgement needs to be exercised in a more flexible manner in order to aid not only students and fulfil the intent of the legislation, but also to help the layman better understand that financial aid is a responsive and worthwhile endeavor.

Financial aid administrators, in theory, can be classified along a continuum: they range from facilitators to stewards (Simmons, 1985, p. 30). A somewhat oversimplified definition of these terms might state that facilitators use the guidelines to tell students why they cannot be helped. To the chagrin of most students and parents, the most visible aid administrators fail at the steward end of the continuum. Most references to professional judgement concern needs analysis and how to alter their result so they might more accurately represent the family's ability to contribute toward the costs of a higher education. Most of the time this means how to increase the family contribution in order to lower the amount of aid for which the student is eligible. Few aid administrators occupy that middle range between the extremes or at the facilitator extreme. Furthermore, most aid officials tend to find themselves closer to the steward extreme. Simply stated, many are afraid to use that professional judgement to help students because of the external imposition of guidelines that were not developed and/or fully understood by those who actually must implement and abide by those guidelines. Again, the safe course of action to follow is to read the regulation literally and apply it likewise.

Van Dusen and Higginbotham (1984) found that when aid administrators reviewed an applicant's financial statement and subsequently

exercised professional judgement, "more than two thirds...(67.7 per cent) said that their review resulted in an increase in the amount of parental contribution that would be expected" (p. 17). An increase in parental contribution means an overall decrease in the amount of aid for which a student might qualify and subsequently receive. That same study found that "private, four-year institutions...are more likely than other types of institutions to be active in altering elements..." of the financial statement which lie in the realm of professional judgement (p. 2).

Another dynamic which enters this equation is the quandary of limited resources for unlimited applicants. More often than not there is not enough money to meet the needs of qualified students. Many aid administrators lean toward the steward side hoping to assist as many students as possible by limiting need. But professional judgement scoffs in the face of needs analysis theory when it favors telling students why they cannot receive the full amount of aid for which they initially qualified before the imposition of professional judgement when professional judgement has been based on such motives. Independent higher education must be flexible in administering financial aid by following their publicized hallmark...individual attention for the benefit of the student. Currently, many are exercising a double-standard in their differentiated product in the instance of financial aid.

Some officials have favored a state-level direct grant in order to increase control and eliminate the professional judgement of the financial aid professional. Walkup and Hoyt (1975) have found that

The effect of [direct grants is to remove the discretionary authority over these aid programs from the institutions and reduce the options

available to student financial aid officers in designing aid packages that will best serve the differing needs of individual students. From an education standpoint then the direct grant tends to rigidity and dehumanize what should be ideally a flexible and personalized process (p. 47).

What most bureaucrats fail to recognize is that complexity in guidelines and program administration creates unforeseen opportunities for abuse. "If the rules are too complicated for anyone to assess their implications in combination, the probability is high that they will interact in particular circumstances to create an unforeseen opportunity for abuse" (Carnegie Council on Policy Studies in Higher Education, 1979, p. 218). Attempting to turn the wave from steward to facilitator cannot be done by direct government regulation.

If direct, external government control is not a favored solution, then what are the other options? A very simple solution would be to discontinue these aid programs, but this option also is not a preference. Self-regulation is the only practical solution.

Institutions simply must pay more attention to self-regulation. Otherwise, public favor and support will diminish and a renewed emphasis upon further external mandates and controls can be anticipated. (Bennett et al. 1985, p. 8).

Some observers and financial aid administrators, especially in the private sector, would invoke the old folk adage of "If it ain't broke, don't fix it." To many, the NCCSF seems to be working just fine. But some issues such as satisfactory academic progress and accountability may not have been properly and sufficiently addressed in a public forum by the independent sector in North Carolina.

The enabling legislation empowers the Board of Governors to require whatever reports and audits it feels necessary in order to ensure that the purposes of the NCCSF Program are met. If additional reporting requirements, or especially program reviews of audits were instituted, how many exceptions would be found? In speaking of financial aid administration at the institutional level, Boyd and Hennig (1983) stated that "No institution can afford the adverse publicity of audit irregularities" (p. 309). Even if only a few exceptions were unearthed, the independent sector in North Carolina is taking a tremendous risk by not being more aggressive in the area of self-regulation. Hines and Wiles (1980) posit that:

The 1980s will be a period for the three substantive questions of accountability dealing with who, what, and how. The need to address these questions is emphasized by the consequences of leaving the concerns in the abstract. To leave an issue deliberately nebulous is an effective political strategy, unless of course the challenge has the capacity to escalate because concrete realities are ignored. Though rare, this capacity is found under political conditions of instability, scarcity, and uncertainty. Under such conditions the capacity to escalate initial concerns to the magnitude of why an institution or system exists at all is clearly possible [emphasis added] (p. 304).

Perhaps those who said "If it ain't broke, don't fix it" have been attempting to adopt that exact strategy. Conditions are not entirely stable, but scarcity abounds, especially in terms of financial aid dollars, and there is a significant amount of uncertainty. The time could be ripe for persons or groups to identify aid to private higher education in North Carolina as a measure which the state cannot afford.

During the early years of operation of the NCCSF, accountability issues of the program were raised. The Raleigh News and Observer, June 9, 1973 (cited in Allen, 1977) questioned the NCCSF as "public subsidy...without accountability" (p. 2). Similar concern was also voiced by the Greensboro Daily News (Allen, p. 14). These questions were answered through self-regulation by the independent sector and the Camp Carraway Principles as mentioned earlier. But like issues can again be raised, especially in light of the recent public demand for quality in education.

Self-regulation contains an opportunity to quell any irregularities that may exist within the NCCSF Program while derailing the rationality of political decision-making found in the logic of government intervention: do not give the political machinery a chance to legislate or promulgate. In the instance of NCCSF, "the smaller the perceived scale of the problem, the greater the likelihood of voluntary action with little or no authoritative planning and a reliance upon activity reports as the evaluation criterion" (Delbecq & Gill, 1979, p. 41). According to this logic, this is a situation where the Business Paradox should be adopted: "the better you think you are doing, the greater should be your cause for concern; the more self-satisfied you are with your accomplishments, your past achievements, your 'right moves,' the less you should be" (McCormack, 1984, p. 254).

Put another way, 'the best defense is a good offense', that is, diffuse these concerns before they become issues. The beginning of this diffusing process is the objective of this study.

Chapter Summary

This chapter has discussed the purpose and philosophy of this study. After reviewing the lineage and early years of the NCCSF, the significance of the study was argued. In order to better understand the study's significance, the issues of financial aid and higher education, the value of private higher education, and accountability were examined in some depth. Self-regulation, along with concomitant political implications, was probed in the final pages of this chapter.

CHAPTER II

REVIEW OF THE LITERATURE

Introduction

Even though the NCCSF Program is almost 15 years old, it has not often been a subject of inquiry. It has been cited in several national surveys and was the subject of litigation in Smith vs. Board of Governors. It has been the topic of only one dissertation. Other state programs such as those in Illinois and New York have received modest attention. But, all in all, "the literature of state student aid is not extensive. . . some of it is of good quality and highly useful, particularly the data-oriented research reports and the historical essays" (Marmaduke, 1983, p. 75). Schwartz and Chronister (1978) assert that "with the exception of a few specific studies by selected states, there is a dearth of literature" on state aid to the independent sector (p. 18). A reason for this scarcity could be because little has been written about state aid. Contributing to the problem is the "lack of adequate networking and the failure to insert the reports into cataloguing services such as ERIC" (Fenske, Attinasi, & Vorhees, 1983).

This chapter begins with a review of a former study of student financial aid to private colleges and universities in North Carolina and the distributional impacts of that assistance. The discussion then turns to an investigation of the reasoning behind the existence of two sectors of higher education, public and private, and selected demographics illustrative of each sector. A brief history of state aid to higher education concentrates on

activities in North Carolina. The purposes of student financial aid receives considerable attention as does the raison-d'etre of state programs of student financial assistance; included is a two-category classification of the many justifications for state aid. After exploring the value of a private postsecondary education, the common features among the state programs of student financial aid are discussed. The existence of vast diversity, as a positive value, is probed while general institutional benefits are explained. The chapter closes with a partial review of a previous accountability study of state student financial aid programs alongside a discussion of self-regulation and autonomy.

NCCSF and Distributional Impacts

In 1977, a North Carolina State University student, James H. Young, completed his Doctor of Education degree by submitting a dissertation entitled "State Aid to Private Higher Education in North Carolina: A Distributional Impact Analysis" (Young, 1977). This study examined state efforts to aid private colleges and universities through 1975-76 and was not limited to just the NCCSF, but also included another program, the Legislative Tuition Grant, mentioned earlier. Two questions are addressed in this study.

- I. What are the measurable impacts on North Carolina's policy on State aid to private higher education upon:
 - a. the extent to which North Carolina Citizens have access to postsecondary educational opportunities?
 - b. the distribution of in-state undergraduate students between the public and private sectors of higher education within the state?

c. financial stability of private postsecondary educational institutions within the state?

d. the distribution of the State's resources for higher education?

e. the burden on North Carolina Taxpayers to provide revenues for higher education? (p. 2)

The researcher's second question concerns predicting future outcomes of similar state policies for higher education.

Central to Young's examination is the model of distributional impact as defined by Lowi and later expanded by Salisbury (p. 30).

The approach of the analysis. . . focused upon a factual examination of who (or what groups) benefits from the current position, the extent of this benefit, and what redistribution of benefits would likely occur by virtue of enacted changes in the current policy. (p. 18)

Young stated that, according to Salisbury, there are four areas of distributional impact: regulatory, distributive, redistributive, and self-regulatory (p. 34).

The NCCSF Program has been classified as a redistributive program (p. 137).

Redistributive policies, as Salisbury described them, also confer benefits upon individual groups; yet, they also involve the perceived or quantifiable deprivation of benefits from some other group(s). Redistributive policies, therefore, are more likely to be controversial and involve more intense interest than are distributive policies. (p. 35)

According to Young, three groups have been the beneficiaries of state aid to private higher education: (1) present and future generations of North Carolina students from increased access to higher education; (2) the state through financial savings; and (3) the private schools (p. 87). But Young

looked at all outcomes, without due regard for intended outcomes. There was also no attention given to administrative practices in accomplishing the program outcomes.

Higher Education's Two Sectors: Public and Private

The open market philosophy has dominated the general history of the United States of America. This statement is just as true in higher education as it is elsewhere in the nation's history. First came the private institutions such as Harvard and Dartmouth later followed by public institutions. Until the end of the Korean Conflict, private higher education had dominated the higher education enterprise in terms of number of institutions and students educated. The independents clearly outnumbered the public sector institutions until the mid-1950s when the distribution began a slow shift. In 1950-51, 66% of the colleges and universities in America were private while only 34% were public. By 1981-82 the private share had declined to 54% while the public share of institutions of higher education had grown to 46% (Ottinger, 1984). Even though the independents still outnumber the publics, the enrollment share is another matter. The publics enroll approximately 78% while the privates lay claim to only 22% of contemporary postsecondary enrollment (Grant & Snyder, 1986).

In terms of state programs of financial aid, the District of Columbia and all but two of the 50 states have some type of state aid programs for students attending independent colleges and universities. (Wyoming and Nevada have no independent institutions of higher education, [Gregory,

1984, p. 52]). All of the 50 states and the District of Columbia have state aid programs for public sector institutions. In spite of this high participation level, as late as 1979, only five states accounted for as much as 65 percent of all state funds expended for higher education (Carnegie Council on Policy Studies in Higher Education, 1979). Within this assortment of state aid programs, 19 states had programs of student assistance restricted exclusively to the independent sector in 1980-81 (Olliver, 1982). Students at private colleges and universities have received a greater share of total aid dollars, as compared to the private sector total enrollment share, than have their colleagues attending the public sector (Lee, 1985). A major factor in this difference is the fact that tuition is substantially higher in the private sector than in the public sector.

History of State Aid to Higher Education

North Carolina holds the distinction of being the first state to open a public institution of higher learning in the United States of America. A sister southern state, Georgia, was the first to plan seriously and subsequently charter a state university. In 1789 the North Carolina Legislature passed the Act of Incorporation and in the same year began efforts at funding the university.

In order to raise a fund for the erection of buildings, all monies due and owing the public of North Carolina, either for arrearages under the former or present government, up to the first day of January, 1783. . . were donated to the university. It was further enacted that all property that has heretofore or shall hereafter escheat to the State shall be and hereby is

vested in the said trustees for the use and benefit of the said university, and that all lands and other property belonging to the university shall be exempt from taxation. (Revised Statutes of North Carolina, quoted in Blackmar, 1890, p. 194)

The escheats referred to above are presently a source of scholarship grants for needy North Carolina citizens attending selected state universities.

Another early type of aid, tax exemption for higher education facilities, has also been granted to both sectors of higher education in North Carolina.

According to Blackmar (1890), the State of North Carolina aided the early state university in a variety of other ways. In order to construct the original campus, the Legislature at first loaned its trustees \$10,000. Later, the debt was forgiven. The Legislature also authorized lotteries to aid the university. In 1859, when the Bank of North Carolina was chartered, part of the stock subscription was granted to the University. But with the advent of the Civil War and subsequent collapse of the Southern economy, this resource proved of little value. After the war, the Legislature gave the institution \$7,000 in 1866 and began its first annual appropriations of \$5,000 in 1881. The appropriations were increased to \$10,000 annually in 1885 (pp. 194-197).

As discussed in Chapter I, North Carolina enacted legislation to assist private colleges and universities in 1971 and the actual assistance began in 1972. Many states had acted prior to North Carolina in aiding independent colleges and universities. But North Carolina was the first state to consider a special scholarship program for prospective teachers. Pennsylvania was the first state to enact such a program (Giddens, 1970).

Manpower training was the 1909 goal of the first state aid program which originated in Connecticut. Later, in 1913, New York began its Regents

Scholarship Program followed by Pennsylvania in the same year. There were no further state aid programs established until 1935 when Oregon began a program of state assistance. Another lull took place until the last half of the 1950s when California, Illinois, Massachusetts, and New Jersey began initiatives of their own. By the beginning of the 1970s, 19 states had joined in the effort with all of the 50 states and the District of Columbia currently participating to some degree in state programs of financial aid to students (Marmaduke, 1983).

The Purposes of Student Aid

The perceived purpose of student financial aid which is most popular asserts that student financial aid should assist people in obtaining higher education. We must then ask the questions: "Why seek a higher education, and who benefits?" Chester Finn (1985) has provided a condensed three-part answer to this question.

1. The individual who obtains the higher education is the main beneficiary of it.
2. The society as a whole benefits from higher education, not only from the existence of colleges and universities and the knowledge that they produce, but also and perhaps especially from the orderly acquisition of such knowledge by students passing through them.
3. The institutions of higher education themselves benefit from being attended by students, which in most cases is a prerequisite from the colleges continuing to exist in their familiar forms. (p. 4)

From this listing we can conclude that everyone benefits from higher education. Young (1977) agrees with this statement as applied to the NCCSF (p. 137). Students benefit from acquired knowledge, potentially increased

happiness, and lifetime earnings. Society benefits from the graduates interacting in society, producing knowledge, and from a type of systematic training of students. This "systematic training" hints of the "Revisionist" approach to viewing education and its history. Colleges and universities benefit from paying customers so they in turn can continue to contribute to society by educating students.

An additional inquiry should now be posed. Are a higher education and its benefits worth the cost? Bowen (1977) asserts that:

First, the monetary returns from higher education alone are probably sufficient to offset the costs. Second, the nonmonetary returns are several times as valuable as the monetary returns. And third, the total returns from higher education in all its aspects exceed the cost by several times. (p. 448)

Higher education is a valuable and necessary asset that carries a positive social value.

Within this framework of rather broad benefits and missions, financial aid exists as a means toward the various espoused ends. As a means, student aid can be reduced to two basic thrusts: a student thrust, where the student is the intended prime beneficiary, and an institutional thrust, which seeks to serve the needs of society, the institution, and the institutions of society.

