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ABSTRACT

This paper provides recent information concerning policies in other states relevant to California's efforts to direct undergraduate students toward in-state private colleges and universities or out-of-state institutions, thus relieving the enrollment burden on the state's publicly supported institutions. The primary database for the analysis is a data file compiled in 1995 on 60 programs in 28 states that provide financial assistance to private colleges and universities or their students. Half the states have one or more programs that provide state funds directly to independent colleges and universities. Programs in Washington, Virginia, Florida, and Arizona for upper division students are highlighted and the provision of just over $1 billion in need-based state grant aid to undergraduates attending private institutions within their home states in 1994-95 is noted. The 500,000 additional qualified undergraduates predicted by the year 2005, combined with severely constrained financial resources, suggests the need for California to better utilize the 100 plus independent institutions in the state. A program of need-based grants to California undergraduates attending independent institutions in addition to the Cal Grant program which currently provides grants to students in both public and private institutions is suggested. (JLS)

# State Student Aid Policies and Independent Higher Education

by William Zumeta

*An Occasional Paper Published by*

THE CALIFORNIA HIGHER EDUCATION POLICY CENTER

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# State Student Aid Policies and Independent Higher Education: Their Potential Relevance For California

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An Occasional Paper Published by

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## Purposes and Approach

The purpose of this paper[1] is to provide recent information relevant to California concerning policies in other states that are designed (or serve) to direct undergraduate students toward in-state private colleges or universities or to out-of-state institutions, thereby relieving the state's publicly supported institutions of substantial enrollment burdens. As has been well-documented by the California Higher Education Policy Center[2] and others, California faces staggering enrollment demands—estimated at nearly 500,000 additional qualified undergraduates by the year 2005—and severely constrained financial resources with which to respond. Thus, it makes good policy sense for the state to investigate how its more than one hundred independent (private, nonprofit) colleges and universities might be more fully utilized to take on some of these additional enrollments.

The primary data base for this analysis is a data file compiled by the author in August and September of 1995 while working with JBL Associates, Inc., on a study for the State of Arizona's Study Committee on Higher Education Charters.[3] Arizona, like many of the western states including California, faces rapidly growing access demands and constrained financial resources. The data file compiled for the Arizona study includes detailed information on nearly 60 programs in 28 states that provide state financial assistance to private colleges and universities or their students. Some of this information was updated for the present project via telephone interviews in mid-April 1996 with the original respondents.

I employ this national data file here to identify potentially workable approaches to utilizing the private higher education sector more fully in California via student aid policy designs. In response to a specific interest of the California Higher Education Policy Center, I also report on several states' recent moves to provide state grants to students who have completed lower-division work so that they can attend private colleges for the final two years of undergraduate study. Using data compiled by the National Association of State Student Grant and Aid Programs (NASSGAP), I also provide the latest available information about the incidence of state aid programs that permit recipients to take their grants to out-of-state institutions, together with some analysis of the merits and drawbacks of this approach in relieving enrollment burdens on California's institutions.

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[1] This paper was prepared for the California Higher Education Policy Center under contract through JBL Associates, Inc.

[2] *Tidal Wave II: An Evaluation of Enrollment Projections for California Higher Education* (San Jose: California Higher Education Policy Center, September 1995).

[3] John B. Lee, William M. Zumeta, and Edward P. St. John, *Feasibility Study of Establishing Private Higher Education Charter Institutions and Issuing Tuition Vouchers* (report to the Joint Legislative Budget Committee, State of Arizona, December 1995).

The paper's analysis begins with a brief overview of state programs providing aid to private colleges and universities and their students, emphasizing student aid programs as being most applicable in the California context. The basic categories of state student aid programs are briefly described with the focus placed on programs that are either explicitly limited to private-sector students, known as *tuition equalization* programs, or that include both sectors but provide substantially larger grants to private-sector students, reflecting the non-state-subsidized tuition rates charged by private schools. This latter approach is basically that of the Cal Grant (state scholarship) program. In addition, within the tuition equalization category of programs, those that provide financial *need-based* awards to private-college students are judged to be of most interest to California as an alternative approach. The relative advantages and disadvantages of these alternative approaches are analyzed conceptually, for our national survey in 1995 found that credible empirical evidence about the impacts of grant policies on students' enrollment decisions (i.e., the effect of a given-sized grant on recipients' choices between private and public institutions) is virtually nonexistent.

Next, I describe examples of programs in four states that provide state grants to particular categories of students to attend private colleges and universities for upper-division studies only. These programs are all of quite recent origin and, again, no substantial empirical evidence is available about impacts on students' enrollment choices. Then, I present the latest data on and some analysis of the out-of-state portability option (i.e., allowing students to take their aid grant to an institution in another state). Finally, the concluding section offers some suggestions for the Center and, ultimately, for state policy makers to consider.

