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THE NEW DELIVERY SYSTEM:

A VOICE FOR CAUTION

By Robert N. Kelly

Postsecondary student assistance is undergoing a revolution designed to radically change its delivery system. The present system is admittedly disorganized, inequitable, and confusing. In its place a more coherent system is to be substituted, based upon the recommendations of the Keppel Task Force and the concept of the "federal-state-institutional" partnership.

This revolution is proceeding rapidly for numerous reasons. First, the present system is so inadequate that any change appears welcome. Second, the concept of a "federal-state-institutional" partnership sounds incontestable. Third, the present system is so disorganized and decentralized that it provides little opportunity for certain individuals, institutions, or agencies to achieve power and control. It is believed an organized system will provide this opportunity.

Of course, any changes in a system will alter the balance of power. With the momentum for change building so strongly, it is surprising that those who may be adversely affected are so quiet. In fact, the few voices raised in opposition have been depicted as strident, self-serving, or blinded by an irrational attachment to an inadequate system.

It is the opinion of the author that the new delivery system is based upon assumptions concerning federal-state relations and political realities which need to be examined. This paper will attempt to provide a new perspective to aid this examination so that a bad system can be replaced by a better one.

Federal-State-Institutional Partnership

Postsecondary student assistance is rapidly entering the realm of federal-state administrative relations, a development common to many public programs. The direct involvement of the state in the administration of federal programs can be seen in highway construction, health planning, law enforcement, vocational education, special education, social welfare, and many other areas. This pattern has become so pervasive it is accepted in many planning quarters as virtually inevitable for all domestic programs. Although the movement toward greater federal-state administrative involvement may be inevitable, postsecondary education differs from other programs in that the state investment is proportionately much greater. This would appear to indicate a much greater state role in decision-making regarding postsecondary education. This state role is what makes the future developments in postsecondary student assistance so unclear.

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The enactment of the 1202 Commission and the State Student Incentive Grant (SSIG) program have the principal effect on postsecondary education. Concurrent with the discussions on the 1202 Commission, the Office of Education released a proposal that described a coherent system of financial aid delivery based upon a federal-state-institutional partnership. This effort was significant for several reasons. First, it clearly showed the inadequacies of the present system. Second, it pointed out how the system could be improved solely by cooperation and without legislation. Third, it stressed the importance of states in the delivery of financial aid. Fourth, it expressed the willingness of the Office of Education to change an outmoded system.

The proposal led to numerous meetings among federal, state, institutional, and interested group representatives. The meetings resulted in numerous recommendations designed to improve the delivery of financial aid; however, the most important result was the dialogue.

The Keppel Task Force

The Keppel Task Force grew out of the partnership workshops. It was a voluntary association of representatives of interested groups and organizations funded through foundation support, and dedicated to improving the delivery system of financial aid. The breadth of the organizations represented was quite impressive.

The Task Force pointed out the deficiencies in the present financial aid system and provided a basic concept of financial aid upon which discussion could be based. The Task Force concluded that the delivery system could be much improved if: (a) a common methodology for the determination of financial need was used; (b) a common form to collect student data was used; and (c) a calendar for the scheduling of the delivery of student aid was adopted. These three proposals were to be implemented by the various parties involved through voluntary action, where possible, and through legislation, where necessary. The actual details concerning implementation were to be studied later.

The Present

The foundation has been laid for a new delivery system. Presumably, only the details of implementation are left to be resolved. The principal developments which have occurred are the adoption of the common methodology by the College Scholarship Service (CSS) and the American College Testing Program (ACT); the marketing of a common form by CSS; improvements in the sharing of information by federal, state, and institutional representatives; and a much greater awareness of the systematic aspects of student assistance. Presumably other developments such as multiple contracting of BEOG and centralized initial packaging by states are in the immediate future. The future delivery system is being built.

Unfortunately, the author believes the facts do not fit this optimistic view. There are some serious political difficulties and administrative details facing the partnership which should be considered. Some of these are discussed below.