The most popular student-oriented thrust (and often the most socially responsible) is the argument that financial aid promotes equal educational opportunity. Central to this aspect of equal opportunity are the goals of access and choice (Fife, 1975). Fife also included, as additional financial aid outcomes, the goals of retention, maintaining competitiveness within the educational marketplace, and protecting "the diversity of American higher

education by giving support to those institutions that are contributing to the educational needs of society" (p. 1). Fife therefore posited that "without maximizing the impact of aid on student access and choice, the other goals of retention, increasing the dynamics of the educational marketplace, and preserving the diversity of higher education cannot be maximized: (p. 5). Here the concept of diversity can be classed as having both a student thrust and an institutional thrust. It is important to recognize that even within the student thrust institutional supports are used.

Finn provided an exhaustive listing of reasons to provide financial aid. Despite its length, it is thoughtful, specific, and comprehensive.

1. To increase society's aggregate supply of well-educated and highly skilled manpower.
2. To meet specific manpower shortages and enlarge the supply of men and women with particular kinds of expertise, training, or credentials.
3. To nurture extraordinary individual talent, which otherwise might not be developed to its full potential, through such means as merit scholarships.
4. To encourage the study of particular subjects or disciplines by competent individuals who might not otherwise pursue them.
5. To increase social mobility, foster equality of opportunity, and diminish the importance of private wealth.
6. To advance the interests of members of designated groups judged to have been deprived in part by lack of access to or participation in higher education.
7. To offset preexisting economic distortions in the higher education "marketplace."
8. To help individual colleges and universities (or particular subdivisions thereof) survive and prosper as institutions, with all that entails for those who cherish or depend on time.
9. To reward or compensate people for services rendered.
10. To carry out a near-infinity of idiosyncratic wishes of donors and benefactors. (pp. 1-3)

The overwhelming majority of these ten reasons, all but numbers 5, 6, and 9, fall under the guise of an institutional thrust. Miller (1985) has published a similar but shorter listing.

Perhaps considering the long-term benefits, the institutional thrust is much more important than the student thrust. The Carnegie Council on Policy Studies in Higher Education (1979) has said that "the health of institutions of higher education is another goal with which the purposes of student aid need to be reconciled. . . . student aid has features that in some ways make it an excellent vehicle for the support of financial aid in general. What then is the rationale for establishing programs of state student financial aid?"

State-Level Rationale

Given that there are 50 states and the District of Columbia and all have some type of state-level student financial aid program, one might think that there would be 51 different reasons for the 51 programs. In examining the literature, several common themes emerge as do many differences. Boyd (1975a) observed that:

Each state has traditionally had the freedom to decide what goals or purposes for direct student financial aid were most meaningful for that state. Five basic goals that have been considered over the past years include the following: 1) To promote access to college. . . . 2) To promote freedom of college choice. . . . 3) To meet the costs of higher education by appropriating less from general funds directly to support institutions and more for direct student aid. . . . 4) To reduce or eliminate high ability as a primary prerequisite to the

obtainment of a monetary award and permit all enrolled financially needy students access to aid. . . [and] 5) To complement the student aid efforts of the federal government. (pp. 35-36)

Giddens (1970) provided less idealistic motivations for financial aid.

Current state scholarship programs are operated for one or more of a variety of purposes. State scholarship programs have been established as a means (1) to aid institutions of higher education, (2) to recruit personnel in certain critical areas of manpower needs, (3) to reward individuals for services rendered while in the armed forces, (4) to recognize and motivate the academic achievement of superior high school graduates, (5) to enhance the political power and prestige of state senators or other state legislators by investing in them the power to select scholarship recipients, and/or (6) to identify qualified and extremely needy students well before the end of their senior year in high school and encourage them to attend college (p. 37).

Fenske (1983) has produced a chronology of state student financial aid rationale adapted and expanded from Boyd (1975b) and others.

The purpose for which monetary awards were given to students by state agencies over their history to date:

1. Manpower needs---that is, to recruit future teachers or nurses.
2. Veterans' benefits (dating back to the Civil War).
3. Assistance to the physically handicapped for vocational training.
4. Recognition of academic achievement and potential.
5. Inclusion of financial need along with academic ability.
6. Emphasis on financial need, rather than ability, as main criterion.
7. Elimination of categorical programs, with specific targeted recipients subsumed in large comprehensive programs.
8. Provision for use of scholarship and grant awards at private colleges and universities.
9. Appropriation of funds to meeting matching requirements of federal student aid programs. (p. 9)

Recapping this brief review of the calculus of state student financial aid, we find that Boyd (1975a) listed five intents, Giddens (1970) included six objectives, and Fenske (1983) identified nine reasons for which state programs of student financial aid have been established. These constitute a total of 20, sometimes overlapping, justifications for state aid.

Upon careful examination and thought, these reckonings can be combined into one comprehensive list of 12 distinct grounds for establishing state programs of student financial aid. Furthermore, each one of these 12 explanations can be classified as having either a student or an institutional thrust. These comprehensive intents and their thrusts or concentrations are the following:

1. To promote manpower needs---INSTITUTIONAL.
2. To reward veterans of the armed services---INSTITUTIONAL.
3. To aid the physically handicapped---INSTITUTIONAL.
4. To recognize and encourage academic achievement---
INSTITUTIONAL.
5. To recognize the importance of need while rewarding academic
achievement---STUDENT.
6. To recognize financial need and the concept of equal access---
STUDENT.
7. To provide comprehensive programs of financial assistance---
STUDENT.
8. To assist independent colleges and universities---INSTITUTIONAL.
9. To match and thus secure additional federal aid---INSTITUTIONAL.

10. To assist all institutions of higher education, public and private---
INSTITUTIONAL.

11. To enhance the political powers of state politicians---
INSTITUTIONAL.

12. To provide for the student the element of choice among
institutions where cost is not a factor---INSTITUTIONAL.

Out of these 12 items of rationale, only three are student centered while the remainder primarily benefit the system, or the institutions. It may be, that in spite of the socially responsive and responsible grounds given for the establishment of state programs of student financial aid, the underlying and substantive reason has been to assist the system of which the institutions are a part.

Another study by Martin (1976) develops a classification system of policy intent for state financial assistance programs specifically targeted to the private sector. At the time of the data-gathering stage of Martin's research in 1974, 33 states had programs targeted to the independent sector. There were nine policy intents:

1. Economic freedom in the selection of a college.
2. Narrowed tuition/fees gap - A reasonable opportunity to compete.
3. Contribution to quality and diversity of higher education.
4. Stabilized enrollments.
5. Important public purpose.
6. More effective utilization of resources.
7. Financial need.
8. None stated.
9. Other [scholarship and need]. (pp. 71-78)

Those intents listed can also be subjected to our student/institutional thrust classification system. Only two, financial need (7) and other (9) are

distinctly student-centered. The remaining intents are either wholly or partially institutional in concentration. (Economic freedom (1) and important public purpose (5) are both institutionally and student-centered.)

After developing his policy intent classification framework, Martin (1976) proceeded to label the then existing state-aid programs according to that framework. Adapting his classification system and data to our student/institutional thrust model, we find that over 50 percent of the intents are exclusively institutional in nature.

student thrust-----	20%
institutional thrust-----	54%
combined thrust-----	32%
none stated-----	34%

Note: the total percentages exceed 100 due to the multiple intents of several programs (Martin, 1976, pp. 86-87).

Thrift (1983) quoted a 1974 report by McFarlane, Howard, and Chronister, (State Financial Measures Involving the Private Sector of Higher Education: A Report to the National Council of Independent Higher Education), which states that "the rationale underlying most, if not all, state programs which provide student support is either 1) increased student access to higher education as such, or 2) increased freedom of choice among both public and private institutions" (p. 2). Even though the report lists access as the first rationale, a good argument could be made that the element of access carries a definite institutional thrust, especially within the public sector. With the multitude of public institutions funded by a FTE-driven formula, increased enrollments mean increased funds. The independents

also stand to gain through increased enrollment, although not as much as the publics.

The rationale of choice can become even more specific when the construct of choice is reduced to a more impact-oriented concept of tuition equalization or offset grants. "Since the difference in costs between colleges tends to result primarily from differences in tuition charges, these [state aid] programs are often seen and advocated primarily as 'tuition equalization' programs, that is, as tending to equalize the costs of attending public and private institutions (Carnegie Council on Policy Studies in Higher Education, 1979, p. 91). State aid is often targeted to the private sector (Gladieux, Hansen, & Bryce, 1981) where it narrows the tuition gap and makes private higher education more accessible (Young, 1977, p. 4). Marmaduke (1983) agreed and stated that the motivation for many state programs was an effort "to maintain the viability of the private sector by reducing the growing gap in costs between public and private colleges" (p. 56).

One of the largest state aid programs in the United States is administered by the Illinois State Scholarship Commission and is designed "to provide access to education beyond high school for financially needy students. . . [and] to foster a reasonable choice of postsecondary educational opportunity. . . ." (Fenske, Boyd, & Maxey, 1979, pp. 139-141). To employ a bit of elementary linguistic analysis, "access" is given preeminence by the use of the verb "provide" while choice is only to be "fostered," a much less powerful verb. However, Boyd (1975a) declared that "historically, comprehensive state programs have tended to have equal or higher concern [emphasis added] with freedom of choice over freedom of access" (p. 35).

The concept of "choice" is emphasized here for two reasons. Choice has been identified as indicative of institutional support more than student support. The NCCSF program, as stated in the enabling legislation, is to help institutions. This is the stated public policy of the State of North Carolina. Secondly, even though we have painted a somewhat mercenary picture of institutions regarding the term "choice," it does have definite benefits for the student. Choice enables different types of institutions to exist and serve different clientele.

Choice, in these terms, is of concern to public policy because the higher education system as a whole can be most effective only if there are mechanisms for matching students of differing educational needs and institutions with differing programs. If unequal costs of attendance impede this matching, student aid can play a role in making the educational system work better even as it extends the opportunities available to individuals. (Carnegie Council on Policy Studies in Higher Education, 1979, p. 167)

The notion that state aid is primarily for the benefit of the system, or institutions, while benefiting the students is a secondary concern, has now become more evident. Such thinking runs counter to the popular belief that these aid programs are for students and not institutions. Additional evidence of this conclusion comes in the form of a study (McMahon, 1981) of the lobbying activities of independent colleges and universities in selected states. All of the states examined have experienced a dramatic increase of state aid to independent higher education during the mid-1970s, similar to North Carolina. McMahon posited that "the study challenges the theory which argues the preeminence of socioeconomic influences over political influences in policy development" (p. 4998A). We have found rather strong

evidence of this particular disposition thus far in our review of the literature.

Some students of financial aid have painted this student versus institution benefit onto a dichotomous canvas. Gross (1966) long ago said that there are two different views on the purposes of financial aid. The first of these is:

The administrative view. It is college centered, holding that the overriding purpose of financial aid is to meet institutional objectives. The second is defined as the personnel view. It is student-centered, holding that the central purpose of financial aid is to meet the needs of the recipients of such aid. (p. 78)

Simmons (1985), in a slightly different context, has made a similar observation. Ideally, financial aid administrators can be classified as either facilitators or stewards. The facilitators are client-centered while the stewards are regulation and system-centered. The existence of such a construct is also supported by Fenske & Huff (1983) who stated that "Aid officers often cite service to students as the highest priority of the office. But the clearest and least ambiguous allegiance of the aid office is to the institution of which it is a part" (p. 390).

The actual purpose of student financial aid can often be clouded by the perception of the person making the inquiry. But, in the case of the NCCSF, it is clearly stated that the grounds for the program are institutional in nature and impact. Even though the program is directed toward students, its impact and outcomes are measured in institutional terms. Schwartz and Chronister (1978) have found that:

The policy intent behind the direct institutional [state] aid programs has been focused on increasing: (1) utilization of

independent college resources in meeting state needs; (2) state economy in meeting educational needs; and, (3) independent college income as a means of preserving the diversity of educational opportunity provided by the independent sector. (p. 19)

The third focus of preserving the independent sector clearly matches with the NCCSF Program.

The Value of Private Higher Education

Many different reasons are given for supporting private or independent higher education from the state level. The three listed by Schwartz and Chronister (1978) are probably the most representative of the myriad of causes. The most commonly cited justification for private higher education is diversity (Berdahl, 1971; Fife, 1975; Carnegie Council on Policy Studies in Higher Education, 1979 & 1980; Oiliver, 1982; Gregory, 1984; and, Millett, 1984). While his major thrust seems to be student-centered, Fife goes so far as to state that "a third major goal of student aid is that it should be a satisfactory delivery system for transfer of public funds to private institutions to preserve the diversity that has characterized higher education in this country" (p. 9).

Berdahl (1971) also listed choice, the freedom to be creative and innovative, and the fact that private colleges are often smaller, and can give more personalized attention than their public counterparts, as plaudits of private higher education. That independent colleges and universities are smaller than public institutions is a great advantage. As Lewis (1980) has noted, an important supporting pillar of the private sector has been that it

offers a "differentiated product" (p.68). This product orientation echoes the thoughts of the Carnegie Council on Policy Studies in Higher Education (1979) when it speaks of "matching students of differing educational needs with differing programs" (p. 167). The public is afforded a choice.

The Carnegie Council on Policy Studies in Higher Education (1980) has observed that "the autonomy of the private colleges helps to protect the autonomy of the public colleges, their academic freedom, their ability to experiment, and their opportunity to grant attention to the individual student" (p. 109). Since independent higher education offers a differentiated product, it prompts a healthy sense of competition with the public sector through which all benefit. This healthy competition can lead to the fulfillment of one of the three goals of academe. . .community and public service for the public is well served by a wide variety of programs, institutions, and campus environments from which to choose.

Olliver (1982) provided a framework for the remainder of the discussion on the value of private higher education. He listed diversity and like the element of service, he also rated the private sector as a public resource as did Jonsen (1980). Olliver reiterated that the independents are the bulwark of the liberal arts. They also instill values. Bowen (1982) noted that independent institutions have played an integral part in the process of values education.

Another major attribute easy to demonstrate is the matter of economics. Independent institutions infuse millions of dollars into the economy at all levels (Olliver, 1982), and what is often more important, save the state money (Gregory, 1984; Olliver, 1982; Young, 1977). In 1976, the

Carnegie Foundation for the Advancement of Teaching estimated that the existence of independent higher education saved the public at least \$5 billion a year. Likewise:

independent institutions have argued, quite correctly, that they provide valuable educational services to the state at a cost far below that required to provide the same service at public institutions, yet they are placed at a substantial disadvantage by the artificially low price (although not low cost) of education in the public sector. (Rhodes, 1985, p. 55)

There is no doubt that independent colleges and universities act as a mechanism to save the state money by handling enrollments that would otherwise have to be absorbed by the public sector and thus expanding its facilities (Olliver, 1982).

The state with one of the oldest and perhaps the largest state aid program is Illinois. In a study by Fenske and Boyd (1971), the authors concluded that:

Massive state financial aid to students has had two closely interrelated fiscal impacts on Illinois higher education. (a) The demand upon tax funds for tax-assisted institutions have been reduced by offering financial aid and permitting students to enroll at private institutions. (b) Conversely, the diversion of large numbers of students from public to private colleges has contributed substantially to the economic and enrollment stability of private colleges in Illinois. (pp. 103-104)

The two primary values of independent higher education are diversity and economy. In North Carolina, the impetus for the NCCSF Program rests more with economic considerations than with admirable and philosophical diversity considerations. It was within this economic arena that public policy for the NCCSF emerged.

Common Features

Even though the rationale is a bit different for each state's establishment of a student aid program, and the opinion that "state programs should be tailored to local traditions and conditions" (Carnegie Foundation for the Advancement of Teaching, 1976, p. 10), there are some common features among the many programs. Fenske and Huff (1983) stated that "there are considerable similarities in that many states have adopted similar systems of evaluating student financial needs, and also have a tendency to establish programs that assist private colleges through the student aid programs" (p. 376). The Carnegie Council on Policy Studies in Higher Education also reached the same conclusion in 1979, observing that "some programs are designed to channel most of the aid to students in private institutions" (p. 72).