## Overview of State Programs Aiding Private Institutions and Their Students

### Direct State Support to Independent Institutions

It is worth noting at the outset that, according to a national survey completed by the author in 1993, half the states have one or more programs that provide state funds *directly* to independent colleges and universities in pursuit of a variety of public purposes.[4] Nationally, this survey identified a total of 66 such direct support programs. Most common is state support to private universities for programs in medicine, dentistry, and other fields within the high-cost health sciences area. There were 23 such programs in 14 different states providing a total of $168 million in aid to private institutions in 1992-93. Nearly as much (more than $150 million) was provided in the form of broad-purpose direct aid to private colleges and universities in eight states. In most cases, both of these types of aid were provided on a "capitation" basis, i.e., on the basis of the institution's enrollment of identified types of students (or, in a few cases, on the basis of certain degrees awarded). The general-purpose aid programs typically provide a specified amount of state funds for each state-resident undergraduate the private institution enrolls, on the theory that the state would otherwise be paying considerably more to subsidize the student's education in a public institution.

[4] William Zumeta, with the assistance of John Fawcett-Long, *State Policies and Independent Higher Education: A Report on National Surveys of Three Key Groups of Policy Players*, sponsored by the Pew Charitable Trusts and the National Institute of Independent Colleges and Universities (Seattle: University of Washington, Institute for Public Policy and Management, September 1994).

Smaller but still significant numbers of states that provide support for programs at private institutions were identified in such areas as: targeted research support (usually for technology-oriented research thought to be relevant to the state's economic development); aid to programs helping underprepared, disadvantaged, and minority students; and support of teacher education and school/college cooperative efforts. In addition, three states provided capital funds to independent colleges and universities in 1992-93, and there were several multi-purpose and miscellaneous aid programs. In many, but not all, cases the state's support for these purposes is provided through a contract arrangement. In other instances, the state operates a sort of grant competition and weighs institutions' proposals against its needs, while in still others the state simply appropriates funds periodically, as particular needs arise, to private institutions known to have competence in the pertinent field.

This information is provided as general background. While California could conceivably alter its traditions and legal arrangements to permit contractual or other arrangements with private colleges and universities to subsidize their enrollment of state-resident undergraduates,[5] it is assumed here that this is unlikely to occur in the state. Indeed, it is notable that, of the 66 programs of state direct funding to private institutions in 25 states identified in the 1993 survey, only three were found in western states. (Two of these were essentially student aid programs where the state provided some of its aid directly to the institutions and one of them has since been eliminated.) California, like other western states, does not have the long tradition of direct state involvement with venerable private colleges and universities that some of the large eastern and midwestern states have.

## State Student Aid Programs

By far the largest amount of state dollars flowing to independent colleges and universities flow to them through their students who take state scholarships and grants to private institutions of their choosing. According to the latest national survey by the National Association of State Grant and Aid Programs,[6] just over $1 billion in need-based state grant aid to undergraduates[7] went to students attending private colleges and universities within their home states in 1994-95. In addition, an uncounted amount of state aid that was *not* financial-need-based, or that was taken by recipients to out-of-state institutions, was used by undergraduates attending private institutions. This additional sum was likely in the range of $100 to $200 million in 1994-95, bringing the total of state grant aid to private college and university undergraduates to about $1.2 billion. This would represent over one-third of the $3.15 billion in total state grant aid identified by NASSGAP in 1994-95.

As suggested in the previous paragraph, two broad categories of state grant aid can be identified: aid granted to students on the basis of their financial need and non-need-based aid. In 1994-95, 78 percent of all the state aid was need-based. Within the non-need-based category fall three types of programs: *categorical* programs, which award aid to students pursuing certain fields of study or occupations; *merit-based* aid, which emphasizes recipients' prior academic achievements; and *tuition-equalization*

[5] Presumably, the state's interest would be in subsidizing only *increases* in an institution's enrollment of California-resident undergraduates, since the current level is enrolled without the subsidy.

[6] National Association of State Student Grant and Aid Programs, *26th Annual Survey Report, 1994-95 Academic Year* (Albany: New York State Higher Education Services Corporation, February 1996.)

[7] According to NASSGAP, a very high percentage of state scholarship and grant aid goes to undergraduates—99 percent of need-based aid in 1994-95.

programs, which provide funds to all state residents attending eligible private colleges and universities regardless of financial need or academic merit. (Of course, not every states has all these types of programs.) Both the categorical and merit-based categories have grown faster than all state award dollars in recent years, but they remain relatively small parts of the total. No complete data are available on the proportion of these types of awards that go to students who attend private colleges and universities.

Tuition-equalization programs not based on financial need. The tuition-equalization category of programs is of some interest here because these are state grants that can only go to private-sector students. Thus, these grants might be viewed as a mechanism for attracting students to private colleges and universities who might otherwise attend public schools. Table One presents some key data from JBL's 1995 survey for the State of Arizona on the seven "pure" (in the sense of being non-need-based) tuition-equalization programs now in existence in six states. These programs provide grants designed to help "equalize" state subsidies provided to resident students attending private institutions because they do not benefit from the indirect subsidies that their fellows attending public campuses receive. (This equity-oriented language is how these states' policy documents and officials tend to describe the primary purpose of these tuition equalization programs.) In 1994-95, the grants provided were in the range of \$500 to \$1,500 in five of the six states.

