

EDUC -
College loans

Experts Hope to Improve Student Aid Without Increasing

By Stephen Burd

CHARLESTON, S.C. AS ACADEMICS and lawmakers prepare once again to consider changes in federal student-aid programs, one thing is certain: Any changes will not involve more money.

This was the challenge facing officials as they met here last week to prepare informally for the renewal of the Higher Education Act, which governs most student aid. It was last reauthorized in 1992 and must be approved again in 1997.

"The simplest response from you would be to ask us to send money. In the past, that is what I would have expected your recommendation to be," Sen. Nancy L. Kassebaum told the officials in a speech at the meeting. The Kansas Republican heads the Senate committee with responsibility for student aid.

"However, expanded aid is not in the cards," she said. "So the challenge is, How do we maintain an effective system of higher education that does not run on the assumption of an endless and an ever-increasing supply of federal funds?"

70% GOES TO LOANS

Currently, the federal government provides about \$35-billion a year for federal grants and loans for students, with about 70 per cent of the money going to loans. Much of the loan money is backed by the government but is provided by banks. The federal government, through grants and loans, provides about 75 per cent of all aid students receive.

College officials here cited several problems with the aid system:

- The decreasing purchasing power of federal grants in relation to the growing costs of education.

- The shifting balance of financial-aid awards from grants to loans.

- The high dropout rates of grant and loan recipients.

- The lack of incentives for colleges to educate more minority and disadvantaged students.



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PHOTOGRAPHS BY W

- The high student-loan-default rates, especially at proprietary schools.

Higher-education leaders worry that problems will only worsen as Congress continues its efforts to cut the budget deficit, at a time when college enrollments continue to grow.

An "enormous tidal wave" of students will enter high schools over the next decade, leading to a rapidly increasing number of potential financial-aid applicants. Richard W. Riley, the Secretary of Education, said at the meeting. "Demographers call this the 'baby-boom echo,' and the numbers are really quite extraordinary. The pressures on our financial-aid system will continue to increase."

But David W. Breneman, dean of the College of Education at the University of Virginia, said providing aid served little purpose if many students are unable to complete their educations. Currently, fewer than 25 per cent of students who enter a four-year institution graduate in that length of time.

To attract more disadvantaged students into the system and to help them graduate, he has proposed limiting Pell Grants to students in their freshman and sophomore years but making those grants larger than current awards.

Many students drop out during their first two years because they do not think they can afford higher education, Mr. Breneman said. "Front-loading the grants to first- and second-year students provides the largest saving of any single option, and if implemented would allow maximum grants of \$3,030. The rationale behind it is that it would provide larger grant support for entering and second-year students, for whom higher education represents substantial risk and uncertainty. For those students who succeed in their first two years, much of that risk and uncertainty is diminished, and it is reasonable to expect them to borrow more heavily for the final two years."

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Other student-aid experts, however, said this idea, if enacted, could prompt students to drop out after their first two years, rather than begin borrowing.

Still others supported a compromise version of front-loading. They said the government should provide the greater portion of Pell Grant support to students in their first two years, with smaller grants in the last two years.

REPLACING PELL GRANTS

Michael T. Nettles, a professor of education and public policy at the University of Michigan, called for another alternative: Pell Grants should be replaced with subsidized loans, and the government should forgive loans to students who complete their educations. Students who drop out of their academic programs would have to start repaying their loans immediately.

Mr. Nettles, who admitted that his proposal was considered "radi-

cal" by his colleagues, said would "increase the rates of student retention."

Mary Thornley, president of Tidewater Technical College, said she feared that Mr. Nettles's concept could scare off low-income students who might lack confidence in their ability to graduate from college. "Reducing access is not the answer we should be pursuing," she said.

CURBING ELIGIBILITY

To get the neediest students in college, she said, the highest priority should be simply to increase the maximum Pell Grant. To do that without more money from the government, she suggested cutting off the eligibility of students at for-profit trade schools.