The NCCSF program allocates monies directly to each private college or university for subsequent distribution to needy students. This somewhat follows the pattern that Morrison and Newman (1975) identified when he stated that "there are a few programs in which funds are allocated directly to the colleges by state agencies but these are usually specialized or restricted to one segment of higher education" (p. 135). Marmaduke (1983) also agreed that a common feature of many state aid programs is that they tend to assist students attending independent colleges and universities. These observations follow the principle that "the major vehicle of state support of private higher education should be through need-based student financial aid" which was reaffirmed in 1980 by the Carnegie Council on

Policy Studies in Higher Education (p. 131). This principle was originally articulated in 1977 by the Council.

There are other common factors which reach beyond the sector that the aided student might attend. As early as 1969, Grant found that "financial need was determined to be the most important single factor. . . student financial aid" (p. 3228A). That same study revealed that the number of hours for which a student might be enrolled was another pivotal consideration. Boyd (1975b) has found that:

Each state limits its benefits to its own residents, requires United States citizenship or evidence of intention to become a citizen, and provides necessary funds whether annually or every two years. In all comprehensive programs financial need is measured. (p. 118)

The Carnegie Council on Policy Studies in Higher Education (1977) has stated that:

In the way of generalization. . . the larger and more established the state aid program, the more likely it is:

1. To make its awards primarily on the basis of financial need.
2. To deal directly with students in determining their eligibility for aid.
3. To make awards in amounts that are at least somewhat sensitive to the tuition charged by the institution the student attends. (p. 91)

The NCCSF program does conform to the generalizations of need and sensitivity to tuition. It does not, however, deal directly with the student applicant; the institution acts as intermediary.

In addition to the aforementioned common elements, Morrison and Neman (1975) included several others. They found that most state grants are not portable (e.e., they cannot be taken to an institution out of state) and

are restricted to undergraduates only. Even though all programs have residency requirements, specified waiting periods range from 30 days to two years with a wait of six months to one year being most common. Finally, almost all programs require that students complete an application and display eligibility yearly in order to receive the state grant.

Diversity Among State Programs

Earlier, diversity and its value within the world of higher education was discussed. This theme continues as the individual states and their programs of student financial aid are examined.

It is difficult to generalize about . . . state grants---because state programs differ so widely. Some use the CSS/ACT means test, others use their own schedules of grant awards that are equivalent to means tests. Most provide grants only for attending institutions located in the awarding state; a few provide grants that are "portable" out of state. (Carnegie Council on Policy Studies in Higher Education, 1979, p. 91)

Prior to the above Carnegie Council statement, in 1975 Fife observed:

One of the difficulties in discussing and generalizing about state student aid programs is the unique and varying nature of the higher education enterprise in each state. Many states have developed aid programs to serve the peculiar needs and purposes of their higher education community. As a result, there is no such thing as one type [emphasis added] of state scholarship/grant program. (p. 16)

Morrison and Newman (1975) have concluded that even though many state programs have common goals:

The organizational structure and administrative patterns that have developed to implement these programs are greatly diverse. Their

shape and form have been influenced both by the various states' attitudes toward the organization and administration of higher education in general and the existing power structure of the educational establishment at the time the program originated. (p. 129)

"Each state has a different history, a different structure, a different set of policies for financial support. . ." (Carnegie Foundation for the Advancement of Teaching, 1976, p. 16).

Funding levels and distribution methods both differ from state to state (Miller, 1985; Millett, 1984; Thrift, 1983; Galdieux, Hansen, & Bryce, 1981).

"The availability, eligibility standards, and funding levels of these [state] grant programs vary tremendously among the states" (Thrift & Toppe, 1985, p. 15). But again, as the similarities follow recommendations by the Carnegie Council on Policy Studies in Higher Education, so do these differences. The Council (1979) has stated:

Our several proposals will lead to better coordination of federal and state programs, with the federal government primarily concerned with the subsistence costs of attending college, and the states with adjustments required by their many different combinations of public and private institutions and of tuition policies among public institutions. (p. 11)

Institutional Benefits

In spite of growth and expansion of the 70s, the private sector has not fared as well in terms of overall institutional health as have the institutions of the public sector. "Since 1968. . . many independent colleges have suffered enrollment losses and have incurred chronic operating deficits" (Lewis, 1980, p. 66). However, Tierney (1980) has established that "financial assistance is an efficacious mechanism for increasing competition between

public and private institutions" (p. 15). Marmaduke (1983) supports the belief that "in the states that provide funds for students in private colleges (a majority of the states). . . state student aid can be a principle source of continued viability for many private colleges" (p. 73). Shafe (1975) has also concluded that "state assistance programs in support of private higher education are making a vital contribution toward the continued life of that sector" (p. 5879A).

Because of the existence of state financial aid programs, students at independent institutions often are required to use less self-help assistance (Thrift & Toppe, 1985). Self-help aid entails such conventions as loans and work study. Leslie (1984) has found that "the net price paid by the student for private higher education on average has declined from 28.1 percent to 18.9 percent" (p. 344). Even though state aid has increased, it cannot attest for the entire reduction in student net cost. Contributing to this reduction was the tremendous growth in federal aid with the advent of the Middle Income Student Assistance Act. Parents, in some instances, also have contributed a greater portion of the costs of education.

Financial aid is a powerful inducement to attend an independent institution. About one-half of those receiving some type of federal student financial assistance at independent institutions also receive state grants (Thrift & Toppe, 1985). In Illinois, several in-depth studies have been conducted. Fenske & Boyd (1971) have learned that "the shift for 81.6 percent (263 of 321) of the respondents who would have attended a different college had they not received ISSC [Illinois State Scholarship Commission] aid would have been from a private college to a public college,

presumably because of the much lower tuition and fee requirements" (p. 101). In 1979 Fenske, Boyd, and Maxey found that without ISSC grants and scholarships, "recipients would tend to shift from private four-year colleges to public four-year colleges" or to two-year public institutions (p. 152). This study covered a nine-year period, 1967-68 to 1976-77.

Using a subset of the Cooperative Institutional Research Program (CIRP) national database, Tierney (1980) has concluded that "getting students to consider an institution in the first place may be more critical for equality of educational choice than trying to induce a few additional students to matriculate at a private rather than a public institution" (p. 17). In such instances, it is very important that private colleges and universities carefully exercise impression management of the availability and centrality of financial aid at the institutional level. Most institutions should leave no doubt, either internally or externally, that financial aid is vital to the institutional mission. Boyd and Fenske reached a similar conclusion in 1971 when they said "a large proportion of . . . students would not have been available to recruiting efforts of the private colleges [without the encouragement of state aid] since they could not otherwise have afforded the relatively higher tuition and fees" (p. 105).

The Carnegie Council on Policy Studies in Higher Education has concluded:

All in all, we are inclined to believe that the analysis [of a survey of state aid's impact on private higher education through 1975-76] showed that there was a slight tendency toward a negative relationship between amounts spent on aid to private higher

education per FTE and ability of the state's private institutions to hold their share of enrollment. . . . this is more conclusive than anything else we can say about [the survey]. We repeat. . . losses in states with large private sectors might have been considerably greater in the absence of state aid programs. (1977, p. 169)

Again, in 1979, the Council extolled the value of public aid to private colleges:

Public student aid funds have enabled many private colleges with limited resources of their own to recruit and serve more low-income students. Enrollments as a whole have been somewhat higher than they otherwise might have been. . . . Individual institutions have benefited in enrollment gains to quite diverse degrees---some substantially, some little or not at all. (p. 3)

State aid to independent institutions has benefited all: students, institutions, and the nation. But the greatest direct impact has been on the institution. For as the Carnegie Council on Policy Studies in Higher Education has stated, "Generally, presidents and financial aid officers see institutions as being better off as the result of state aid" (1977, p. 45).

A Previous Accountability Study

Only one in-depth study of state aid programs and their administrative activities regarding accountability has been located. This study is a dissertation from the University of Virginia by E. D. Martin (1976), entitled "An Analysis of Accountability Measures Which Follow State Financial Assistance to the Private Sector of Higher Education in the United States." Included in this research are 33 states, including North Carolina,

that had comprehensive programs of student or institutional assistance in operation as of July, 1974. Martin has found that 23 of the 33 states operated need-based programs. The NCCSF Program is classed as a need-based program and is also deemed to be a student support program even though the program does have elements of an institutional support program.

As part of the dissertation, Martin (1976) developed a five-item framework of accountability measures: (1) student enrollment certification; (2) student eligibility certification; (3) audit and fund accounting requirements; (4) publication and submission requirements of institutional administrative policies and procedures; and, (5) submission of other reports that the state might deem necessary (pp. 94-95). Martin discovered that 73 percent of the programs required certification of student enrollment while only 36 percent expected student eligibility evidence. The third item, accounting matters, was of concern to 35 percent of the states while the institutional policies received the attention of only seven percent of the aid programs.

The first two requirements involve official sworn reports of enrollment statistics with the additional certification of individual student eligibility for the particular assistance program benefits. The audit and accounting requirement refers to the stipulation that a periodic audit be performed by the state agency or their designee. In addition, some states require that upon initial receipt of the state funds, they be deposited in a separate account clearly identified for those state funds. The fourth item entails submission of written institutional operational financial aid guidelines to the state agency administering the aid program. Finally, the fifth and last

accountability item is a catch-all. . . it permits the state agency responsible for the aid program to request and require reports as they deem necessary. In North Carolina private colleges and universities are required to submit enrollment and eligibility certifications in addition to whatever reports the Board of Governors may deem necessary. The Board, however, has required few other reports.

In Martin's dissertation, he also surveyed college and university presidents to discover how they feel regarding fifteen issues, or concepts, of accountability in state assistance to the private sector. He has utilized a seven-step scale as follows:

extremely favorable

quite favorable

slightly favorable

neutral

slightly unfavorable

quite unfavorable

extremely unfavorable

The issue of state financial assistance to the independent sector scored as 'quite favorable.' The presidents responded 'extremely favorable' to the concept of state assistance to the private sector through student financial aid. When faced with the issue of an audit of the campus records of a state student financial assistance program the response was 'quite favorable.' The presidents were also asked to respond to the accountability requirement of submitting reports as deemed necessary by the state agency. To this issues they responded 'slightly unfavorable' (Martin, 1976, p. 153).

To this researcher, several of the presidents' replies were surprising. The first surprise was that the concept of state student financial assistance received a more favorable reply than state financial assistance in general. One would have thought that presidents would prefer to have institutional aid which might provide them more flexibility than would restricted resources like student assistance. The most unexpected finding was the 'quite favorable' response to the question of audits of on-campus records of state student assistance programs. One would have thought that question might have received a 'slightly unfavorable' answer as did the issue of reports as deemed necessary.

Martin (1976) also developed a classification of legislative policy intent which was discussed earlier in this chapter. This area of policy intent represents a major contribution of Martin's work. Just as important is Martin's survey of private sector presidents regarding accountability issues. It is this portion of his study that can have significant bearing on the willingness to initiate self-regulation.

Self-Regulation and Autonomy

The matters of diversity, innovation, and differentiated products have been mentioned several times within this study. All of these elements are preserved and enhanced in independent higher education because of the sector's autonomy. We have also praised the advent of state student financial aid to private higher education as that which will nurture, strengthen, and maintain that diversity, innovation, and differentiated product. But the Carnegie Council on Policy Studies in Higher Education (1980), in musing about some of the scenarios for the future of higher

education, has expressed a possible future which sees the demise of the private sector through creeping public controls. "The private sector . . . will be decimated because it cannot compete owing to its higher tuition; meanwhile, public controls and public financial support make it only quasi-private. . . reducing its rationale for continuation" (p. 3).

Earlier, in 1977, The Council developed 21 recommendations for the states and private higher education to pursue in the future. Recommendation number 12 states that "Grants for direct institutional support should be provided only where there are adequate protections for autonomy and quality" (p. 64). While this recommendation is targeted to "direct institutional aid," there is substance here also for indirect institutional aid. In some cases, especially the NCCSF program, there is no clear distinction that such is not direct institutional aid. In the final analysis, however, the vital questions for all types of aid is 'How much external control is too much?' and 'How much internal control is too little?' "Within higher education, self-regulation should mean voluntary and coordinated regulation by the community broadly understood---both as parts and as a whole" (Bennett, El-Kawas, & O'Neil, 1985, p. 7).

In looking to the future of financial aid administration, Huff (1983) has commented:

Compared with the past, far greater influence on the administration of aid is exerted by external sources. The greatest external influence stems from the United States Department of Education. In the beginnings of the federal student aid programs there were few regulations imposed by the government, and institutional aid administrators were trusted to use the funds they were allocated by comparatively informal means in accordance with the provisions in the enabling legislation. (p. 101)

Federal student aid programs, some of which predate state student financial aid programs, were at first "trusted" to the aid administrators through informal means for proper administration. Why then, have endless regulations and guidelines replaced this "trust" on the federal level?

Huff (1983) continued by looking back to state programs of student financial aid.

While the lion's share of external control of student aid has come from the federal government, the states, too, have exerted considerable influence on what happens on a college campus as their programs have grown. Their major concern has been to coordinate state support and aid awarded by the institution from its own funds and from funds provided by the federal government. While state rules generally conform to federal requirements, there are instances where they are at odds, leaving the aid administrator in the middle. (p. 101)

This "Catch 22" can be where either the state is either less or more rigorous than the federal government. With the NCCSF program, aid administrators are caught in the middle where the state guidelines are seemingly less stringent than most federal guidelines.

Berdahl (1971) cautioned us that state interference is to be expected if state public funds are to flow to the private sector.

The extent of state control should be proportionate to the amount and type of state aid rendered; if such aid is modest and indirect, intervention should be minimal. But if the state grants substantial sums directly to its private institutions, state controls must inevitably be rather elaborate. (p. 249)

Again, self-regulation is a viable option to expansive state control.

There are "issues now before American higher education [that] make quite clear the need for renewed institutional attention to self-regulation"

(Bennett, El-Khawas, & O'Neil, 1985, p. 3). But self-regulation can be a double-edged sword. Bennett and Peltason (1985) have fretted:

No institution wants to put itself at a competitive disadvantage in attracting students, faculty, or other resources. As a result, there can be underlying tension among individual institutions as well as between them and the common self-regulation structures chosen to represent them or to whom they have delegated authority. (p. x)

As early as 1971, Berdahl declared that "the delicate issue of state control would seem to be better handled by voluntary bodies and coordinating boards than by governing boards. . ." (p. 250). Huff (1983) predicted, (in a veiled warning) that "institutions. . . are likely to take a more aggressive role in policing their own activities thus reducing the need for federal [and state] regulations" (p. 106). In 1984, the College Scholarship Service of the College Entrance Examination Board (1985) convened a conference of leaders in student financial aid and in higher education at the Aspen Institute in Colorado. A document called the "Aspen Statement" resulted from this meeting listing ten major current and future concerns. Statement number five has special meaning for the discussion at hand.

5. Voluntary adherence to mutually established standards and conventions for student aid delivery and administration continues to be both feasible and desirable. Only through effective voluntary efforts at self-regulation can further external regulation be averted. (p. 199)

In order to maintain the relative autonomy of the independent sector, self-regulation is a must. It is clear from the history of federal financial aid, and other similar issues not discussed here, that if those concerned with the administration of a program do not band together to formally adopt (and subsequently adhere to) principles or guidelines for operation, the

government, and in this case the state government, will step in and force regulations on those involved.

Summary

This chapter entailed a thorough review of the literature on various aspects of student financial aid especially as they pertain to state-sponsored student financial aid. A former examination of the NCCSF and other state efforts at assisting the private sector was included. Competition within higher education, most often evinced by both a public and a private sector, was described from both a statistical and philosophical base. The many reasons for support of state aid to higher education were preceded by a survey of this assistance from a historical vantage. The values of a private higher education and common features of state aid programs were examined as well as the differences between the different state programs. A discussion of the institutional bounty from student aid was included as was a sketch of a previous state aid accountability study. Accountability, self-regulation, and institutional autonomy were the last topics covered in the chapter.