The notable exception is Georgia, from which we were also able to obtain data on appropriations for 1995-96. Similar to the other five states shown in Table One, Georgia provides a state grant from its general fund through its Tuition Equalization Grants program of \$1,000 to each resident student attending a Georgia private college. The interesting new twist is that Georgia has *added to this* a \$1,500 grant to each private-college student from its lottery-funded HOPE Grants program. Thus, Georgia is now providing \$2,500 to each private-college student regardless of financial need or academic merit (though there is talk about the possible need for such criteria in the future). This figure would seem to be large enough to make some real difference in students' enrollment choices at the margin.

It might be noted that with the exception of Ohio, which provides a relatively small grant, all of these pure tuition equalization programs are located in southern states and date back to the 1970s (including the Tuition Equalization Grants program in Georgia but not the HOPE Grants supplement). These states spend substantial amounts on the programs and aid many thousands of students but, surprisingly, it is not clear whether these expenditures have much payoff in terms of diverting students from public institutions. As indicated above, the primary goals of these programs are stated in terms of equity—to more nearly equalize state subsidies across the public and private sectors—not cost-effectiveness. It may be that most of the aided students would have attended private institutions without the grants and no doubt many of them would not qualify for need-based grants.

After exhaustive telephone inquiries with knowledgeable officials in these states, only in Florida were we able to turn up anything resembling analytical evidence of the extent of the tuition equalization (Florida Resident Assistance Grant) program's impact on students' attendance decisions.[8] The state Postsecondary Education Planning Commission concludes that the program is cost-effective in that savings greatly exceed grant costs for the approximately one-third of grant recipients the commission thinks would be likely to "migrate" to the public sector were the grants removed. However, judging

[8] *Accountability Review: Progress Report*, prepared in response to Specific Appropriation 573 of the 1994 General Appropriations Act (Tallahassee: Florida Postsecondary Education Planning Commission, December 1994).

TABLE ONE

**"Pure" (Non-Need-Based) Tuition Equalization Student Aid Programs in the States**

| State | Program Name | Year Est. | 1990-91 Number Aided | 1990-91 Total $ (millions) | 1990-91 Max. Award[a] | 1990-91 $ Per Student[b] | 1994-95 Number Aided | 1994-95 Total $ (millions) | 1994-95 Max Award[a] | 1994-95 $ Per Student[b] |
|---|---|---|---|---|---|---|---|---|---|---|
| AL | Student Grant Program | 1978 | 7,341 | $3.1 | $888 | $417 | 8,335 | $6.2 | $948 | $738 |
| FL | Resident Assistance Grants | 1979 | 16,127 | $17.2 | $1,200 | $1,065 | 18,232[c] | $19.9 | $1,300 | $1,090 |
| GA | HOPE Grants | 1993 | Program not in existence | | | | 25,844 | $20.3 | $1,000 | $785 |
| GA | Tuition Equalization Grants | 1972 | 15,083 | $14.5 | NA | $962 | 19,391[d] | $19.3 | $1,000 | $995 |
| NC | Legis. Tuition Grants | 1975 | 25,681 | $24.6 | $1,116 | $957 | 24,911 | $25.7 | $1,250 | $1,030 |
| OH | Student Choice Grants | 1984 | 38,991 | $20.7 | $578 | $531 | 43,000 | $24.2 | $588 | $563 |
| VA | Tuition Assist. Grants | 1972 | 12,369 | $18.1 | $1,460 | $1,459 | 12,775 | $17.5 | $1,500 | $1,372 |

| State | Program Name | 1995-96 Number Aided | 1995-96 Total $ (millions) | 1995-96 Max. Award[a] | 1995-96 $ Per Student[b] |
|---|---|---|---|---|---|
| GA | HOPE Grants | NA | $31.1 | $1,500 | NA |
| GA | Tuition Equal. Grants | NA | $22.3 | $1,000 | NA |

[a] This is the award size assuming a student's full-time enrollment throughout the academic year.
[b] Figures equal total dollars expended divided by headcount enrollment.
[c] Estimated.
[d] Full-time equivalent (FTE).
Source: William Zumeta for JBL Associates, Inc., Survey of State Programs Aiding Private Colleges and Universities and Their Students, 1995.

In this table, the most pertinent figure regarding size of award is the column labeled Maximum Award, which is the amount a student would receive if enrolled full-time throughout the academic year.

from the raw survey data on which the calculations are based, these calculations appear to be too generous in estimating how many would migrate (only 17 percent of the grant recipients actually said that they would do so), and fail to account for the cost of the grants to the many more students whose enrollment decisions would presumably be unaffected.