The Political Context

In analyzing the political environment of the new delivery system, it is essential to analyze the Keppel Task Force Report, the foundation of the new system. The Task Force operated in accordance with the principal of participatory democracy, whereby acceptable and workable solutions were achieved through concensus of all interested parties. This method of decision-making has been very popular in the last decade, but it works only if certain conditions are met. Three of these conditions raise questions in reference to the Keppel Task Force. First, it is essential that all parties be in agreement about what the recommendations will mean to them. Second, the organizational representatives must speak for at least a majority of their members. Third, recommended changes must be subject to action at a level no higher than the participants because the recommendations are by definition only advisory if action by a higher body is necessary for implementation.

The Trade Offs of Change

The philosophy of the new delivery system is the concept of the federal-state-institutional partnership. Financial aid is disjointed under the separate federal-separate state-separate institutional system. With improved coordination so obviously needed, the concept of the partnership has immediate acceptance. The federal government regards it as a means to attain federal goals more effectively; the state regards it as a means to influence both federal and institutional policy; and the institution regards it as a means to reduce federal red tape and to schedule the distribution of aid more efficiently. Most important, a widespread belief exists that this partnership can be attained on a cooperative basis with a minimum of trade offs.

However, the trade offs cannot be ignored. The federal government may have been thwarted by the way in which institutions have sometimes subverted federal goals, but under a partnership system it would be vulnerable to the intrusion of state goals. State governments have been concerned with the manner in which the present federal-institutional system bypasses it; however, by becoming involved, the state will have to adjust to both federal and institutional goals. The institutions have been frustrated by the lack of information and direction in the present system; however, increased control of state policies may be just as frustrating.

In other words, some groups have been slow to realize the potential problems of the new delivery system. The potential losers in the new system include many institutional representatives, some smaller states, the Office of Education Regional Offices, the national needs analysis services, and perhaps the federal government. With this number of potential losers, the new delivery system may be facing more political difficulties than is presently realized.

A discussion of the progress presently being made in implementing the three major Keppel Task Force recommendations may better indicate these difficulties. The uniform methodology was adopted by ACT and CSS probably because of the good will associated with a spirit of cooperation. The same development is likely to occur relative to the common needs analysis data form. The

good will associated with that form will probably cause its adoption by both services which cannot appear to oppose a broadly accepted program of change.

None of this will resolve the question of BEOG. Unlike private processors, the BEOG program has little to gain by adopting the common methodology and the common form. The BEOG program is designed to serve a different constituency: poor Americans. The simple method for determining need and the simplified form serve this constituency well. Adopting the uniform methodology and the common form would place the BEOG program in a difficult political situation. The uniform methodology would allow more applicants to demonstrate need, thus placing the program in the uncomfortable fiscal position of either having to deny awards to less needy applicants, or to divert funds from more needy to less needy students. In other words, the principal mission of the BEOG program would be subverted by incorporating the common methodology and form.

Of course, the other alternative would be for institutions and states to adopt the BEOG methodology and form. Again, the problem with this is constituency. On the whole, institutions and states serve a less needy clientele than the clientele of the BEOG program. In fact, it is believed by most institutions and states that their programs are designed to fill the gaps and to supplement the Basic Grant program. To do this clearly requires a more sophisticated and flexible needs analysis methodology and form than that provided by the BEOG program.

Also, it requires a radically changed calendar, one which would put Basic Grants first, state funds second, and institutional packaging last. This calendar was the last major recommendation of the Keppel Task Force and can be implemented independently of the other two major recommendations. However, if state agencies are satisfied with the present calendar (and many are due to their positions on the "base year" issue), there must be incentives or sanctions to encourage adoption of a common calendar.

A simple economic model would state that the costs of the status quo must exceed significantly the costs of change before change can be implemented. The favorable psychological momentum which followed the Keppel Task Force Report caused people to forget the costs of change. For the national needs analysis services, the costs of change may not be as large as the unpopular market position of opposing change. For some large states, change is definitely an improvement. However, for the BEOG program, some smaller states, and many institutions, the costs of change may be excessive. Certainly, for states as sovereign governmental entities, the costs of maintaining the status quo are minimal unless other federal governmental sanctions are applied.