CHAPTER III

THE EVALUATION DESIGN

Introduction

This examination of the NCCSF represents a quasi-evaluation of the program. As discussed in Chapter II, a previous study, only through 1976, has been conducted to discover the distributional impacts of the NCCSF aid program. No literature exists on the subject of field operating practices or the current outcomes of the program. Most of the existing knowledge about the total operation of the NCCSF program is heuristic or, at best, anecdotal.

Accountability issues are addressed in order to determine whether there are potential problems that could adversely impact the program if politicized. It must be remembered that since "state aid policy is redistributive, it will always be highly controversial" (Young, 1977, p. 137). In general, evaluations should act as a form of identification and regulation whereby questionable issues are discovered and specified so that solutions can be developed and subsequently implemented. Those closest to the program should be the ones responsible for such examinations. Self-regulation is the most desired form of such regulation for those who actually run the program.

This chapter develops outcome indicators for the NCCSF so that it can be determined whether the North Carolina Legislature's intent in establishing the NCCSF program is being met. An approach is also outlined

for assessing the administrative practices of the NCCSF. The discussion entails the methods of data gathering as well as a previously developed assessment model for state student financial aid programs. Finally, this chapter surveys some of the reasons for evaluations and their political implications.

An Evaluation Approach for the NCCSF

What is needed to assess the NCCSF within the designs of this study is both an evaluation of program outcomes and an audit of program outcomes and activities. This approach sharpens the goals, where needed, in order to define standards of activity, attempts to discover performance, and consequently identifies discrepancy so that a high degree of accountability can be secured for the program. Evaluations such as this study can be used as a powerful tool within the confines of the agenda setting stage of the policy-making process. In addition, the fact that an overall evaluation has been conducted tends to lend credibility and accountability to the issue under study.

Indicators

There are no pre-set indicators for either the outcomes of the NCCSF or its standards of operation. Thus, logical indicators, measures, and their rationale must be developed. Since the outcome of encouraging and assisting "private institutions to continue to educate North Carolina students" is mentioned within this legislation, and accountability issues are given no attention, the pursuit of outcomes will be primary while accountability will

be secondary in developing indicators. The intent is to help institutions by helping needy North Carolina students.

This outcomes approach is better understood by borrowing from Kaufman and English and their Organizational Elements Model (OEM), a conceptual model of organizations and a method of policy analysis (cited in Kaufman & Stone, 1983). Put simply, the OEM posits that an organization takes inputs or resources, subjects them to processes, or a series of decisions, resulting in a product or result that is then combined with other results to produce outputs or assemblies of results which prompt an outcome or effect. Adapted to the NCCSF Program, inputs are the state monies allocated to the institutions on a yearly basis. The act of deciding funding levels of individual financial aid applications constitutes the process, and a financial aid award--the amount the student receives--is the product. This product reduces the cost of a private higher education for the student. The student who has applied for financial aid and consequently receives it, combined with other available products of the college such as curriculum, is an output that enables the student to attend that private college. This student encourages private colleges and universities to actively seek North Carolina residents as students, the intended outcome of the aid program, because North Carolina residents who qualify for NCCSF funds will pay less than they would otherwise. This outcome impacts on society by aiding diversity in higher education along with the other reasons discussed in Chapter II. This evaluation is concerned with only two of the OEM elements: processes and outcomes. Process deals with the accountability issue while outcomes concern the policy outcome or intents of the NCCSF Program.

Outcome Indicators

Since the express purpose of the enabling legislation is "to encourage and assist private institutions to continue to educate North Carolina students," the broad indicator of that success is to be related to the enrollment of North Carolina students at private colleges and universities. The time span to be considered ranges from before the implementation of the program, 1971, until the Fall of 1984, the last year for which complete data are available. Discreet indicators are examined for three directions: (1) no change, (2) increase, and, (3) decrease. Inasmuch as the legislation contains the phrase "to continue", as the impact, the outcomes need only remain the same or increase in order to realize that outcome. Indicators can be identified on two different dimensions. The first dimension includes overall enrollment and dollar trends and is termed as the Enrollment Dimension. While the second dimension deals only with numbers of institutions within the independent sector and their trends, it is based on enrollment and program levels. It is labeled the Institutional Dimension and is concerned with the period 1971-1984. The following indicators are identified under the enrollment dimension:

1. Trend analysis of independent postsecondary headcount enrollment on an in-state versus out-of-state distribution.
2. Trend analysis of independent postsecondary FTE (full-time-equivalent) enrollment of in-state versus out-of-state distribution.
3. Trend analysis of independent headcount in-state enrollment share by sector.
4. Trend analysis of independent postsecondary overall non-athletic

scholarship expenditures adjusted for NCCSF allocations.

The importance of the first indicator address any shifts or leveling in the distribution of overall in-state versus out-of-state available enrollment within the private sector. The second indicator is similar to the first except that this indicator deals with full-time equivalent (FTE) enrollment figures. (For this second indicator, the base of 1971 has been extrapolated from 1973 headcount and FTE data applied to 1972 and 1971 headcount data.) Enrollment share by sector compares the public share of enrollment to the independent share of enrollment on a percentage basis. The trend of non-athletic scholarship expenditures, adjusted downward for NCCSF allocations, helps to determine whether the independent institutions have maintained, increased, or decreased their own efforts in scholarship expenditures since the advent of the NCCSF which would indicate the private sector's commitment to educating North Carolinians.

The subject of impact indicators is approached for the institutional dimension as follows:

1. Trend analysis of the number of North Carolina private higher educational institutions, 1971-84.
2. Trend analysis of number of North Carolina independent institutions and the direction (i. e. increase, no change, decrease) of their in-state headcount enrollment, 1971-84.
3. Trend analysis of number of North Carolina independent institutions and the direction (i. e. increase, no change, decrease) of their in-state FTE enrollment, 1974-84.

4. Trend analysis of number of North Carolina independent institutions and their institutional scholarship expenditures adjusted for NCCSF allocations, 1974-84.

The significance of each of these indicators is similar in nature to those of the enrollment dimension. First, the private sector is examined to see if its membership is expanding or contracting, 1971-84. The second and third indicators examine how many institutions are gaining (or showing no change) as opposed to how many institutions are losing either headcount (1971-84) or FTE (1974-84) in-state enrollment. Finally, North Carolina independent colleges and universities are studied to determine how many have increased (or shown no change) or decreased their net non-athletic scholarship expenditures.

The time span for the Institutional Dimension differs from the Enrollment Dimension. In-state FTE data are not available at all prior to 1973. FTE enrollment by institution is not available prior to 1974. Because of this lack of data, the ranges were narrowed when dealing with FTE for the Institutional Dimension. FTE data were extrapolated for 1971 and 1972 under the Enrollment Dimension since the entire sector was being studied and did not require the precision of the more discreet Institutional Dimension.

Limitations of Outcome Indicators

These indicators are not an attempt to prove causation that the NCCSF is by itself responsible for any particular outcomes. A great many other factors could also effect these outcomes. A brief listing of other such

considerations follows:

1. changing student demographics within the world of higher education.
2. in-state tuition costs.
3. changing admissions standards in both the private and public sectors.
4. changes in federal financial aid policy.
5. other changes in state financial aid policy concerning private colleges and universities.
6. increased recruiting and retention efforts on the part of the independent institutions.
7. broadened program offerings by the private sector.

The eight outcomes indicators can also be directly influenced by the implementation of a program such as the NCCSF as well as other forces such as those enumerated above. Controls for these other factors are attempted through the use of archival time series and comparative data from three other southern states.

The influence that the NCCSF does exert on the indicators is clarified through the use of a comparison base (1971) for some of the indicators in the study. This date is prior to the introduction of the NCCSF. An intermediate comparison point exists in 1974 for some of the indicators. This reference point is before the introduction of the NCLTG, a second program of student financial aid for the private sector.

Process Indicators

The enabling legislation only notes that students should be needy North Carolina residents. As mentioned, The Board of Governors and the University General Administration have added a few restrictive guidelines regarding program of study and secular educational intents. The United States Department of Education, along with some assistance from financial aid community, has developed uniform provisions for federal Title IV financial aid program administration (Moore, 1983, pp. 43-48). These involve student eligibility, financial need, and administrative eligibility. Since most of these have met the test of time and are used in the administration of federal student financial aid, it is logical to use these uniform guidelines as our model for the NCCSF.

The current NCCSF guidelines parallel the federal uniform guidelines under student eligibility in only one aspect: the eligible student must be enrolled in a program. But an unusual feature here is that the NCCSF guideline goes further by restricting eligibility to only those pursuing a secular program. The uniform federal guidelines do restrict eligibility to students who are enrolled as at least a half-time student. They also stipulate that the student be in good standing and making satisfactory academic progress. NCCSF guidelines mention nothing of enrollment load or academic standing.

Financial need eligibility is determined only by those methods approved by the Secretary of Education (Moore, 1983). As part of this approval process, the analysis formulae must pass certain tests and produce certain benchmarks. NCCSF guidelines allow for any method approved by the North Carolina State Education Assistance Authority to be used in

determining need eligibility. The Uniform Methodology is the most often used formula and both the American College Testing Program and the College Scholarship Service of the College Entrance Examination Board have adopted this Uniform Methodology. Embedded within federal regulations and the Uniform Methodology guidelines is a concept called professional judgement. This concept states that a student aid administrator can act contrary to the Uniform Methodology if, in that administrator's professional judgement, to act in concordance with that guideline would not serve the spirit of the Uniform Methodology. Professional judgement was discussed in Chapter II. This concept is actually mentioned twice in the federal guidelines (once in the guidelines themselves and once in Uniform Methodology). Professional judgement is referred to only once in the NCCSF Program through Uniform Methodology.

The uniform provisions for the administration of federal student financial aid programs also include items on institutional eligibility. These include accreditation by a regional accrediting agency, a required audit of the federal aid programs at least every two years, and agreement to a program review with proper notice (Moore, 1983). NCCSF guidelines mention no specifically required audits or program reviews. However, permission is granted within the enabling legislation to the Board of Governors to require reports and audits as it deems necessary.

These seven elements of financial aid administration compose an approach with which to assess the NCCSF Program:

1. Student enrollment load of at least half-time.
2. Student enrollment in a program of study.

3. Student maintenance of satisfactory academic progress.
4. Institutional use of an approved needs analysis method.
5. Institutional accreditation by a regional accrediting agency.
6. External audit of the program at least every two years.
7. External program review of overall program operations including financial and performance aspects.

Data Collection

A review of the various indicators used for this evaluation reveals that the outcomes indicators span a rather lengthy period of time while the process indicators deal only with current practice. In order to assure a high degree of uniformity in definitions and reporting practices along with a high participation rate and timely responses, data from the Statistical Abstract of Higher Education in North Carolina are used for the source of outcomes indicator data.

This report is published yearly by the General Administration of the University of North Carolina and contains a wealth of information on both public and private higher education in North Carolina and is generally considered both valid and reliable. In addition to presenting uniform and timely data, the use of the Abstract for a portion of the data used in this evaluation is an unobtrusive method of data gathering often appreciated by the audience being studied. Even though 100% of the needed data was not available for the Abstract, the quality and validity of this data is much higher than that which might be obtained through the use of a survey designed especially to address the outcomes indicators.

As discussed earlier, there is no existing study from which we can glean the necessary data to discover or analyze the state of the process indicators. In order to assure a high rate of participation and corresponding validity, these data must also be collected in an unobtrusive as possible process. Unlike the outcome indicators, the process indicators require a specially designed data collection instrument.

A Survey

In order to discover what processes occur in the field regarding the administration of the NCCSF Program, a survey is necessary. The questions on the survey revolve around the seven elements of financial aid administration previously stated. An open-ended question is also included in order to solicit input and reaction to the NCCSF Program. Delbeq and Gill (1979) reminded that "Public officials often confuse what is valuable to themselves with what is valuable to the client---what is of value to a public official may not contribute to the well-being of a client" (p. 7). Here the evaluator's role may be equated with that of the public official. Thus, the survey not only includes structured questions, but it also includes an open-ended question.

All of the elements of Title IV administration are not addressed in this survey since several are already covered within NCCSF program regulation. Element 2, which requires that a student be enrolled in a program of study, is dealt with within the program definition of a student. NCCSF recipients must be a candidate for a degree. Also within the legislation is the definition of an institution which includes the stipulation that the institution must be

accredited in order to participate in the program. This stipulation covers the concept defined in element 5.

"In educational research there are two conditions which occurring together suggest and justify the descriptive survey: first, that there is an absence of information about a problem of education significance, and second, that the situations which could generate that information do exist and are accessible to the researcher" (Fox, 1973, p. 424). It has been mentioned that a study of field practices does not exist but that the NCCSF Program is being administered on 38 campuses in North Carolina. Surveys can be used to collect data and information which "can be used to...assess needs and set goals, to determine whether or not specific objectives have been met, to establish baselines against which future comparisons can be made, to analyze trends across time, and generally, to describe what exists, in what amount, and in what context" (Udinsky, Osterlind, & Lynch, 1981, p. 128).

A survey, or questionnaire, is definitely justified in the case at hand. Udinsky et al (1981) added that "the questionnaire is the most widely used technique of gathering data in the field of educational research and evaluation" (p. 117). Fox (1973) advocated a 14 step survey process (pp. 448-449). His lengthy prescription does contain some very useful elements for use in the survey of the NCCSF field practices: statement of the research problem; identification of the objectives of the survey and the translation of these into criterion variables; instrument design; collection of data; and analysis.

The objective of the survey is to determine certain field practices which might parallel the five standard practices in the administration of federal student financial aid programs with which this study is concerned. The criterion variables evolve from the specified five elements of uniform practice. Design and collection are dealt with in this chapter, and the analysis is conducted in Chapter IV.

The Survey Questionnaire

A full copy of the questionnaire can be found in Appendix B. The questionnaire was administered in person or by telephone to representatives of the 38 independent colleges and universities in North Carolina (see Appendix C). Anonymity was assured both institutionally and individually. The survey was pilot tested at one public institution and two private institutions. The pilot necessitated several adjustments to the questionnaire.

Political Framework

Private colleges and universities in North Carolina are well represented in the North Carolina General Assembly by their lobbying group, the North Carolina Association of Independent Colleges and Universities (NCAICU). This group attempts to influence the agenda in North Carolina public policy to the benefit of the independent higher education sector. In order to insure the continued support of such aid programs as the NCCSF, an option available to the NCAICU is a framework by Cobb, Ross, and Ross (1976) posting their models of agenda building. These authors successfully demonstrate that agenda building "occurs in every political system from the

smallest to the largest, from the simplest to the most complex" (p. 127). Such a framework places the NCAICU as a subunit operating within the North Carolina political system.

Both the State of North Carolina and the NCAICU have public and formal agendas. Before an issue can be disposed of by decision-makers, it must first be placed on the formal agenda. The formal agenda consists of what is of some degree of concern to the decision-makers. Sometimes, however, before issues can be placed on the formal agenda, those decision-makers must realize that the question enjoys vigorous support. Such support is demonstrated when an issue reaches the public agenda: those issues which are significant enough to warrant substantial public sympathy and support (Cobb, Ross, and Ross, 1976, p. 126). But we need to remember that we are dealing with two systems, the state of North Carolina and the NCAICU. The Executive Board of this latter organization is considered as the decision-maker and is thus responsible for setting the formal agenda. Those determining the public agenda within this subsystem are the member institutions of the NCAICU, and specifically, the financial aid administrators at those institutions. At the state level, the legislature represents the formal agenda control element while the voters represent the public agenda control element.

These two types of agenda can interact within three different models of agenda building. First, is the outside initiative model in which issues first come to light through the public agenda and then, after specification and expansion, gain placement on the formal agenda. The mobilization and the

inside initiative models are the second and third models. The two are similar in that they both see the issue identified from within. Formal agenda status is achieved first, but then they differ. The mobilization model depends on placing the issue on the public agenda to ensure successful implementation while the inside initiative model rarely, if ever, utilizes the public agenda (Cobb, Ross, & Ross, 1976, pp. 127-135).