Trade schools receive a disproportionate number of Pell Grants and these institutions have had disproportionately high loan-default rates, she argued.

Mr. Breneman agreed and said he calculated that eliminating proprietary schools from the Pell Grant program could lift the maximum award to \$2,710.

However, advocates for proprietary schools, like Stephen Blair

University Settles An

THE University of Washington has agreed to pay \$20,000 to settle complaints lodged by the U.S. Department of Agriculture about the care and use of animals at a field station where monkeys and baboons are bred for research.

In the settlement, the university did not admit to wrongdoing at the Medical Lake Primate Field Station, which houses about 1,400 animals.

The Agriculture Department has charged it with 15 violations of the Animal Welfare Act.

The department cited the university for negligence after five of the center's baboons were left outdoors overnight and died of exposure to the cold last year. The university also was charged with improper maintenance of cages and

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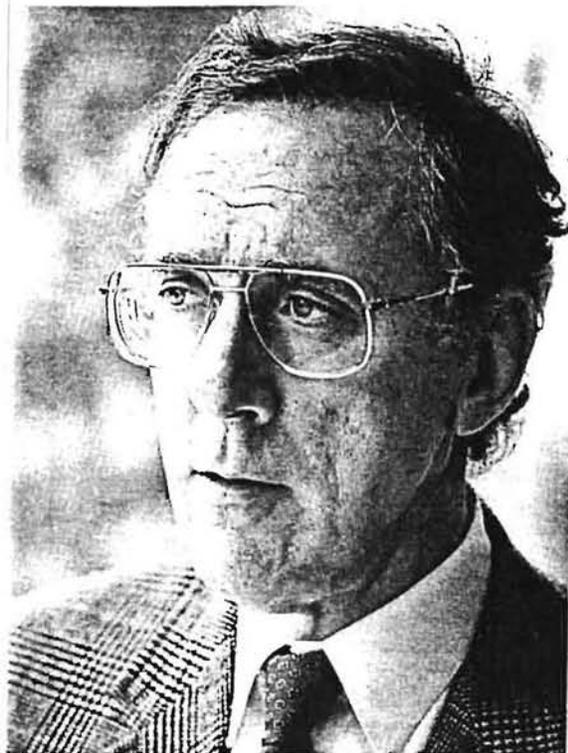
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However, advocates for proprietary schools, like Stephen Blair,

president of the Career College Association, said students at such institutions receive more Pell awards and default more frequently only because the institutions serve the most impoverished of students. "We are the ones who provide the greatest access to the neediest students," he said.

James R. Mingle, executive director of the State Higher Education Executive Officers, said that better coordination between the state and federal governments was the only way to bring down the cost of higher education. He would combine federal need-based grants into a "Super State Student Incentive Grant Program," which would require the states to match federal dollars in student aid.

This would be a major policy shift, since both the Clinton Administration and Republican leaders in Congress have called for eliminating the federal contributions to the program, which is small in comparison to spending on Pell Grants or student loans.

'THE DETERMINING VARIABLE'

However, Mr. Mingle said, with the money from Pell Grants added in, the program could provide the federal government with greater leverage over states by requiring those that raise public-college tuition to provide greater grant aid.

"In this model, the state decision on tuition and other college costs is the determining variable," he said. "States choosing to maintain low tuition or modest increases would be rewarded with continuing eligibility for federal dollars and proportional increases in federal support."

Such proposals frighten some.

D. Bruce Johnstone, a former chancellor of the State University of New York and currently a professor of higher and comparative education on the S.U.N.Y. at Buffalo campus, acknowledged that the federal student-aid program may have its faults. But making extreme changes at such a politically sensitive time could endanger the entire aid system and the good that it does, he said.

"Even if we were building from scratch a system of federal financial support . . . that would make higher education accessible at the point of entry to most of our youth," he said, "we would devise a system that would look very much like our current program."