*Need-based, tuition-equalization programs*. Of more direct relevance to California, where the tradition of taking applicants' financial need into account in financial aid awards is strong, are the 13 state programs in 12 states which limit awards to private college students and provide aid only to needy students. The key data on these programs derived from the 1995 JBL survey are depicted in Table Two. As the table shows, these types of programs provide significant aid to students, mostly in the $1,000 to $2,500 annual grant range, and are fairly widely distributed around the country. In particular, two western states have such programs: Texas and New Mexico. Unfortunately, as with the non-need-based, tuition-equalization programs, no useful analytical evidence on the impact of the grants on students' enrollment decisions could be obtained from the states.

**A need-based grant to undergraduates attending private colleges and universities might be considered in California. Eligibility could be determined independently of tuition and fee levels ... and grants for private college attendance could be made substantial enough to plausibly affect some needy students' choices at the margin.**

A need-based grant to undergraduates attending private colleges and universities might be considered in California. Eligibility could be determined independently of tuition and fee levels (in order to establish "true" financial need) and grants for private-college attendance could be made substantial enough to plausibly affect some needy students' choices at the margin. If the program were designed carefully with evaluation in mind, feedback from student surveys and enrollment patterns could support adjustments in grant levels to optimize cost-effectiveness (or lead to the conclusion that the program could not be made cost-effective). Certainly, the tuition grants would have to be capped at a financially and politically feasible level and be low enough to provide no incentive for independent institutions to raise charges to capture more state subsidy.

A major drawback to this approach in California is that it would, in effect, operate outside the long-standing Cal Grant structure, which provides grants to students in both public and private institutions. It would probably therefore attract only narrow political support from pro-private-sector partisans and a few policy analysts. If enacted, it would likely be under constant attack by public institutions and their supporters and would be in direct competition with the established student aid programs for appropriations. These may well be fatal flaws.

*Public/private need-based grant programs*. Our research shows that most states have a program similar to Cal Grant A, which provides need-based grants to students who may take them to *either public or private* colleges. In some large states (e.g., Illinois, Minnesota, New Jersey, New York, and Pennsylvania), this program is the major state student aid program. In such a scheme, students attending private institutions tend to receive larger grants because the higher charges they face are considered part of their calculated "need" up to some cap. The cap is sometimes linked to public research university tuition or attendance costs, which seems to smooth the politics.

TABLE TWO

## Need-Based Tuition Equalization[a] Student Aid Programs in the States

| State | Program Name | Year Est. | 1990-91 Number Aided | 1990-91 Total $ (Millions) | 1990-91 Max. Award[b] | 1990-91 $ Per Student[c] | 1994-95 Number Aided | 1994-95 Total $ (Millions) | 1994-95 Max. Award[b] | 1994-95 $ Per Student[c] |
|---|---|---|---|---|---|---|---|---|---|---|
| CT | Indep. Coll. Stud. Grants | 1976 | 4,000 | $12.1 | $6,384 | $3,018 | 5,500[d] | $12.1[d] | $7,700[e] | $2,192[d] |
| IA | Tuition Grants | 1969 | 14,252 | $32.0 | $2,650 | $2,246 | 14,100[d] | $31.7[d] | $2,650 | $2,250 |
| KS | Indep. Coll. Tuition Grants | 1972 | 3,624 | NA | $1,700 | NA | 3,200[f] | $5.4[f] | $1,700[h] | $1,688 |
| KY | Tuition Grants | 1975 | 6,711 | NA | $1,200 | NA | 7,370[f] | $8.1[f] | $1,200[h] | $1,095 |
| MI | Tuition Grants | 1966 | 25,041 | $39.3 | $2,150 | $1,570 | 31,950[d] | $45.8[d] | $1,975 | $1,433 |
| NE | Postsecondary Education Awards | 1991 | Program not in existence | | | | 420 | $0.7[f] | [g] | $1,548 |
| NM | Student Choice | 1984 | 287 | $0.5 | $2,273 | $1,676 | 457 | $1.0 | $2,273 | $2,163 |
| NC | State Contractual Scholarships | 1971 | 7,823 | $11.2 | NA | $1,434 | 8,884 | $13.5 | $7,788 | $1,514 |
| SC | Tuition Grants | 1970 | 6,816 | $17.9 | $3,990 | $2,626 | 8,446 | $16.7 | $3,266 | $1,982 |
| TN | Student Assist. Award Restoration Act | 1993 | Program not in existence | | | | NA | $2.4 | $840 | NA |
| TX | Tuition Equal. Grants | 1971 | 16,736 | $23.0 | $3,150 | $1,375 | 17,500[a] | $25.2[d] | $2,565 | $1,440[b] |
| WI | Tuition Grants | 1965 | 8,669 | $14.3 | $2,172 | $1,648 | 8,880 | $16.0 | $2,172 | $1,802 |
| WI | Private School Student Minority Grants | 1986 | 339 | $0.5 | $2,500 | $1,257 | 760 | $0.8 | $2,500 | $1,093 |

[a] "Tuition Equalization" is defined as meaning that only private college students are eligible for the program.
[b] This is the award size assuming full-time enrollment.
[c] Figures equal total dollars expended divided by headcount enrollment.
[d] Estimate.
[e] Includes awards from other aid programs.
[f] Estimated 1993-94 data.
[g] Determined by institution.
[h] 1993-1994 data.