The State of North Carolina can be equated to the inside initiative model while the NCAICU matches with the mobilization model. Within this model, the Executive Board of the NCAICU, representing the formal agenda, should recognize the importance of clarifying several issues within the NCCSF Program and then solicit the assistance of the financial aid officers to begin implementation of the clarification process as the public agenda. Along the lines of the inside initiative model, the NCAICU, as a group close to the legislature, should then propose the clarification as a legislative package to ensure the proper administration of the independent college student aid program. Under this procedure, the general electorate would never need to become involved in the issue.

Reasons for Evaluations

Evaluations have always been with us; they just have not always been formal. With the advent of large social programs funded by government money, evaluation became a profession in the 1960s. The driving force behind these evaluations was initially to see if what the programs were intended to do was actually being done. Many times the findings indicated

that the program intent was not being realized but that the program was having an effect.

From these early evaluations, Stufflebeam and Webster (1983), have identified three main approaches to evaluation studies:

The first approach includes politically oriented evaluations, which promote a positive or negative view of an object, irrespective of its actual worth. The second approach includes evaluations that are to answer specified questions whose answers may or may not assess an object's worth. The third approach involves studies that are designed primarily to assess and/or improve the worth of some object (p. 24).

Floden (1983) basically agrees with this assessment but critically noted that "such a view is too narrow and may actually be misleading. Other functions of evaluation can be identified, including conflict resolution and complacency reduction" (pp. 9-10). He also commented that evaluation "is a ritual in which individuals at all level of governance participate in some way in order to bolster a common faith" (p. 17). This study is designed to determine the effectiveness of the NCCSF Program and to help improve its reputation through the evaluation process. Complacency reduction is a minor aim of this evaluation. However, this study is too detailed to be considered in terms of evaluation as ritual.

Evaluations as Audits

"Whenever possible, financial aid offices should secure institutional internal audits of the total financial aid operation" (Ryan, 1983, p. 184).

To many people, the word "audit" is not a pleasant experience. They equate it with an income tax audit and with people who wear green eyeshades and shirtsleeve garters. Others perceive an audit as something helpful. This second group is concerned with "whether the involved personnel and organizations charged with responsibility for [programs]...are achieving all they should be achieving, given the investments of resources to support their work" (Stufflebeam & Webster, 1983, p. 28). This approach represents, in government circles, what would be called a program results audit. There are two other types of government audits, the financial and compliance audit or the economy and efficiency audit. A program results audit, according to the United States Accounting Office Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, 1981 Revision (cited in Deck, 1984) "determines (a) whether the desired results or benefits established by the legislature. . .are being achieved and (b) whether the agency has considered alternatives that might yield desired results at a lower cost" (p. 2). A major element of the design of this evaluation is the concept of a program results audit from the "desired results" perspective.

Previous Outcome Assessment Models

Schwartz and Chronister (1978) have developed an assessment model for state aid programs. This model studies the impact of a state student financial aid program from a resource/consumer vantage where the student and/or state and/or institutions of higher education can participate as

distinct dimensions. Each one of these dimensions can be viewed as a consumer or as a resource (p. 20). This study frames the institution as a consumer and looks at outputs of the NCCSF program in relation to the independent institutions in North Carolina. In this way, "Policy Outputs are tangible and symbolic manifestations of public policy; they are observable indicators of what governments in fact do" (Nachmias 1979, p. 3). The Schwartz and Chronister model assumes that the program intent revolves around "contribut[ing] to the quality and diversity of higher education in the state by maintaining a viable private sector" (p. 21) much like the legislative intent of the NCCSF Program--to help and prompt private institutions to seek to enroll North Carolina residents.

The goals of the program to be evaluated or audited are "the cornerstone of the audit" (Deck, 1984, p. 14). "Goals are necessarily a necessary part of political rhetoric, but all social programs, even supposedly targeted ones, have broad aims" (Cronbach & Associates, 1983, p. 408). The goal of the NCCSF program likewise is very broad and therefore difficult to assess. There is no absolute indicator set forth in the legislation or administrative memoranda. The same is true for any secondary performance indicators. Deck (1984) reminds us that:

Ideally, performance standards should be set out in the program's enabling legislation as part of the objective. This is rarely the case. Consequently, it is management's responsibility to develop these performance standards. While performance standards are useful to auditors, their most important use is to manage a program efficiently and effectively. Managers must know what it is expected to accomplish, and what the cause and variance between the two is. (Knighton cited on page 16).

This observation echoes several elements of the Discrepancy Evaluation Model which contains three components: standards, performance, and discrepancy. Standards are how things should be; performance refers to how things are, and discrepancy is the difference between standards and performance (Steinmetz, 1983).

Performance, Impact, and Activities

The term performance has been used several times. Just what is performance and how is it measured where a government program is under study? Some might seek a quick fix solution by citing program expenditures. But Nachmias (1979) commented that:

Policy outputs, however, tell little if anything about performance. The amount of money spent, the units of services provided, the number of cases handled, the number of staff employed by delivery agencies are valid measures of policy outputs, but they do not indicate whether or to what extent the desired objectives have been achieved. Policy impact, therefore, refers to performance, that is the extent to which policy output has accomplished its stipulated goals (p. 3).

So it is necessary to dig deeper than just the first order outputs of the policy or program; the more subtle factors such as the direction of the outcomes must be consulted.

Schwartz and Chronister (1978) have done just that in the institutional dimension of their assessment model by asking the following questions:

- (1) Since implementation of the state program has enrollment stabilized or increased?
- (2) What is the pattern of enrollment of state residents since implementation of the state program?
- (3) Has there been a change in the fiscal condition of the institution

CHAPTER IV

FINDINGS OF THE EVALUATION

Introduction

This chapter relates the findings of the NCCSF evaluation. The evaluation is based on Enrollment and Institutional Outcomes Indicators as well as elements of administrative practice compared to a field survey of actual practices.

Enrollment Indicators

1. Trend analysis of the private postsecondary headcount enrollment on an in-state versus out-of-state distribution.
2. Trend analysis of the private postsecondary FTE enrollment on an in-state versus out-of-state distribution.
3. Trend analysis of in-state headcount enrollment share by sector.
4. Trend analysis within the independent sector of non-athletic scholarship expenditures adjusted downward for NCCSF expenditures.

Institutional Indicators

1. Trend analysis of the number of private higher education institutions in North Carolina.

2. Trend analysis of North Carolina private colleges and universities and the direction of their in-state headcount enrollment (i. e. increase, no change, decrease).
3. Trend analysis of North Carolina private colleges and universities and the direction of their in-state FTE count enrollment.
4. Trend analysis of North Carolina private colleges and universities and the direction of their non-athletic scholarship expenditure adjusted downward for NCCSF allocations.

The measure used to indicate outcome accomplishment is, at a minimum, maintenance of the status quo of the private sector as it was in terms of student-driven data at certain base points. The intended outcome has been accomplished, for each of the eight indicators, if the number of years an indicator has remained the same or has increased from the base exceeds the number of years it lost ground. Each indicator will be assigned a score which will be evaluated at the end of the chapter. All of student-driven data including non-athletic scholarship expenditures, has been extracted from the appropriate issues of the Statistical Abstract of Higher Education in North Carolina.

Elements of Administrative Practice

1. Student enrollment of at least half-time.
2. Student enrollment in a program of study.
3. Student maintenance of satisfactory academic progress.

4. Institutional use of an approved needs analysis method.
5. Institutional accreditation by a regional accrediting agency.
6. External audit of the program at least every two years.
7. External program review of the total program operation.

These data were obtained through a survey questionnaire found in Appendix B.

Enrollment Indicators

1. Trend Analysis of the Private Postsecondary Headcount Enrollment on an in-state versus out-of-state distribution.

For the private sector, in-state and out-of state headcount enrollments have each witnessed losses and gains in the period 1971-72 to 1984-85. During the 14 years of this time span, the private sector lost in-state enrollment four consecutive years while they gained for nine straight years from the 1971 base (see Table 1). The losses occurred during 1972-1975. Over the same period, private sector out-of-state headcount enrollment fell for six consecutive years while there was a total of seven years of gains.

Examined more closely, the first comparison point, 1974, shows an in-state loss of 410 students or about 1.5% below the 1971 base. Carried to 1984, however, there is a 4,017 in-state student gain or a headcount increase of over 15%. For out-of-state headcount, the first comparison point of 1974 displays a loss of 533 students or 2.3% of the 1971 base. Where in-state headcount enrollment dropped for four consecutive years (1972-75),

out-of-state figures dropped for six straight years. This out-of-state decline began in 1974, three years later than the in-state decline, and lasted until 1979. The most severe out-of-state loss (533 students, 2.37%) occurred during 1974, the first comparison year. But out-of-state enrollment does show a modest increase when examined on a longer time-span. Out-of-state enrollment increased by 1,314 students by 1984 for gain of approximately five percent, only about one-third of the in-state increase.

Within the private sector, headcount enrollments, on both the in-state and out-of-state sides, show a loss was more severe than the in-state loss. However, both show a gain during the second test period. There is a large gain (4,017 students, or over 15%) within the in-state distribution. For this indicator the total is nine "gain/no change" and four "loss" situations.

Table 1

Headcount Enrollment of North Carolina Private Colleges and Universities,
Fall 1971 through 1984

Year	In-State Headcount	Out-of-State Headcount	In-State Change
1971	26,176	22,464	BASE
1972	25,844	22,732	
1973	25,274	22,509	
1974	25,766	21,931	-410 (-1.56%)
1975	26,021	21,983	
1976	27,030	22,310	
1977	27,763	22,262	
1978	28,687	21,936	
1979	29,503	22,376	
1980	30,542	22,635	
1981	30,473	22,663	
1982	29,902	22,907	
1983	30,094	23,290	
1984	30,193	23,778	+4,017 (15.34%)

2. Trend Analysis of the Private Postsecondary FTE Enrollment on an In-State Versus Out-of-State Distribution.

Although the Statistical Abstract does not begin to distinguish between in-state and out-of-state FTE until the Fall of 1973, extrapolations were made to establish the Fall 1971 base. Again, the private sector experienced a mixture of FTE losses and gains throughout the fourteen year period covered by this study. Examining the in-state statistics (see Table 2) we find that FTE enrollment fell for seven straight years, ending the slide in the Fall of 1979 with an upswing that lasted until Fall 1984. At the 1974 observation point, 1,095 in-state FTE had been lost which amounts to almost a full five percent of the 1971 base. However, the direction of change did turn toward the positive. At the 1984 point, in-state FTE had increased 1,183 units for over a five percent gain since 1971.

Out-of-state FTE enrollment barely began in the plus column and then began to lose in 1973 with its only gains in 1976, 1977, and 1978. Beginning in 1979, a losing trend was established which continued to the conclusion of the period studied. At the 1974 observation point, the out-of-state loss, 975 FTE or 4.73%, was slightly less than the in-state loss. Even though the last six years of observation show a loss, the amount of each year's loss decreases yearly. At the end of 1984, out-of-state FTE had slipped by 431 units representing a 2.1% loss since 1971.

Table 2.

Full Time Equivalent (FTE) Enrollment Count of North Carolina Private
Colleges and Universities, Fall 1971 through Fall 1984.

Year	In-State FTE	Out-of-State FTE	In-State Change
1971	23,015	20,575	BASE
1972	22,533	20,650	
1973	21,920	20,334	
1974	22,181	19,600	-1,095 (-4.75%)
1975	22,243	19,406	
1976	21,567	21,149	
1977	21,935	21,124	
1978	22,171	20,888	
1979	24,764	19,592	
1980	25,578	19,653	
1981	24,977	19,860	
1982	23,911	20,218	
1983	23,748	20,491	
1984	24,198	20,144	+1,183 (5.14%)

Enrollment Indicator 2 gives a different picture of sector enrollment than did the first indicator. While both indicators show gains of in-state FTE, only the out-of-state students experienced a loss of units. The difference between the in-state headcount (Indicator 1) gain of 15% and the in-state FTE (indicator 2) gain of only slightly better than 5% is probably accounted for through an increase in part-time students. During the entire period of this study, part-time enrollments began to grow as many non-traditional students entered the higher education enterprise. Indicator 2 scoring is as follows: six "gain/no change" and seven "loss."

3. Trend Analysis of In-State Enrollment Share by Sector.

In the Fall of 1971, the private sector laid claim to a little over 24% of the available in-state college-going population (see Table 3). This share had contracted to about 21% by 1984. All 13 years examined witnessed a decrease in share for the private sector. Some of this steady shrinkage may be due to the growth of the two-year public sector. Nevertheless, spaces were available at most of the independents during this period and went unfilled. This indicator scores 0 "gain/no change" and 13 "loss."

Table 3.

Percent Share of Available Post-Secondary In-State Population by Sector

Year	Independent	Public	Change
1971	24.30	75.70	BASE
1972	23.83	76.17	
1973	22.55	77.45	
1974	21.80	78.20	-2.5
1975	20.13	79.87	
1976	21.11	78.89	
1977	21.28	78.72	
1978	21.57	78.43	
1979	21.52	78.48	
1980	21.70	78.30	
1981	21.54	78.46	
1982	21.23	78.77	
1983	21.48	78.52	
1984	20.89	79.11	-3.4

4. Trend Analysis Within the Independent Sector of Non-Athletic Scholarship Expenditures Adjusted Downward for NCCSF Allocations.

This item on the Statistical Abstract reports all institutional expenditures for non-athletic scholarships. Included are all institutional need-based and non-need-based grants and scholarships not classified as athletic grants. This item should also include NCCSF expenditures. To reflect true institutional maintenance of effort, this item must be adjusted for the NCCSF allocations. Maintenance of effort is important from the sense of not dropping below the level of effort established prior to the beginning of the NCCSF. . . these funds are meant to be used in addition to what normally has been allocated for student aid.

These non-athletic scholarship expenditures have shown a steady, and very healthy, increase during 12 of the 13 years of the study. Only in 1973, the first year of program operation at full funding, was there any contraction represented by this indicator. Part of the reason for that contraction could be the mere newness of the program and some officials being unsure of how to report NCCSF expenditures. But it is also clear from a close examination of the data that some institutions did decrease their own institutional non-athletic scholarships and grants in proportion to NCCSF allocations.

During the 14 years this study encompasses, many private institutions also realized that they must put additional monies into institutional non-athletic grants and scholarships. This is evident as early as the first benchmark of 1974 when a gain of over \$2.5 million was recorded in such expenditures. By the last year of this study, 1984, that gain had surpassed

\$17.5 million, or 359% of the 1971 base. These increases far outdistance the cumulative rate of inflation that was present during the period covered by this study. This indicator adds 12 instances to the "gain/no change" side of the ledger and only one to the "loss" side.

Table 4.

Non-Athletic Institutional Scholarship and Grant Expenditures of North Carolina Private Colleges and Universities Adjusted for NCCSF Allocations, 1971-1984

Year	Non-Athletic \$ Expenditures	NCCSF Adjusted \$ Allocation	\$ Change
1971	4,879,795	no program	BASE
1972	6,075,808	1,000,000	
1973	8,219,980	4,384,082	
1974	9,575,862	4,436,200	+259,867 (5.33%)
1975	9,611,964	4,369,566	
1976	12,477,149	4,539,750	
1977	12,410,001	4,643,984	
1978	13,878,593	4,664,566	
1979	15,220,666	4,799,766	
1980	18,650,029	4,933,106	
1981	19,545,285	4,861,132	
1982	21,314,909	4,675,450	
1983	23,824,611	4,639,050	
1984	27,231,260	4,726,800	+17,524,665 (359.13%)

Discussion of the Enrollment Dimension

The enrollment dimension presents a mixed picture of NCCSF success. Headcount private enrollment shows a modest gain. A similar analysis of FTE enrollment also shows very modest gains. These gains, regardless of their size, do indicate success in achieving the intended outcomes. When approached from a sector share of available enrollment, the private sector did not fare well at all and actually demonstrated a loss of market share. The simplistic method of assessing success indicates that there have been 27 situations in which either no change or a gain has occurred while there have been 25 loss situations.