Representation

The representation of the Keppel Task Force was broad, however, it may not have been comprehensive. Although all groups had representatives, different factions within groups were unrepresented.

The Office of Education representation was from Washington where the major policy-minded officials are based. This is interesting because as long as federal financial assistance was allotted to institutions, much of the influence

of the Office of Education over this process was decentralized to the regional offices. From the point of view of Washington planners, program decisions should be centralized as is presently the case in the Basic Grant program. In other words, the Office of Education was represented by those officials who viewed a new delivery system as a means to increase their influence.

Those also very interested in increased centralization are state officials who administer large state programs. However, their idea of centralization envisions state-run, rather than national-run, programs. It is their contention that the centralization of the BEOG program is excessive and has created numerous problems. Also, if financial aid is going to have an increased impact upon the postsecondary scene, it is felt by these state agencies that there must be a greater state role. In other words, the small state programs which would be more skeptical of an increased state role were not represented on the Keppel Task Force. The differences with the Washington officials could easily be minimized during the Task Force meetings while the enthusiasm for a new delivery system was dominant.

Although institutions were well represented, attendance patterns at the meetings led to a much stronger voice for large public and private universities. These are the institutions which would most benefit from a uniform financial needs analysis system and an early calendar. Public two year institutions and proprietary schools would prefer a streamlined application and a late calendar because their students traditionally make late attendance decisions. Small private schools might support the Task Force recommendations but were unrepresented.

In short, the representatives on the Task Force were the individuals most in favor of large-scale change. The individuals whose views were not represented were to be persuaded to change by the indication of the inadequacies of the present system. This policy has appeared to be successful, so far.

Legislative Action

The major problem with the proposed delivery system is that it cannot be implemented totally by the parties involved. Legislative action is required. This is a major obstacle regardless of the inherent value of the proposals. An acknowledged principal of politics is that any system, no matter how inadequate, has its beneficiaries. As a result, change is always looked upon with some distrust and is difficult to implement. This principal is even more applicable in the American political system where our Constitutional checks-and-balances make change difficult and compromise unavoidable. This can be seen by evaluating the progress of the three principal programs of the Education Amendments of 1972 which could be tied to a federal-state delivery system. First, higher education has been traditionally the province of state governments and the private sector. Powerful interests have developed which, together, have thwarted the concept of a comprehensive planning agency based upon the 1202 Commission. The state governments effectively opposed this usurpation of their powers. Second, higher education institutions have used their influence in Washington to persuade Congress to refuse to phase out the traditional college-based financial aid programs. The BEOG program

as a result has not achieved total program hegemony. Third, despite apparently wide political support, the SSIG program has not developed sufficient influence to foster the expansion of state student assistance offerings. On the other hand, the program has successfully convinced states to establish programs.

In other words, powerful forces in Washington have stalemated, and certain aspects of the new system may never be adopted. The comparative chaos of the present delivery system may exist side-by-side with the new system. This dual existence may produce a worse system than the one which presently exists. Moreover, the Keppel Task Force recommendations require state governmental action. No matter how attractive the recommendations may appear, they run directly into two basic forces; data validity and governmental sovereignty.

If the Keppel Task Force recommendations are to be effective, states must agree to do certain things. First, states which requires actual tax year data rather than estimated year data would have to accept either estimated data or an administrative system of data validation. Second, states which do not advance appropriate their funds would have to adjust their appropriation schedule. States vary enormously in their commitment to fitting into the Keppel Task Force design of which most state policy makers are not even aware. In fact, many states do not consider student assistance important enough to warrant any large changes.

In summary, the new delivery system will probably never be fully implemented. The political context is not conducive to such a major change. There are disagreements in Washington as to the future direction and funding of post-secondary financial assistance, and states take various positions toward student assistance programs.

Federal-State Relations

Because the new delivery system is unattainable in the near future, the momentum has moved in the direction of partial change. The principal policy proposed is multiple contracting of BEOG applications. This proposal is contained in the Eshleman-Thompson Amendment which would offer large state agencies the option of processing BEOG applications.