Source: William Zumeta for JBL Associates, Inc., Survey of State Programs Aiding Private Colleges & Universities and Their Students, 1995.

In this table, the most meaningful figures are probably the dollars-per-student amounts, which give a rough idea of the average size of grants. Maximum awards in these programs are often hypothetical figures and also in some cases include amounts awarded through other aid programs.

This arrangement mixes up true need (determined by economic circumstances) with tuition-derived need, but has the advantage of insuring that public and private institutions are "feeding from the same trough" in the student aid area, and thus presumably making common cause for the program. A delicate balance may be struck (if leadership is skillful enough and other circumstances are favorable) between keeping the maximum award size large enough to direct some students at the margin toward private institutions, thus saving the state either money or capacity in the public sector, and sustaining public institution support. Under current circumstances, it would probably require a substantial increase in the number and average and maximum size of Cal Grants awarded to students seeking to attend independent institutions to redirect a substantial number away from the UC and CSU campuses, with their much lower fees and charges.[9]

As in many states, public institutions' support for Cal Grants, even under the present funding arrangements, is not overly strong. For many years, such programs have been considered of most benefit and interest to the independent sector of higher education. In general, public institutions would prefer to see state funding go into appropriations to them. In regard to student aid in particular, in recent years the public segments have taken matters increasingly into their own hands by using some revenues from increased fees to finance need-based aid to their own students.

Thus, to assure interest from the public segment in supporting the Cal Grants program, it might be necessary for the state to take back control of all or most student aid funding, so that the state can determine how the funds are allocated and what incentives are created. This would allow the state to increase the role of market-like competition for students and to experiment with the size of grants necessary to maintain the political and cost-effectiveness balance described above. Such a policy thrust would clearly require a period of experimentation since evidently no one has seriously analyzed how the grants have influenced enrollment distributions in the past, nor can anyone confidently predict what the optimal grant amount would be for the future.

A more radical step—probably not politically feasible in California nor appealing philosophically to many—would be to force still more public segment attention to student aid and to increase incentives for students to choose private institutions by sharply raising both public college and university fees and the supply of need-based aid. This is the *high-tuition/high-aid* model of financing higher education that has received attention again recently in the policy literature and in at least a few states.[10] There are real questions about the long-term viability of this model in most states, not just in California.

## Specially Designed Programs for Upper-Division Students

Our investigations have identified four programs (now in operation or soon to go into operation) that provide state student aid grants to designated classes of students attending private colleges within the state for upper-division (i.e., third and fourth-year) undergraduate studies. It should be noted that all are

[9] Note that the space thus freed up on public campuses would presumably be readily filled by the expected larger numbers of qualified students in the coming years.

[10] Charles S. Lenth, *The Tuition Dilemma—State Policies and Practices in Pricing Public Higher Education* (Denver, CO: State Higher Education Executive Officers, December 1995).

quite limited in scope, and three of the four are very new. These programs are described below and then the applicability of this basic idea to California's situation is weighed.

## Washington's Educational Opportunity Grants Program

This program is the oldest of the four. It was established in 1990 as part of the state's effort to redress its shortfall in participation in higher education at the upper-division level and prepare for the same large demographic bulge of college-age students that confronts California. At the same time, the state embarked on the development of five university branch campuses in (mainly) fast-growing areas around the state as part of the same response effort. Indeed, the Educational Opportunity Grants (EOG) program is merely a small adjunct to this broader access expansion strategy.

During the research and planning that preceded the decision to begin the branch campuses, it was discovered (or verified) that certain counties located relatively far from the state's six public universities were seriously below state averages in resident enrollment at the upper-division level, yet some of these counties had four-year private colleges within their boundaries or nearby. Some of these private institutions were also concerned about the advent of low-priced competition from the new University of Washington (UW) or Washington State University (WSU) branches. The result was the creation of a new need-based student grant program (the EOG) available to upper-division students only in the affected counties. This new program was to provide relatively large grants, designed to be equal to public research university tuition levels at the maximum, for attendance at one of the branch campuses or at a nearby private college or university. A stated goal of the program is to serve needy "place-bound" students and potential students. One effect of the program has been to reduce, though not completely to eliminate, opposition from the private higher education sector to the continuing development of the public branch campuses.