Institutional Indicators

1. Trend Analysis of the Number of Private Higher Education Institutions in North Carolina.

This particular indicator displays the most negative percentage change of any of the other indicators. In the base year of 1971 there were 41 private colleges and universities in North Carolina (see Table 5). By the first observation point of 1974, the total had decreased by two where only 39 private colleges and universities remained. During the second observation

period, 1975-1984, one more private college closed its doors leaving 38 institutions to comprise the independent sector. This indicator had 14 opportunities to show gain/no change or loss. The results are 12 "gain/no change" and two "loss."

2. Trend Analysis of North Carolina Private Colleges and Universities and the Direction of Their In-State Headcount Enrollments (increase, no change, decrease.

Counting for the loss of three institutions, there were 499 situations studied under this indicator. While only 175 lost, 323 situations gained over the 1971 base (see Table 6). One situation demonstrated no change.

Fourteen institutions (not including the three that closed) lost headcount six Table 5.

Number of Private Institutions of Higher Education in North Carolina, 1971-1984

Year	Number of Institutions	Change
1971	41	BASE
1972	41	
1973	39	
1974	39	-2, (-5%)
1975	38	
1976	38	
1977	38	
1978	38	
1979	38	
1980	38	
1981	38	
1982	38	
1983	38	
1984	38	-3, (-7%)

Table 6.

Headcount Enrollment Activity of North Carolina Private Institutions, 1971-1984

Year	Institutions Gaining	Institutions Losing	Institutions with No Change
1971	BASE	BASE	BASE
1972	18	22	1
1973	18	21	0
1974	20	19	0
1975	25	13	0
1976	25	13	0
1977	26	12	0
1978	26	12	0
1979	29	9	0
1980	28	10	0
1981	27	11	0
1982	25	13	0
1983	28	10	0
1984	28	10	0

or more of the 13 years studied. Nine gained each year of the study. The years during which the greatest number of loss situations occurred were during the early tenure of the NCCSF.

At the first checkpoint, 1974, the distribution was almost even between gain/no change and loss. Twenty schools increased their headcount over the 1971 base while 19 lost headcount. But 1984 painted a different picture with 28 institutions gaining enrollment while only ten lost. Thus, this indicator is scored at 324 "gain/no change" and 175 "loss."

3. Trend Analysis of North Carolina Private Colleges and Universities and the Direction of Their In-State FTE Enrollment.

In examining the FTE activity within the private sector, a different base and time-span studied are used as discussed in Chapter III. The base year is 1974 and the examination runs from 1974 until 1984, a period of ten years in which there are 380 observations. Over one-half of the observations, 250, demonstrated gain/no change (see Table 7) and 130 were loss situations. Twelve institutions lost FTE enrollment five or more years out of the ten studied and six gained each year of the time period. FTE loss was sporadic during the years observed.

Table 7

FTE Enrollment Activity of North Carolina Private Institutions, 1974-1984

Year	Institutions Gaining	Institutions Losing	Institutions with No Change
1974	BASE	BASE	BASE
1975	19	19	0
1976	25	12	1
1977	23	15	0
1978	23	14	1
1979	25	13	0
1980	26	12	0
1981	29	9	0
1982	24	14	0
1983	28	10	0
1984	26	12	0

Since this base is 1974, there is only one checkpoint at 1984. More than twice as many (26) institutions are in a gain/no change situation than in a loss situation (12). The tally for this indicator is 250 "gain/no change" and 130 "loss."

4. Trend Analysis of North Carolina Private Colleges and Universities and the Direction of Their Non-Athletic Scholarship Expenditures Adjusted for NCCSF Allocations.

Non-athletic scholarship expenditures (adjusted downward for NCCSF allocations) have already been examined for the entire sector in terms of total dollars expended. This indicator examines these expenditures on the level of institutions increasing, not changing, or reducing such monies. The base used is 1971 but comparisons do not begin until 1974 when data began to be recorded regarding individual institutions and their NCCSF allocations. Non-athletic scholarships and grants were examined for an 11-year span with the possibility of 418 total observations (see Figure 8). In 28 of the 418 instances, it was unclear whether expenditures increased or decreased. It is evident that some reporting error or faulty instructions existed for this particular item in the <Abstract> for these unclear cases to exist. They are unclear because after adjusting for NCCSF allocations, the resulting figure is either "0" or negative. Thus, the decision was made to omit these unclear cases from the study which adjust the total observations under this indicator to 390.

Table 8.

Non-Athletic Institutional Scholarship and Grant Expenditures of North Carolina Private Institutions, 1974-1984

Year	Institutions Gaining	Institutions Losing	Institutions with Flawed Data
1974	20	13	5
1975	23	11	3
1976	26	8	4
1977	29	8	1
1978	28	7	3
1979	32	4	2
1980	31	3	4
1981	32	4	2
1982	34	3	1
1983	34	2	2
1984	34	2	2

There were 324 cases where expenditures increased or remained the same compared to only 66 where the adjusted expenditures decreased. Most of the decreases took place during the early years of the NCCSF, prior to 1979. Eight institutions demonstrated an increase each of the years examined. Only three recorded a decrease in more than five years of the study. Of the cases where a determination regarding direction could not be made because of confusing data, only one institution seemed to have data consistently unclear (six times). One other institution had three cases that

were omitted and the remaining unclear cases occurred no more than twice for any one institution.

At the beginning of the time span for this indicator, 20 institutions demonstrated an increase in non-athletic scholarship expenditure adjusted for NCCSF allocations while 13 recorded decreases in such expenditures. Five institutions' expenditures could not be determined for 1974 and were omitted. By 1984, the number increasing expenditures had dramatically increased to 34 while only two demonstrated a decrease and two could not be determined. The record for this indicator is 324 "gain/no change," 66 "loss," and 28 omitted.

Discussion of Institutional Indicators

Except for the seven percent loss in number of private institutions of higher education in North Carolina, the Institutional Indicators provide a picture of relative health for the private sector. A majority of the years studied show institutions gaining both headcount and FTE enrollment. The number and frequency of institutions increasing non-athletic scholarship expenditures was quite healthy. Finally, there were 910 "gain/no change" situations and only 373 "loss" situations. As already discussed, 28 cases were omitted due to inconclusive data.

The Enrollment Indicators and Institutional Indicators cannot be equated to one another as they currently are expressed. In order to equate them a simple expression of percentage is used. Under the enrollment

dimension, 52% of the cases showed "gain/no change" while 48% reflected "loss." The Institutional Dimension displayed more distinct findings in that 69% of the cases were "gain/no loss" situations while only 29% were "loss" situations with 2% of the cases omitted because of flawed data.

Indicator Controls

In spite of the fact that the indicators are positive, the program outcomes of the NCCSF must somehow be tied to these indicators. North Carolina private colleges and universities are continuing to educate state residents at a rate equal to or greater than the level prior to the implementation of the program. To assess how the NCCSF has contributed to these outcomes, additional analysis is required.

An archival time series of the independent sector's headcount percentage share of the in-state resident students, 1964-84, was utilized to consider possible intermittent variations (Figure 1). This data is also displayed in Table 9. The private sector began in 1964 with a 36% share of the in-state residents attending college in North Carolina. A steady, relatively even decline persists until 1970 and 1971 when the sector held its own. A less severe loss followed after 1971 until a large drop in share occurred in 1975. The independent sector share had not dropped below the 1975 low through 1984. The intervening nine years experienced small gains and small losses but never recovered the declines experienced in the previous decade.

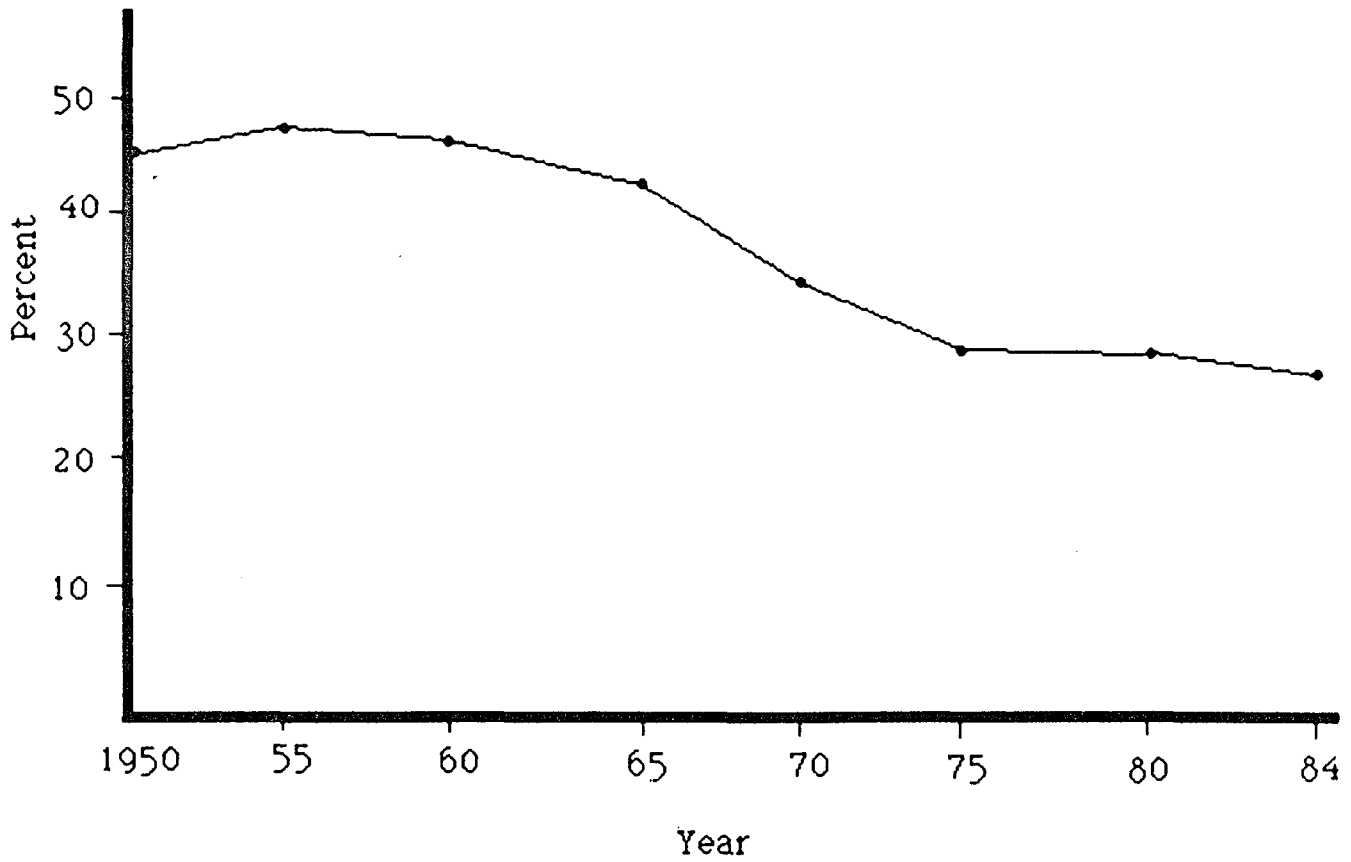


Figure 1

Headcount Percentage Share of Enrollment Held by
the Private Postsecondary Sector in North Carolina from 1950-1984

An important consideration in examining this time series is that the first year of full operation for the NCCSF was in 1973. For both 1974 and 1975 in-state share declined for the independents. A gradual increase in sector share began after 1975, the first year of NCLTG operation. However, it is unlikely that either aid program impacted on enrollment conditions to any great degree in the first year or two of operation. This is because many students begin considering a college or university in their sophomore and junior years of high school. If they subscribe to the perception that they cannot afford a high-cost private school, they consider one they can afford. In many instances, such students are on a lock-step course to enrolling at their first-choice institution unless, of course, they are not accepted. In addition, it takes at least one year to disseminate information about new financial aid programs to high schools and guidance counselors.

The enrollment trends of other southern states such as Georgia, South Carolina, and Virginia were also examined to determine whether the changes experienced in North Carolina could be attributed to general trends throughout the region (see Table 10 and Figure 2). National and regional trends were also included in these representations. It was also determined that the three additional states examined had begun some effort at state-wide student financial aid to higher education. Such efforts have made it difficult to isolate the impact of the NCCSF in North Carolina.

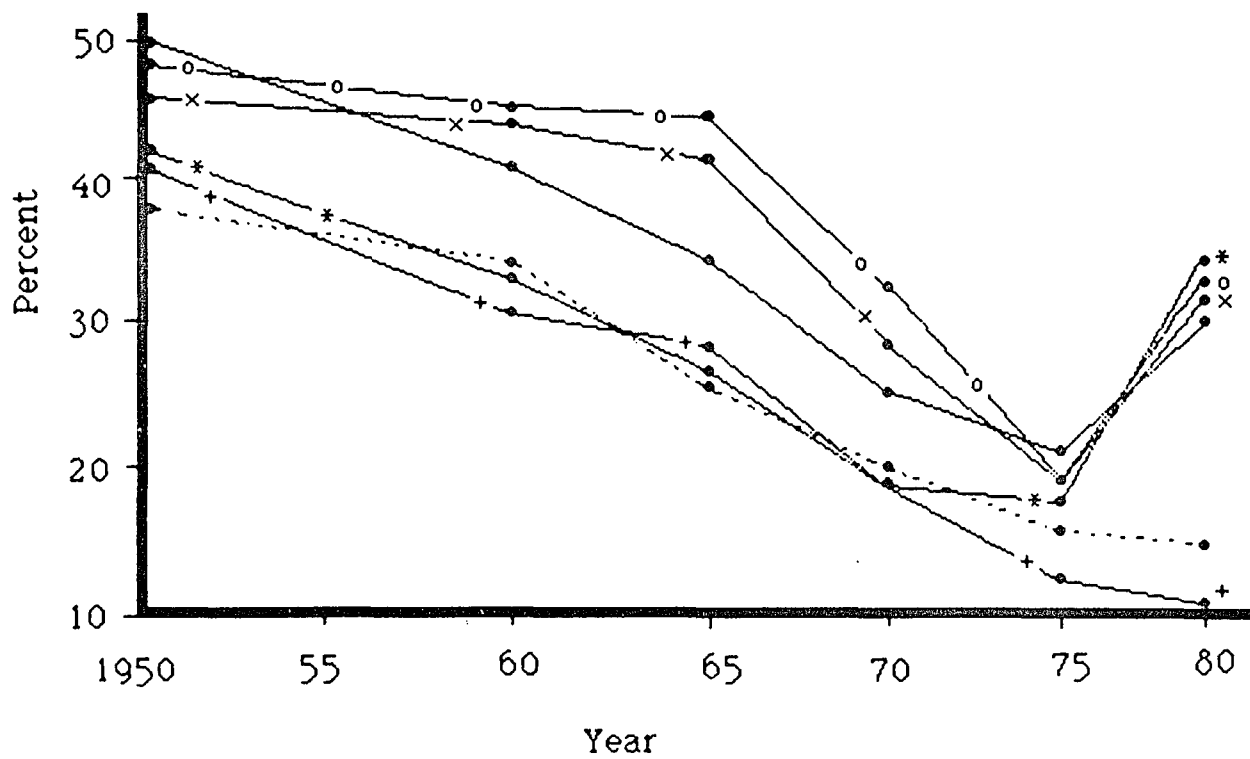


Figure 2

Headcount Percentage Share of Enrollment Held by the Private Postsecondary Sector in Georgia, North Carolina, South Carolina Virginia, the Southern Region, and the Nation, 1950-1980

Nation: ————	NC: — x —
Region: ······	SC: — o —
GA: — * —	VA: — + —

Headcount enrollment percentage share in the private sector was studied from 1950 to 1980. All of the subjects displayed a slow loss until 1965 when the rate of loss increased for all examined except for the southern region as a whole. A decrease in rate of loss occurred in 1970 for Georgia and the entire country while the remaining states continued a relatively steady decrease in private sector share of headcount enrollment. After 1975, North Carolina, Georgia, and South Carolina all began to show an increase above the 1975 low. Virginia, the region, and the nation continued to lose market share after 1975. Thus, at least two other states and their headcount enrollment by percentage sector paralleled that of North Carolina.