This amendment obviously has great appeal to large state agencies because it would give them authority to coordinate program activities within their state. Smaller state agencies may perceive it as a first step toward a national system of state BEOG processing. This perception would be illusory in most states as the costs of administering this processing could be considered excessive by state policy makers.

In other words, the amendment would permit a state-by-state student assistance delivery system. This system would not be an improvement over the present inadequate system. A national system is needed rather than a state-by-state approach.

There are serious administrative problems with the amendment. Most important, administrative control over uniform treatment of all applicants would be difficult to accomplish. The federal government is much more willing to

enforce quality standards upon private contractors than it would be to enforce such standards on a sovereign state government. The history of federal-state relations is abundant with studies of excessive federal red tape coupled with constant federal relaxations of standards when challenged by state governments through their Congressional representatives. If history is a guide, the amendment will tend to further politicize the student assistance delivery system.

Other administrative problems are inherent in state programs. Coordinating applications for resident applicants who plan to attend out-of-state institutions or proprietary schools will prove difficult in those states where these students are ineligible for state programs. Also, using the common form for both programs would raise the actual costs of applying for BEOG for many culturally disadvantaged Americans, whereas using the BEOG application would result in a less sophisticated analysis for middle-income Americans.

Because of the numerous problems associated with multiple processing and the obvious reservations which the Office of Education has about the concept, it is difficult to understand the wide support it has. Again, the answer must be that the present system is so disliked that any change appears to be an improvement. Also, it is agreed that any improvement must be based upon a federal-state delivery system.

Accepting this as true, some points concerning federal-state administrative systems should be considered before proposals are made. First, partial administrative systems, such as the one envisioned in the Eshleman-Thompson Amendment, are not the answer. Our federal system derives much of its strength from the fact that each state is a political entity and that Congressmen represent state constituencies. Dividing these constituencies through partial administrative arrangements will divide political strength. Also, ours is a mobile society and administrative arrangements for federal programs which divide upon state lines add confusion. Second, state governments have traditionally avoided assuming additional federal administrative responsibilities unless adequate funding was available. As long as federal postsecondary education funding to states remains small, the state will have no incentive to assume additional responsibilities. Third, state initiatives in the area of federal-state relations have been rare. It would be a mistake to enact a program which depended upon state policy initiatives to succeed. Fourth, state administration of federal programs has been most successful when program goals and emphases are universally accepted. However, there are many state policy makers who do not believe that student assistance programs are the best answer to postsecondary funding. Fifth, if there are contradictory goals in programs which are federal-state administered, such contradictions are carried over into individual states. With the numerous divisions in student assistance, this must be considered.

In summary, federal-state administration of programs requires a strong national commitment. Presently, this commitment does not exist in student aid. A partial system, such as that envisioned in the Eshleman-Thompson Amendment, is not even a partial answer because it only increases confusion.

Conclusion

The principal theme of this article is that caution must be observed in implementing a new delivery system for student assistance. There are serious substantive obstacles including the division between the Administration and Congress as to policy; the disagreement over the specific goals to be achieved through student assistance; the different constituencies served by state programs, institutions, and the BEOG program; and the budgetary restraints. In addition, there is no uniform agreement as to what the new delivery system will mean to all interested parties. Most important, the new delivery system cannot be instituted on a national basis without cooperation by state governments. Despite the efforts of the Education Commission of the States, most state policy makers are not aware of or concerned about the new delivery system.

Realizing these problems, many advocates of the new system have proposed implementing it on a state-by-state basis. It is the opinion of the author that this approach is not good national policy and may add to the confusion over the delivery system. Because student assistance is primarily a federally-funded program, its delivery system must be nation-wide.

Any such national solution must be in the future; therefore, the financial aid community should adopt a policy of carefully planned long-range changes. With the present system clearly unacceptable, there will be few problems with finding support for change. The question then becomes how to proceed.