In 1990-91, 210 students were served by the program and $459,000 was paid out in EOG grants, an average of about $2,200 per grant. Eighty-five percent of the awards in that year went to students attending private institutions. These figures increased to 452 awards and $1.033 million in 1992-93 (an average of about $2,285 per grant), but then declined in the next two years to 170 students and just under $400,000 in 1994-95 (an average of about $2,350). The share of awards going to private college students has steadily fallen over the years from the original 85 percent in 1990-91 to 68 percent in 1994-95. The average award size has increased a little over these years, but the maximum award level remains at the original $2,500 though both public and private-sector tuitions have climbed sharply during this period. A program evaluation completed by NORED[11] concluded that the program was meeting its statutory intent in serving the place-bound, mostly community college graduates, and that recipients completed their baccalaureate degrees at above-average rates. This study also found suggestions that the private institutions used some of the resources provided to their students via EOG to replace institutional spending on student aid.

The recent declining funding trend for the program appears to be the product of the program's narrow support base (mostly the private colleges and their supporters) in a time of a serious squeeze on the state's budget. The decreasing share of the awards going to students attending private institutions is probably mostly attributable to the rapid growth in student interest in the branch campuses (especially

[11] *Educational Opportunity Grant Program Evaluation*, prepared for the Washington State Higher Education Coordinating Board (Olympia: NORED, May 1994).

the UW-Tacoma branch), and perhaps partly also to the failure of the grant size to keep pace with rapid private-sector tuition growth rates. The grant size would probably have to be expanded sharply to attract many students into the private rather than the public higher education sector. This expansion would compete with the considerable pressures on the public branches for funds with which to grow rapidly to demonstrate their worth in meeting the state's access crisis. This brief history illustrates the dangers of a political support base that is too narrow.

## Virginia's Private Contract Program

We were told that the name of this program might be changed in the near future, but it is descriptive in that the state contracts with the private colleges involved for their participation.[12] Like the Washington program, this program has a geographic element as it is designed to serve location-bound students in a particular part of the state. In this case the affected area is a rural part of the state where there are two community colleges but little access to public four-year institutions because of distance. A key goal is to increase educational attainment levels in this relatively remote, underserved region. The program is even newer than the Washington EOG program, having begun on a pilot basis just this year (1995-96). We learned that the personal efforts of one of the private college presidents were quite important in getting the program enacted and funded by the Legislature.

Under this program, the state has contracted with three private colleges in the target region to enroll one hundred local residents for upper-division studies and has provided the college with $3,500 for institutionally administered financial aid for each qualifying student it enrolls. The aid is not strictly need-based; the colleges have discretion as to how to award it. Though the pilot effort could be enlarged somewhat in future years, the state feels that it can afford these relatively large grants (about half the level of the state's per-student contribution to public higher education costs, by design) because the circumstances are so special that the total cost will inevitably be limited. There is no clear intent to extend this model to help meet Virginia's broader crisis of access to higher education, which bears some resemblance to that of many western states. At the time of our last telephone interview (September 1995) there was some concern that the program might negatively impact enrollments at the nearest public four-year institution, and that the per-student funding level might attract envious comparisons from other student aid programs and even from some public institutions.

## Florida's Limited Access Grant Program

This program is even newer than the Virginia contract program, having been enacted in 1995 and been in the planning stages during the 1995-96 academic year. The Legislature has provided $1 million for the first set of awards in 1996-97. The grants will provide up to 50 percent of the state's cost per student in public institutions in aid to qualifying students attending Florida private colleges or universities.

Like the Washington and Virginia programs, this program also has a specialized purpose. It is designed to expand access to certain upper-division majors that are oversubscribed in the state's public colleges and universities. Recipients may be community college graduates or state university students. The state's Postsecondary Education Planning Commission has now identified eligible fields, according to the enabling legislation, that are in high demand and offer entry-level wages of at least $10 per hour. These

[12] In fact, since the report was written this program has been discontinued. A description of the program is still provided, however, to provide information about options available.

fields include several fields in special education, pre-elementary education, electrical/electronics engineering, nursing, physician's assistant, occupational therapy, and physical therapy. Again, there is no strong indication that the state is planning to move in this direction for addressing its broader access/ financing problem.

## Arizona's Proposed Postsecondary Education (Upper-Division) Voucher Program

This program is the newest of all, having been enacted in April 1996. The legislation is one result of the work of the legislatively appointed Study Committee on Higher Education Charters, which commissioned the survey of other states' efforts on student aid affecting students in private colleges (the main data base for this report).

The legislation provides for a very small pilot program of 60 "tuition vouchers" (student aid grants) in 1996-97 reserved for new graduates of Arizona's community colleges (they must have received an associate degree after July 1, 1996) to attend an accredited private college or university in Arizona to complete the baccalaureate degree.[13] The "voucher" a student receives can be up to $1,500 per year for two years, with the amount per individual determined by the state's student aid agency (the Postsecondary Education Commission) taking into account both financial need and academic merit.[14] The total initial appropriation, including administrative costs, is to be $100,000 for the first year. The level of 60 grants was derived from simulations conducted by JBL, which suggested that a $1,500 private-sector-only voucher might divert about ten percent of community college students who transfer to the public universities away from those public institutions and toward private institutions instead. Over time, however, the absolute number might grow considerably if students respond to the increased incentive to acquire an associate degree.