Table 9

Sector Share of Headcount Enrollment of NC Residents in North Carolina Institutions, 1964-1984

Year	Private Institutions	Public Institutions
1964	24,297 (36.0%)	43,107 (64.0%)
1965	25,824 (34.3%)	49,364 (65.7%)
1966	25,763 (32.2%)	54,193 (67.8%)
1967	25,803 (30.5%)	58,840 (69.5%)
1968	25,850 (29.0%)	63,328 (71.0%)
1969	25,696 (27.3%)	68,576 (72.7%)
1970	25,567 (25.0%)	76,557 (75.0%)
1971	26,799 (25.0%)	80,802 (75.0%)
1972	26,366 (23.8%)	84,299 (76.2%)
1973	25,842 (22.6%)	88,758 (77.4%)
1974	26,620 (21.8%)	95,510 (78.2%)
1975	26,802 (20.1%)	106,331 (79.9%)
1976	27,799 (21.1%)	103,908 (78.9%)
1977	28,684 (21.3%)	106,757 (78.7%)
1978	29,509 (21.6%)	107,303 (78.4%)
1979	30,528 (21.5%)	111,309 (78.5%)
1980	32,182 (21.7%)	116,095 (78.3%)
1981	31,936 (21.5%)	116,332 (78.5%)
1982	31,362 (21.1%)	116,360 (78.8%)
1983	31,628 (21.5%)	115,621 (78.5%)
1984	31,712 (20.9%)	120,185 (79.1%)

Table 10

Sector Share of Headcount Enrollment for the Private Sector of Selected Southern States, 1950-1980

Year	Georgia	North Carolina	South Carolina	Virginia
1950	42.2%	45.8%	49.6%	40.9%
1960	33.7%	44.0%	45.1%	31.4%
1965	27.0%	40.2%	43.7%	28.4%
1970	19.0%	28.0%	32.0%	19.0%
1975	17.9%	19.4%	19.1%	12.0%
1980	24.0%	21.3%	22.6%	11.4%

Administrative Process Indicators

Elements of administrative practice were adapted from a listing of seven standards of Title IV financial aid administration and were listed again at the beginning of this chapter. In order to determine whether these standards were being used for the administration of the NCCSF, a survey of 11 questions (see Appendix B) was administered in person or by telephone, seeking information on five of the seven standards. Two respondents requested and were given a copy of the survey to complete and return by mail even though they had the opportunity to answer either over the phone or in person. Thirty-eight institutions, the number of independent colleges and universities currently in North Carolina, were contacted to participate in the survey. Only two institutions declined to participate. The participation rate was 95% so the validity of the instrument was quite high.

The remainder of this chapter deals with these seven elements of aid administration and how they apply to the NCCSF.

Standard 1: Student enrollment of at least a half-time load.

The standard was presented on the survey by the following question and received the indicated responses.

What enrollment status are students required to maintain at your institution in order to receive monies from the NCCSF Program? (mark all that apply)

36--full-time
8--3/4 time
7--1/2 time
1--1/4 time
0--below 1/4 time

The question allowed for the respondents to answer in any and all cases in which the limitation applied. All institutions awarded funds for full-time study. Where Title IV regulations allow for study as low as half-time status, only eight independents allowed NCCSF funds 3/4-time study and seven allowed for 1/2-time study. Only a single independent awarded NCCSF funds for less than half-time study. One might have expected to find more institutions awarding funds for less than full-time study because of the changing composition of the normal student body regarding part-time students.

Standard 2: Student enrollment in a program of study.

This standard was not addressed in the survey since the program already requires that recipients be enrolled in a degree program. However,

NCCSF monies cannot be awarded to those pursuing programs of study which are non-secular.

Standard 3: Student maintenance of satisfactory academic progress.

Standard 3 was presented in two questions.

Must students maintain satisfactory academic programs in order to continue receiving NCCSF monies?

36--yes, please go to question #3.

0--no, please go to question #4.

All respondents answered in the affirmative to this question indicating this standard, the newest of the Title IV standards, has gained relatively wide acceptance. There was little hesitation or query regarding the meaning of the question.

If the answer to question #2 (above) is yes, is satisfactory academic progress defined in the same manner as for all federal Title IV programs at your institution?

34--yes

1--no

1--no response

With the various backgrounds and missions of the North Carolina independent colleges and universities, it is somewhat surprising to find such agreement to a standard which can threaten institutional autonomy. The institution which answered "no" gave no indication what the standards were for that institution. Likewise, the institution which chose "no answer" offered no explanation.

Standard 4: Institutional use of an approved needs analysis method.

Many institutions use whatever methods or types of needs analysis that are approved. Thus, the question addressing this standard was worded so that an institution could choose more than one answer.

What needs analysis forms do you use for determining family financial need for the NCCSF Program? (mark all that apply)

- 34--ACT (American College Testing FFS)
- 35--CSS (College Scholarship Service FAF)
- 14--AFSA (Pell Grant)
- 0--Other

All of the choices in this question are approved needs analysis forms. The majority of respondents accepted either ACT or CSS with one preferring ACT exclusively and two CSS exclusively. Most of those who answered that they would use the AFSA Form indicated that they would do so only if the student applicant faced an emergency situation which would not allow the completion of one of the other forms. Some would make a spot award based on the ASFA Form but required the applicant to subsequently complete one of the other two forms to confirm the information on the ASFA Form. There were no "Other" responses.

Standard 5: Institutional accreditation by a regional accrediting agency.

This standard was not addressed since the enabling legislation of the NCCSF requires that institutions participating in the program be accredited.

Standard 6: External audit of the Program at least every two years.

Standard 6 is explored in a series of four questions dealing with the separate issues of state versus independent auditor as well as the subject of the audit.

Has the NCCSF Program at your institution ever been audited on campus by the State of North Carolina Official Auditor for the purposes of determining compliance with current residency laws and regulations?

10--no
2--yes
5--don't know

The distinction of residency requirements was made in this question because the state does conduct audits on the NCLTG Program for compliance with residency laws. When administering this question, it was emphasized that the program in question was the NCCSF and not the NCLTG. Those who answered yes did so with some hesitation. It is very likely, in spite of the emphasis that the NCCSF was the intended topic of the audit, that those answering "yes" might have confused the two programs. Those who answered "don't know" did so because they felt they had not been at the institution long enough to provide a definitive answer. The majority of the answers, however, were no.

Has the NCCSF Program at your institution ever been audited by official state auditors for reasons other than compliance with residency requirement?

1--yes
29--no
6--don't know

These answers equate to those of the prior question closely enough to strengthen the suspicion that those institutions that answered "yes" were somewhat confused between the NCCSF and the NCLTG. The one institution that answered "yes" to this question was operating without confusion and was referring to the NCCSF Program. The investigator validated this reply with the respondent. The majority, 28 answered "no" with only six choosing the "don't know" item.

Has the NCCSF Program at your institution ever been audited by anyone other than an official state auditor?

22--yes (please go to #8)
 14--no (please go to #9)
 0--don't know

The responses to this question are promising in that there are no selections of the "don't know" choice. The 22 that answered "yes" continued to the next question which required the respondent to help identify what type of audit took place. For the 14 that answered "no" this was the last audit-related question. Almost two-thirds of the respondents answered that the NCCSF Program on their campus had been audited by someone other than the state while a little better than one-third indicated they had never been audited.

If the answer to question #7 was "yes", which type of audit listed below best describes the type of audit to which the program was subjected?

4--regular yearly internal audit
 17--regular yearly external audit
 3--part of the required bi-annual federal audit
 1--ad hoc internal audit
 0--ad hoc external audit
 0--don't know type of audit

0--other

This was another question where an institution could select more than one answer. The majority of the respondents with audits indicated they were yearly external audits that many institutions contract out for their entire financial operation. A significant finding of this question is that only three institutions included their NCCSF in with the Title IV audit. Four institutions subjected their records to a regular yearly internal audit while one conducted an internal ad hoc audit.

In this series of audit-related questions less agreement is seen as much agreement as we have in many of the former items. This indicates an area which needs further discussion by the independents in order to assure accountability and program integrity.

Standard 7. External program Review of the total program operation.

This standard was not directly addressed in the survey because neither the State of North Carolina nor The Board of Governors have the staff to conduct a program review. However, this issue was indirectly addressed in the final two structured questions of the survey.

The National Association of Student Financial Aid Administrators had published a "Self-Evaluation Guide." Has this guide ever been used for the NCCSF Program on your campus?

10--yes

24--no

2--don't know

Since there is no staff for program reviews, this question attempts to discover what self-directed learning activities might be taking place within the private sector which might loosely equate to a program review. The responses, however, indicate only minimal self-directed activity. As an aside to this question, more than a few respondents indicated there was no time for them to carry on such self-directed activities.

Has your institution ever contracted with a consultant, or other external source on a formal basis to evaluate, assist, or advise in the administration of the NCCSF Program?

0--yes
36--no
0--don't know

This question also attempts to solicit information about any activities that may have taken place in order to assist in the administration of the NCCSF. No institutions have contracted with a consultant to work with the NCCSF.

The last question of the survey was an open-ended opportunity for the respondents to elaborate on what had already been said or to raise additional issues about the NCCSF. Not all of the respondents chose to furnish additional comments but those that did provided some interesting observations. Some contributed multiple comments.

Most of the open-ended responses voiced appreciation for the NCCSF and strongly emphasized that the program was crucial to the operation of their institution. A total of 16 responses were received with this general tenor. The next highest number of common responses, eight, told of how those institutions operated the NCCSF Program almost identically to Title IV

Programs. Three respondents commented that the NCCSF greatly enhanced choice for North Carolina students while three felt that more money was needed in the program. A small number of respondents, two, believed that the NCCSF needed fewer guidelines and regulations. Two people said that they thought the private sector was doing a good job at self-regulation of the NCCSF.

There were additional singular comments such as "It helps to close the tuition gap between public and private tuition." One respondent termed the NCCSF as "A wise use of State funds" and another advocated shifting all NCLTG funding to the NCCSF. All of the comments were positive and often reflected the great importance that is placed on NCCSF monies by financial aid officers at North Carolina's private colleges and universities.

Survey Discussion

The participation rate was very high, 95%, so the validity of these findings is correspondingly high. This survey addressed five of the seven standards of Title IV aid administration. There were high degrees of agreement on the use, not always the level, of three of these five standards: standards 1, 3, and 4. Standard 1 dealt with enrollment as at least a half-time student in order to receive NCCSF monies. The survey found that at least 20 institutions restricted participation to only full-time students. Satisfactory academic progress was the topic of Standard 3 and all 36 institutions applied some academic progress standard to NCCSF recipients. Standard 4, use of an approved needs analysis form, was adhered to by 100% of the respondents. There was moderate use of audits by someone

other than the State and even though program reviews (Standard 7) were not directly covered, it appears as if little activity has occurred in the field toward the end of self-administered program reviews.

Chapter Summary

In this chapter the findings of the evaluation of the NCCSF have been examined. The Enrollment Indicators were found to demonstrate marginal success of the intended outcomes of the student aid program. Institutional Indicators, however, pointed to the fact that North Carolina private colleges and universities have consistently been educating substantial numbers of resident students. When combined, the Enrollment and Institutional Indicators demonstrated a gain/no change of 61% and a loss of 38% with approximately one percent of the cases omitted because of faulty data. Controls for outcome indicators were attempted but were inconclusive. The survey results for Administrative Practices signal that there are three current common administrative practices among the five standards of practice addressed: student enrollment load, satisfactory academic progress, and use of approved needs analysis forms. Two other standards addressed, audits and program reviews, did not demonstrate any degree of common practice.

CHAPTER V

SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

Introduction

This chapter will present and discuss the conclusions based on results of the evaluation conducted on the North Carolina Contractual Scholarship Program (NCCSF). The NCCSF is a state-sponsored program of student financial aid restricted to needy North Carolina residents and targeted to independent colleges and universities in North Carolina. Legislation passed in 1971 authorized the program. Partial implementation began in 1972 with the first full year of program operation occurring in 1973-74. The purpose of this evaluation was (1) to determine whether the intent of the legislation creating the NCCSF matches the outcomes of the program, and (2) to determine whether there are any common administrative field practices and whether the presence or absence of such practices carries any initiatives for self-regulation. The evaluation has followed an approach which appreciates everyday, simple practicality supported by a high value for theoretical implications. Included in this chapter is a summary of the study and its conclusions and recommendations.

Summary

Chapter I introduced the questions under consideration. An abbreviated history of the NCCSF was presented along with the significance of the study. That significance included the high level of dependency that

institutions, especially independent institutions, have on student financial aid and the increasing need and demand for accountability within higher education. The proposition was put forth that increasing demands for accountability would result in increased government controls unless self-regulation is exercised.

A review of the literature was contained in Chapter II. The review began with citation of a 1977 doctoral dissertation which studied the distributional impacts of state-sponsored student assistance to the private sector of higher education in North Carolina. Even though the literature is sparse in terms of state programs of student financial aid, a plethora of references exists covering topics such as reasons for financial aid, factors in support of state aid, and the distinguishing diverse nature of state aid programs. The differing reasons and rationale for state aid were reduced to a comprehensive listing with each item corresponding to either institutional or student benefit. In order to justify public assistance to private higher education, an examination of the value of private higher education was conducted. A condensed history of state aid to higher education, with emphasis on North Carolina, was also included. The closing pages of Chapter II reviewed institutional autonomy and elements for self-regulation followed by results obtained from a previous dissertation concerning a nationwide survey of accountability measures of state financial assistance to independent colleges and universities.

The third chapter explained the design of the study as an actual evaluation of the NCCSF. Both outcomes and discreet processes of

administering the program were selected for evaluation. Outcomes were defined in terms of enrollment and financial indicators for both the sector-wide enrollment and institutional dimensions. Indicators were considered positive, or successful in achieving the intent of the legislation, if they showed no change or an increase from a given base. There was also a notation that these indicators were not definitive of causation but were, in fact, indicators of outcomes. Data for these indicators were secured from the Statistical Abstract of Higher Education in North Carolina for the years 1971-1985. Administrative processes were based on seven common practices of Federal Title IV student financial aid programs and were discovered through use of a custom-designed questionnaire made available to all 38 private colleges and universities in North Carolina. The participation rate was 95%. This chapter also discussed reasons for evaluations and their ensuing political implications.

Findings of the study were contained in Chapter IV. Three of the four indicators assigned to the enrollment dimension demonstrated a gain or no change during the period of the study. Within the institutional dimension, three of the four indicators also displayed success. It was, however, impossible to assign responsibility for the condition of the indicators to the NCCSF program. The administrative process indicators identified three elements of common practice: Student enrollment load, use of satisfactory academic progress standards, and use of approved needs analysis forms.

Conclusions

Tentative conclusions are drawn for outcomes indicators while firm

conclusions are reached for process indicators. These conclusions are discussed separately, citing evaluation findings where appropriate.

Outcomes

The intended outcomes of the NCCSF as defined in this study are being accomplished. Six of the eight indicators demonstrate success which was defined as a no-change or gain situation. Young (1977) also found that independent institutions benefitted through 1975 from state student financial aid policy in the private sector. When the eight indicators were broken down into a series of observations, there were 910 gain/no change situations as opposed to 373 loss events. North Carolina independent institutions of higher education are continuing to educate in-state residents. Such a phenomenon is the explicit purpose of the NCCSF program. The picture is clouded, however, by the existence of both mitigating and exacerbating factors such as the implementation of an additional program of state aid (NCLTG) during the period of this evaluation and the changing characteristics of the available students. This limitation was discussed in Chapter III. The scope of this study did not allow for complete control of these factors.

The only indicators that displayed a loss during the period of the study concerned the private sector's share of total enrollment under the enrollment dimension and the actual number of independent institutions in existence in North Carolina, discussed under the institutional dimension. The private sector share of total in-state enrollment dropped from 24.30% in 1971 to 20.89% in 1984. This is more than a three per cent loss. In 1971

there were 41 independent colleges and universities in North Carolina. That number had fallen to 38 by 1975. The sector decreased by three institutions, which represents a seven per cent loss. No North Carolina independent college or university has closed its doors since that time.