Outside of budgetary problems, the three biggest problems are the vast differences among state programs, the continuing existence of the antiquated institutional-based programs, and the growing independent power of the BEOG program. Assuming a continuation of stable funding, one possible solution could be a large budgetary expansion of the SSIG program at the expense of the institutional-based Supplemental Educational Opportunity Grant (SEOG) and National Direct Student Loan (NDSL) programs and a corresponding expansion of the BEOG programs at the expense of small programs providing direct aid to institutions. This would establish a budgetary base for a federal-state partnership.

Of course, a reader would immediately realize that these budgetary proposals differ little from those of the Administration and would fare poorly in Congress. An increased share of the federal budget for postsecondary education undoubtedly would be a more acceptable solution. Barring this fortuitous development, however, hard choices must be made, and if a new delivery system is to occur, it must come budgetarily at the expense of institutional aid. A new student assistance delivery system cannot be implemented without status quo budgeting. States must be offered larger incentives to expand and develop their programs, and the base funding of the BEOG program must be firmly established in the federal budget.

In this way, a true federal-state system can be developed. The author would prefer that BEOG programs be combined under a single national contractor, who would provide all data to state agencies. The state agency could then generate its own needs analysis on the basis of the data and provide an initial

package to institutions, which could supplement these packages with institutional aid, work, and loans. The student would need to submit only the BEOG application for BEOG and state programs.

Of course, the purpose of this article is not to present the author's "solution" but to make clear that a new delivery system for financial assistance faces major obstacles which must be overcome. To circumvent these obstacles by implementing only partial new delivery systems would worsen an already bad system. Finally, the federal-state-institutional partnership model for the delivery of financial assistance cannot be built upon the present program foundation. Fundamental legislative and budgetary changes are needed to provide the incentives for greater state involvement. Because these incentives will necessarily have to come at the expense of institutional prerogatives, they will be difficult to enact legislatively. But without their enactment, the present system of financial aid delivery appears less subject to monumental failure than would be a crazy-quilt system based upon a partial adoption of the Keppel Task Force calendar and with some states processing BEOG applications.

Postscript

This paper was written in April 1976, when the psychological momentum for adopting the Keppel Task Force recommendations was at its peak. Since then, much has transpired. We have a new President; the Education Amendments of 1976 were enacted; and the Student Financial Assistance Study Group has begun meeting. Yet the basic conclusions of this paper are still valid: (a) the common methodology is an invitation for numerous companies and individuals to provide financial need analysis services; (b) the common form can never become universally adopted as long as the needs of the BEOG program are ignored and the development of the form is left to individual financial need services; (c) the common calendar runs counter to the needs of BEOG, some state governments, and most disadvantaged applicants; and (d) state government processing of Basic Grant applications with the passage of the Thompson-Eshleman Amendment still possesses the likelihood of producing an administrative nightmare.

The basic problem still remains. Few people are willing to admit openly that the financial aid delivery system is as much a political as an administrative question. The system adopted affects programs and the power of certain positions. In fact, viewed in this light, the Keppel Task Force report is not a major force for change but rather a statement for the maintenance of the traditional system of institutional autonomy. The common methodology, form, and calendar work to protect the decision-making power of institutions by limiting the power of states and, particularly, the Basic Grant program to adjust the system to meet their individual needs.

The future, however, lies with the Basic Grant program supplemented by state programs. The uniform methodology, form, and calendar must be developed to conform to the Basic Grant program. To do otherwise is to have the tail wag the dog. The January 1977 testimony of Peter Voight of the Basic Grant program to the National Study Group on Student Financial Aid should

provide the basis for a future delivery system. Mr. Voight indicated a willingness to cooperate on the issue of the common form by allowing the collection of all data elements, but requiring and using only those elements needed for the Basic Grant analysis. He also stated that having different needs analyses to meet the needs of different constituencies is reasonable. Obviously, the common methodology is not the needs analysis for the Basic Grant program as it is presently constituted. Mr. Voight took the same position as this paper on the questions of common calendar and multiple processing, that is, administrative requirements and governmental program integrity demand the collection of actual tax data, and the administrative problems involved in multiple processing are enormous.

In conclusion, the author is optimistic. The stampede to the Keppel Task Force recommendations has not occurred. A reasoned approach to the development of a financial aid delivery system appears more likely now than a year ago.

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