While this program is starting very small, unlike the other three described above, it is evidently seen by some state policy makers—at least those who support it—as the beginning of a broad-scale program to help cope with Arizona's projected large growth in demand for higher education and limited space in its public universities. On the other hand, however, the Legislature has also passed in this session about $200 million in appropriations for new construction by public institutions, so the relative strategic importance of the tiny voucher initiative should not be exaggerated. Finally, it should also be noted that the upper-division voucher proposal passed each committee hurdle and house floor vote by narrow, party-line votes, with most Republicans (the majority party in both houses) voting in favor and most Democrats against.

## Possible Implications for California

The material just reported shows that no state has yet implemented a broad-based program of aid for community college graduates to attend private colleges and universities for upper-division work. The Washington, Virginia, and Florida programs are all small and specialized in purpose, in addition to being considered experimental at this point. The Arizona proposal might conceivably become a broad-

[13] There are about 15 eligible private institutions, several of which are for-profit and another group that are church-affiliated, so a legal challenge is possible.

[14] Recipients will have to be enrolled full-time. If a recipient fails to receive the baccalaureate within three years after receipt of the state voucher, he or she will be required to repay the full amount received to the state.

based program, but this is far from assured. It too is designed as a pilot program, with the results to be carefully evaluated at the end of the first year.

These patterns suggest some things for California policy makers to keep in mind. First, it might be wise to begin moving in the direction of an upper-division aid grant for private-college attendance (avoiding the politically loaded term, "voucher") by limiting the initial grants to instances where access to public four-year institutions is either limited by geography or by oversubscription in particular majors. If public institutions already have plenty of applicants (or soon will have), this should be more readily seen as filling an empty niche. The new grants could be viewed as an alternative to expensive new construction or expansion of public-sector capacity in underserved areas and oversubscribed fields, especially high-cost fields. Beginning in this way should help build familiarity and acceptance of the basic idea of aid grants specifically for private-college attendance for the final two undergraduate years.

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This approach also reflects the second lesson, which seems to be to start small and in a nonthreatening way with plans to assess the impacts carefully year-by-year. If surveys of participating students show that many would otherwise have been denied access (or been seriously delayed in access) to upper-division opportunities, this would indicate that the program were meeting a real need. If the program were simply attracting students away from public institutions and thereby creating underutilized capacity in their programs, this would suggest the new grants were not (or at least not yet) needed to meet demand. This basic concept could be broadened beyond individual majors to all upper-division opportunities as the program expanded with the expected growth in general demand.

In the California context, such a program would probably be more acceptable, initially at least, if the aid grants were financial-need-based. However, in concept it may also make sense to provide some non-need-based support too (analogous to the per-student subsidies built into state appropriations to public institutions) in a situation where student demand will exceed capacity.[15] In any case, the grants should be modest in size at first, though large enough to induce students to attend who would otherwise be unable to do so. For these reasons, as well as for considerations of financing and perceived equity, a target range might be around the level of grant aid that a similar student might expect if he or she attended a University of California campus. Grants might later be expanded in size to attract more students, if the concept seemed to be politically viable initially. Of course, grants should never be as large as the per-student cost to the state of expanding public-sector capacity to meet the same needs.

[15] An evaluation of the program would, of course, need to assess that private institutions had indeed increased their enrollments of California undergraduates, not simply used the state funds to replace institutional aid funds without adding to the number of students served.

## Interstate Portability of State Student Aid Grants

We have compiled some data from the latest NASSGAP survey (covering 1994-95)[16] on interstate "portability" of student aid grants (see Table Three). The data show that such freedom for recipients to take their state grants to out-of-state institutions is rather uncommon. Only 15 programs in 10 states allow for such portability, and in most cases the program involved is not the state's major grant program but a small specialized one. Overall, only about 1.2 percent of state grant awards nationally and 0.5 percent of award dollars were carried to out-of-state institutions in 1994-95.[17]

TABLE THREE

**Scholarship and Grant Awards and Dollars Provided to Undergraduate Students Attending Out-of-State Institutions, 1994-1995[a]**