Six of the outcomes indicators showed an increase during the period of the study. Under the enrollment dimension, in-state headcount enrollment increased by over 15% from 1971 to 1984. During the same period, in-state FTE enrollment rose slightly over five per cent and institutional non-athletic scholarship expenditures, adjusted for NCCSF allocations, grew by over 359%, an increase of \$17.5 million. The institutional dimension also produced some impressive statistics. In 1972, 44% of the private institutions displayed an increase or no change in in-state headcount enrollment. By 1984, the balance had shifted to where 74% gained and only 26% lost headcount. In-state FTE enrollment records indicate that in 1975, 19 institutions gained while 19 lost, a 50/50 split. In 1984, 68% (26) of the independents increased their in-state FTE enrollment as 32% (12) recorded a decrease. Finally, in 1984, 61% (20) of the institutions increased the non-athletic scholarship expenditures (after adjusting for NCCSF allocations). Thirty-nine per cent (13) decreased those expenditures. (It was necessary to omit some institutions from inclusion in this indicator because of inconclusive data). Ninety-four per cent (34) of the colleges and universities demonstrated dollar increases for this indicator while only six per cent (2) decreased expenditures for non-athletic scholarships in 1984.

With the limitations discussed earlier in this chapter, it can be cautiously concluded that the outcomes for the North Carolina Contractual

Scholarship Fund, as intended by the Legislature, are being met. However, it cannot be concluded what, if any, direct influence the NCCSF might have had in impacting these outcomes. While no direct correlation can be drawn between the intended goal of continued education of North Carolina residents by the private sector and the impact of the NCCSF, the North Carolina Legislature has expressed faith in the NCCSF by raising the per FTE allocation from \$200 to \$300 effective with the 1985 Fall semester. This increase in funding is testimony that the NCAICU and the North Carolina State Legislature believe the program is effective.

Processes

Seven administrative process indicators, drawn from common practices of federal Title IV financial aid programs, were identified as a framework for the NCCSF to follow. These seven processes or elements were the following:

1. Student enrollment of at least half-time.
2. Student enrollment in a program of study.
3. Student maintenance of satisfactory academic progress.
4. Institutional use of an approved needs analysis method.
5. Institutional accreditation by a regional accrediting agency.
6. External audit of the program at least every two years.
7. External program review of the total program operation.

A survey questionnaire was designed to collect data which would indicate the field use of these practices. Thirty-six of the 38 independent colleges and universities in North Carolina participated in the survey.

Two of the seven elements were not addressed in the survey because they were already mandated by NCCSF guidelines. Element 2, student enrollment in a program of study, was required by the administrative memoranda, while element 5, regional accreditation of participating institutions, was set forth in the enabling legislation.

Of the remaining five elements of administrative practice, three were determined to have some degree of common usage. Standard practice 1, which required that a student be enrolled as at least a one-half time student, was used by less than one-half (15) of the 36 institutions participating in the survey. These 15 institutions permitted study between one-half and three-quarter times. Only one institution allowed study under one-half time. These results were somewhat surprising since NCCSF funds were allocated to institutions based on FTE enrollment down to one-quarter time. The existence of this funding criterion coupled with the increase of part-time students during recent years might have indicated a greater willingness on the part of private North Carolina colleges and universities to aid part-time in-state students with NCCSF monies.

Standard 3 required that students maintain satisfactory academic progress and enjoyed 100% subscription by the respondents to the survey. Thirty-four of these respondents indicated that the academic standards used for NCCSF were the same as those applied to federal Title IV Programs. Such widespread use of this standard indicates a high degree of commonality of values between institutions and a high degree of self-regulation, whether intentional or not. This high utilization rate could also be an indication of adoption of a federal standard to other government-sponsored programs

purely for the sake of administrative ease. Whatever the motivation, this activity speaks well for the sector in terms of self-regulation.

The use of an approved needs analysis method was set forth in Standard 4. All institutions utilized an approved method. This finding was expected since needs analysis is so complicated; it is easier to employ the services of a needs analysis vendor (all vendors use approved methods) than to develop, test, and administer other methods. There was some difference in the choice of vendors, which is common across the country.

The last two standards, standard 6 and standard 7, were examined through a series of questions and concerned external audits and comprehensive program reviews. These two elements received mixed responses that indicated common non-use. Very few institutions had been audited by state auditors. Only 61% (22) of the 36 institutions participating in the survey has arranged for audits by someone other than the State of North Carolina. Only three institutions included a NCCSF audit as part of the biennial Title IV audit. In this instance, it seems as though independent institutions have been quite pragmatic in the use of adopting Title IV practices for use with the NCCSF. This is somewhat ironic since all of the institutions participating in this study adhered to some form of academic progress standards and most adhered to a standard of student enrollment requirement more stringent than the federal requirement.

Even though there is no mechanism in place to actually conduct program reviews, very few institutions took advantage of resources in existence to help assure proper comprehensive operation of the NCCSF. Less than one-third, only ten of the institutions, had adapted a self-evaluation

instrument developed by the National Association of Student Financial Aid Administrators to the NCCSF. No independent colleges and universities had ever contracted with an outside consultant to evaluate the program.

These last two elements, audits and program reviews, represent the most serious questions of and implications for self-regulation. Again, many institutions seem to have been selective in their choice of existing practices that must be applied to federal Title IV programs to apply to other programs such as the NCCSF. The framework and schedule already exist to perform a biennial audit on the federal programs but they have not been adapted to the NCCSF.

Recommendations

As a result of the evaluation of the NCCSF, seven recommendations can be made. The independent sector has done an admirable job of self-regulation. This is evinced by the level of common practices that are already in place such as the adoption of standards of academic progress. But additional self-regulation is needed.

Zumeta & Mock (1985) have developed a framework of classifications for states and their posture toward state policy and independent higher education: *lassiez-faire*, market competitive, and regulatory (pp. 7-13). By advocating and exercising self-regulation, the private sector can help maintain North Carolina as a state which exercises a market-competitive stance toward higher education. In a market-competitive situation, "the state authorities take a comprehensive view of the postsecondary education

resources within the state, including independent institutions, but unlike in the regulatory approach, attempt to <promote> evenhanded competition within and across sectors" (p. 11). Without such advocacy and action, the state could easily begin to move toward the regulatory stance legislation and promulgating more guidelines and regulations.

These recommendations should lead to a better understanding of the program by all constituencies while greatly bolstering the credibility and integrity of the program. They are not interdependent in that they all must be followed to be successful. However, each is greatly enhanced and strengthened by the existence and adoption of the others.

Recommendation I

The policy-makers in North Carolina should continue to support the NCCSF Program and should increase the per-FTE allocation periodically.

This evaluation indicates that private colleges and universities in North Carolina have continued to educate resident students at a level above that of the sector prior to the establishment of the NCCSF. Before 1972, there had been a steady decline of in-state students enrolled in North Carolina's independent sector which did not reverse until after 1974. Since that time, six of the eight indicators have consistently demonstrated steady growth above both the base used in 1971 and the one used in 1974. Even though it might appear that the NCCSF has been successful in accomplishing its intended outcomes, no determination can be made based on the contents of this evaluation.

Recommendation II

Further study should be conducted on the outcomes and effects of the NCCSF in order to determine whether there is a firm connection between the existence of the NCCSF and the outcome that North Carolina independent institutions are continuing to educate state residents at a rate equal to or in excess of that prior to the implementation of the NCCSF. Several times during this evaluation the need was expressed to control numerous other factors that could also influence the outcome measures used in this study.

Chapter III lists seven factors that should be investigated in addition to NCCSF impact. Even factors within the NCCSF must be considered. Recent changes in the program such as the inclusion of standards of satisfactory academic progress and the increase of the FTE allocation to \$300 also have produced some effect on the outcomes. Further investigation could be pursued through a path analysis including regression analysis, student recipient surveys, or institutional surveys. The cutting edge of current educational research entails a method called interpretive inquiry, or qualitative research. This methodology entails interviews and like field research which attempts to determine the importance of a given phenomenon to the interviewee. This approach could very well be an area ripe for such inquiry given the multifarious variables needing control under other methodologies. Its potential value is concerning the value of the NCCSF program collected by the administrative practices survey.

Recommendation III

The State of North Carolina should continue to rely on the private higher education sector and the NCAICU as primary forces in the regulation of the NCCSF program rather than enacting additional laws or regulations that are not first developed, endorsed, and adopted by the sector.

Another student of the state efforts regarding student financial aid to the private sector, Olliver (1982), has stated that "if the purpose of the aid is to promote diversity, accountability should not be the stick used to deny it" (p. 9). By permitting the sector to police itself, attributes such as diversity and the "differentiated product" can be preserved because those who make the rules in such situations already know the territory and the many nuances of private higher education .

Recommendation IV

The North Carolina Association of Independent Colleges and Universities should intensify its leadership efforts through the encouragement of self-evaluation, consulting services, and mock program reviews accompanied by an increase in agenda-setting initiatives in the area of NCCSF self-regulation as outlined in Chapter III.

Reference is again made to McCormick's (1984) "Business Paradox." The sector seems to be more concerned with not disturbing the status quo than it is with the strategic significance of exploring expanded self-regulation initiatives. Merely by attempting to implement a self-regulation policy program, integrity is greatly enhanced. Pointed questions must be

asked of several aspects of the NCCSF. Institutions within the independent sector would do well to ask these questions themselves so they can have the opportunity to answer to themselves rather than to an external regulatory agency.

Recommendation V

The North Carolina Association of Independent Colleges and Universities should adopt the seven-element model of common financial aid administrative practices, developed and discussed in Chapter III, upon which their self-regulation efforts should be based.

The seven common elements of financial aid administration developed earlier in this study are based on tried and proven principles of financial aid administration. Some adjustments in the standards as presented may be necessary. The important issue is that the sector adopt an expanded and comprehensive set of standards that address critical issues not included in the Camp Carraway Conference or subsequent incremental efforts at self-regulation.

Recommendation VI

In developing these comprehensive standards, the independent sector should first address the matter of audits and program reviews and institute a requirement for some type of audit prior to the end of fiscal 1988.

It is imperative, to insure the accountability of the program, that a regular audit be instituted. The need is made even more critical with the

recent 50% increase in funds available under the program. The ideal solution would be to piggy-back this audit with the required biennial Title IV audit. The sector would also need to develop audit standards and procedures for the NCCSF. However, many of these can be adapted from existing Title IV audit standards.

Recommendation VII

Those institutions participating in the NCCSF Program should strongly consider expanding the availability of program funds to less than full-time students if they are not already doing so.

The complexion of today's postsecondary student body has changed drastically from that of even as little as ten years ago. The part-time enrollment has been growing and the average student age has been increasing. But many of the institutions included in this evaluation seem to be holding on to the standard myth that financial aid should be reserved for the full-time student. The myth continues that the full-time student is more serious and is more likely to complete a program of study. In some instances, this myth may be fact. But in all likelihood, there is little substance to these myths and assertions among the student body of the 1980s and of the 1990s yet to come. Part-time students are often older, more serious, and oriented toward program completion.

Those institutions that do not allow less than full-time students to receive NCCSF are providing unequal treatment for their students. Part-time in-state residents contribute to each institution's allocation of NCCSF through the FTE calculation. Their enrollment contributes just as

proportionately to the allocation as does that of the full-time students. Thus, part-timers should be allowed to enjoy some of the financial benefit from their presence as do the full-time students. Previously, the lack of sufficient NCCSF funds might have been used as an argument against assisting the part-time student. However, since the per-FTE allocation has been increased from \$200 to \$300, adequate funds should exist for all participating institutions to extend this benefit to part-time students.

These recommendations are meant for the improvement of the program and are not intended to be an indictment of any particular practice or institution. The hidden agenda within this evaluation has been to produce more than a sterile academic product describing and analyzing a given phenomenon supplemented with theoretical, often impractical, recommendations. Each of the seven recommendations is highly practical but cannot be implemented without encountering some difficulty or cost.

Recommendations that stem from the administrative practices portion of the evaluation are perhaps the easiest to employ in a tactical sense. These will also carry the greatest cost and difficulty. However, the utilization of the recommendations will further strengthen the foundation that has already been established for the NCCSF so that the continued existence and growth of the program can be supported. The private sector can continue educating North Carolina residents and thus perpetuate the sector.

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Appendix A
 North Carolina Contractual Scholarship Fund
 (NCCSF) Allocation
 1971-86

<u>Year</u>	<u>FTE Amount</u>	<u>Allocation</u>
1972-73	\$46	\$1,000,000
1973-74	200	4,600,000
1974-75	200	4,600,000
1975-76	200	4,600,000
1976-77	200	4,600,000
1977-78	200	4,700,000
1978-79	200	4,800,000
1979-80	200	4,800,000
1980-81	200	5,000,000
1981-82	200	5,000,000
1982-83	200	5,000,000
1983-84	200	4,800,000
1984-85	200	4,800,000
1985-86	300	7,100,000

Source: North Carolina Association for Independent Colleges and Universities

Appendix B

NC CONTRACTUAL SCHOLARSHIP FUND (NCCSF) ADMINISTRATIVE
PRACTICES QUESTIONNAIRE
Spring, 1987

1. What enrollment status are students required to maintain at your institution in order to receive monies from the NCCSF Program? (mark one)

- full time
- 3/4 time
- 1/2 time
- 1/4 time
- below 1/4 time

2. Must students maintain satisfactory academic progress in order to continue receiving NCCSF monies?

- yes, please go to #3
- no, please go to #4

3. If the answer to question #2 is yes, is satisfactory academic progress defined the same as for all federal Title IV programs at your institution?

- yes
- no

4. What needs analysis forms do you use for determining family financial need for the NCCSF Program? (mark all that apply)

- ACT (American College Testing FFS)
 - CSS (College Scholarship Service FAF)
 - AFSA (Pell Grant)
 - other (please explain) _____
-
-

5. Has the NCCSF Program at your institution ever been audited on campus by the State of North Carolina Official Auditors for the purposes of determining compliance with current residency laws and regulations?

- no
- yes
- don't know

6. Has the NCCSF Program at your institution ever been audited by official state auditors for reasons other than compliance with residency requirements?

----- yes (please state reason for audit.) _____

----- no

----- don't know

7. Has the NCCSF Program at your institution ever been audited by anyone other than an official state auditor?

----- yes (please go to #8)

----- no (please go to #9)

----- don't know

8. If the answer to question #7 was yes, which type of audit listed below best describes the type of audit to which the program was subjected?

----- regular yearly internal audit

----- regular yearly external audit

----- part of the required bi-annual federal audit

----- ad hoc internal audit

----- ad hoc external audit

----- don't know type of audit

----- other (please explain) _____

9. The National Association of Student Financial Aid Administrators has published a "Self-Evaluation Guide." Has this guide ever been used for the NCCSF Program on your campus?

----- yes

----- no

----- don't know

10. Has your institution ever contracted with a consultant or other external source on a formal basis to evaluate, assist, or advise in the administration of the NCCSF Program?

----- yes

----- no

----- don't know

11. Please list any comments, suggestions, or criticisms you might have regarding the subject of this survey, field practices and the NCCSF. Comments regarding self-regulation are especially welcomed. Use additional paper if necessary.

Return to: Barry Simmons, PO Box 1021, Elon College, NC 27244. Thank you for your cooperation.

Appendix C

Institutions Studied

Atlantic Christian College
Barber Scotia College
Belmont Abbey College
Bennett College
Brevard College
Campbell University
Catawba College
Chowan College
Davidson College
Duke University
Elon College
Gardner-Webb College
Greensboro College
Guilford College
High Point College
Johnson C. Smith University
Kittrell College*
Lees McRae College
Lenoir Rhyne College
Livingstone College
Louisburg College
Mars Hill College
Meredith College
Methodist College
Mitchell College+
Montreat Anderson College
Mt. Olive College
North Carolina Wesleyan College
Peace College
Pfeiffer College
Queens College
Sacred Heart College
St. Andrews College
St. Augustine's College
St. Marys College
Salem College
Shaw University
Southwood+
Wake Forest University
Warren Wilson College
Wingate College
*closed after 1974-75
+closed after 1972-73