| State | Program | Number of Awards at Out-of-State Institutions | % of Program Total | Value of Awards at Out-of-State Institutions | % of Program Total |
|---|---|---|---|---|---|
| IN | Freedom of Choice Grants | 19 | 0.1 | $28,622 | 0.1 |
| MD | Senatorial Scholarships | 108 | 1.4 | $92,411 | 1.5 |
| MA | General Scholarship | 990 | 3.0 | $1,374,826 | 4.0 |
| NH | Incentive Program | 415 | 27.0 | $202,267 | 25.0 |
| PA | State Grant Program | 10,070 | 7.0 | $4,593,565 | 2.1 |
| RI | Scholarship and Grant Program | 3,301 | 27.0 | $1,773,555 | 28.0 |
| VT | Incentive Grant Program | 3,525 | 39.9 | $3,531,325 | 33.8 |
| VT | Part-Time Grant Program | 151 | 5.8 | $51,711 | 5.2 |
| VT | Non-Degree Grant | 23 | 2.2 | $7,599 | 2.2 |
| VA | College Scholarship Assistance[b] | 41 | 0.5 | $29,813 | 0.5 |
| VA | Last Dollar Program[b] | 4 | 0.5 | $3,329 | 0.5 |
| VA | Discretionary Aid | 170 | 0.5 | $283,516 | 0.5 |
| VA | Virginia Transfer Grant | 3 | 0.5 | $4,102 | 0.5 |
| WV | Higher Education Grant Program | 46 | 0.9 | $23,050 | 0.4 |
| WI | Wisconsin Higher Education Grant | 13 | 0.0 | $25,382 | 0.1 |
| | **ALL STATES** | 18,879 | 1.2 | $12,025,073 | 0.5 |

[a] Data were not available from the District of Columbia, Nevada, New Mexico, North Carolina, South Dakota and Texas.
[b] Estimated figures.
Source: 26th Annual Survey Report, National Association of State Student Grant and Aid Programs: 1994-95 Academic Year.

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[16] National Association of State Student Grant and Aid Programs, *26th Annual Survey Report, 1994-95 Academic Year.*

[17] NASSGAP's 1994-95 survey did not include data from the District of Columbia, Nevada, New Mexico, North Carolina, South Dakota, and Texas.

There is a notable geographic pattern apparent in the data shown in Table Three (on the previous page). First, there are no states west of Wisconsin with interstate portability provisions in any of their aid programs. Second, with the exception of Pennsylvania, which has a long-standing commitment and well-developed arrangements for portability, and perhaps Massachusetts, the other states showing significant numbers of students taking their grants out-of-state are all small New England states (New Hampshire, Rhode Island, and Vermont). These states seem to be reacting mainly to the limited higher education opportunities available within their borders.

These data indicate that California would be working with few precedents, particularly in the western region, in making its student aid grants portable across state boundaries. This suggests that California would have considerable work to do in forging interstate reciprocity agreements with neighboring states for mutual portability. Moreover, since most western states face similar demand pressures on their public higher education capacity to those faced by California and most have only limited private collegiate sectors, there is inherently limited potential here. An additional consideration is that reciprocity would likely have the net effect of expanding demand on California's relatively attractive institutions rather than contracting it. Reciprocity with distant states like Massachusetts and Pennsylvania might be easier to work out, but the net effects are uncertain and the market inherently limited by distance.

California could, of course, simply unilaterally declare its student aid grants tenable at out-of-state schools. This would probably produce a modestly increased flow of students out of the state, but evidence suggests that many would not return after college. Moreover, proposals to "send the state's taxpayer dollars out-of-state" are usually not popular with elected officials.

## Conclusion

This paper has sought to document lessons for California policy makers from state student aid programs across the country. To summarize the major implications briefly, I conclude that basing any new student aid effort directed at expanding the state's enrollment capacity by aiding students attending private colleges and universities would probably be best advised to stay within the existing Cal Grant program structure. This has the advantages of working within an accepted framework and at least making possible the building of a broad base of support that would not be likely to emerge under program frameworks focusing strictly on aid to students attending private institutions. To have a chance of establishing this broad support base, it will probably be necessary to reclaim the resources used for student aid by the public institutions themselves, as well as to expand the total resources available for student aid. A key to making Cal Grants useful in expanding enrollments will be to find and sustain the right balance between making the grants large enough to attract more students to private institutions, while not so large as to erode public institutions' support.

Small steps in the direction of specialized student aid grants for upper-division students have been taken in several states. The information about these suggests that California might begin to move in the direction of a student aid grant for community college transfers to attend private institutions by starting with a small pilot program focused on areas of obvious underservice by the public four-year institutions, such as geographic regions with limited access and oversubscribed major fields (especially those where costs to expand capacity would be high). If, after careful evaluation, such a program were found to have increased access successfully, it might be expanded to a wider range of community college transfers as demand grows and public capacity does not.

Interstate portability of student aid grants might be thought to have some potential for expanding higher education opportunities for Californians in a time of limited capacity to meet burgeoning demand. However, there are few if any precedents in the western part of the country, some inherent political drawbacks, and, probably most important, the state's neighbors face similar demand pressures and so have little excess capacity to share with California. In sum, the potential of interstate portability seems quite limited.

California, then, must solve its own problems in regard to higher education capacity expansion in the late nineties and the early twenty-first century. The primary answers no doubt lie in careful and imaginative use of the state's public college and university capacity. The private sector can, however, play an expanded supporting role—and one that grows over time—if state policy makers build carefully on the framework of existing, largely successful higher education policies and broaden their concept of shared responsibility and teamwork in the face of the emerging challenges to include public/private partnerships for educating all Californians.

# The California Higher Education Policy Center

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