



# Restoring Responsiveness to Campus-Based Funds

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*NASFAA's Preliminary Recommendations from the National Conversation Initiative on Access and Aid for Student Success in Postsecondary Education (NCI) are a launch point for continued consensus building, support, and eventual enactment of changes necessary to eliminate the financial barriers to higher education. The NCI Issue Papers Series takes a deeper look at selected topics and provides additional insights on specific policy areas.*

## The NCI Recommendation: Returning Flexibility to the Campus-Based Programs

Congress created the federal campus-based funds (Federal Supplemental Opportunity Grant [FSEOG], Federal Perkins Loan, and Federal Work Study [FWS]) to recognize that students at different institutions have diverse characteristics and needs that can best be identified and addressed on the campus level. A unique feature of the campus-based programs is the relative freedom exercised by institutions in awarding funds. Over the life of the programs, however, increased regulatory and administrative complexity coupled with inadequate funding has made these programs less effective sources of aid, hampering institutions' ability to meet the needs of their students.

NASFAA addresses this issue in its proposed recommendation, National Conversation Initiative: Access and Aid for Student Success in Postsecondary Education (NCI), by recommending that the Perkins Loan program be eliminated and the FSEOG and FWS programs be combined into a single fund that permits a greater level of institutional discretion. This would streamline the financial aid funds that are allocated to schools into a single campus-based program that is easier to manage and less confusing to students and their families. Creating a single program would allow schools to address the needs of their students, reduce administrative burden, and provide the flexibility to adjust packaging policies to respond to prevailing economic and social needs.

### Meeting the Unique Needs of Students

Currently, each of the campus-based programs has individual, prescriptive regulatory requirements and guidelines, leaving schools with little flexibility to meet their students' unique needs. A single allocation, as proposed under NCI, which includes both grant and work funds and returns discretion to the institution would better allow schools to use the funds to address the needs of their students and further institutional recruitment, diversity, and retention goals. Although current regulations for the campus-based programs allow schools to transfer allocated funds among the three programs, the transferable amounts are strictly limited. Under a single campus-based program model, institutions would not face current restrictions on the amount of money that they can transfer, but instead would be able to adjust the proportion of grant and work aid to respond to changing student needs.

A single fund would also give institutions the flexibility to respond to situations that affect large groups of students. For example, in the event of a natural disaster, awarding more grants and less work study might better meet the immediate needs of the student body.

In addition, a streamlined approach to campus-based aid would make it easier for schools to establish effective packaging policies. Without the constraints imposed by separate program allocations, an institution can tailor its awarding policies to target grant and work funds to subpopulations of students, award more students grant and work-study funds in varying combinations, and change packaging priorities based on circumstances affecting its students.

## The Importance of Institutional Flexibility in Packaging

There are no one-size-fits all aid packages. For some, grants are the answer, for others, employment offers more benefits. Students have different needs based on their financial background, year in school, academic strength, current employment status, and many other factors. For example, consider how an institution may need to formulate its packaging policies when a large percentage of its students have one or more of the following characteristics:

- Must take remedial coursework or ESL courses
- Enter as adult students with families
- Wish to continue working in pre-existing part-time or full-time job
- Have seasonal farming responsibilities
- Enroll in programs where a related work-study position may enhance their academic and career goals
- Live on campus and do not own a car
- Do not have enough other grant aid to cover direct education costs
- Live in an area with low-employment rates

## The Question of Perkins Loans

NASFAA's recommendation to eliminate the Perkins Loan Program would also increase flexibility in constructing student aid packages. Under the NCI proposal, the Department of Education would relinquish current Perkins funds to schools to use as institutional aid. Based on individual institution resources and student needs, schools could use funds previously part of the Perkins Loan Program to seed an institutional loan program. This would allow schools to have a sustained revolving fund that would

benefit both current and future students. Schools would possess the flexibility to use monies to meet either short-term emergency needs or provide longer-term loans.

The Obama Administration has proposed strengthening the Perkins Loan Program. Although the program offers many advantages to students, NASFAA strongly believes that students will benefit more from a single loan program, which would be less confusing than the myriad of options which currently confront them. Instead of adding dollars to Perkins, the federal government should invest in a streamlined campus-based program that would allow institutions maximum flexibility in meeting their students' needs. Finally, a commitment to make the Federal Pell Grant Program a true entitlement program with award amounts that allow for maximum access to students reduces the need for the Federal Perkins Loan Program.

### **Would Schools Opt for Work-Study?**

A significant challenge arising from the NCI recommendations for the campus-based programs concerns the Federal Work-Study program. If an institution has the flexibility to decide how much of its campus-based allocation it awards as grants and how much it awards as work-study, what would encourage a school to use a reasonable proportion of its allocation to sustain student employment?

One motivation is increased student retention. The American Council on Education (ACE) Center for Policy analysis released an issue brief in May 2006 entitled *Working Their Way through College: Student Employment and Its Impact on the College Experience*. ACE's research shows that working 15 or fewer hours per week, especially on campus or in a position related to the student's academic interests, has a positive impact on persistence and degree attainment. The issue paper also notes that only a small percentage of students have such jobs. Given the percentage of federal dollars involved in the payment of student wages, work-study is an ideal method for institutions to increase the number of available positions that possess the characteristics to increase student persistence and degree completion.

A robust work-study program that allows for community service positions also gives students and the institution to give back to the community and fosters a society that values service and meeting the needs of the disadvantaged. Using campus-based funds on work-study positions also encourages personal responsibility among participating students by giving them an avenue to earn money to pay college expenses that should not have a negative effect on their academic pursuits.

In addition, there are several ways to encourage institutions to use campus-based fund allocations for work-study under a single-program model. Possible methods include requiring a minimum percentage of an institution's allocation to be used for work-study, allowing a larger federal match for work-study funds, and giving some preference in the allocation process to schools that award campus-based funds as work-

study. NASFAA welcomes feedback from the community on creative ways to encourage participation in work-study under a single campus-based program model.

## **Simplifying Program Administration**

Student services suffer when schools must dedicate precious staffing and technological resources to administrative burden rather than to helping aid applicants. Implementation of the NCI recommendations regarding the campus-based programs would allow for a significant reduction in the administrative burden borne by participating institutions. Although there are characteristics that are common to all three of the campus-based programs, the differing structures of the programs—grant, loan, and work—require each program to have its own set of regulations. As regulatory complexity has increased over the years, institutions must devote more time and effort to ensure that they are in compliance with a multitude of requirements.

Multiple reporting requirements also create administrative burden. Institutions use the Fiscal Operations Report and Application to Participate (FISAP) to both report the use of funds allocated for the most recently completed award year and to request funds for the upcoming award year. Although the campus-based programs use a single form for reporting and requesting funds for all three programs, schools receive separate FSEOG and FWS allocations (a Federal Capital Contribution or FCC has not been available for Perkins for the past several years) and must maintain three separate accounts for these funds. By simplifying the structure of the campus-based programs as described in the NCI proposal, participating institutions will benefit from a streamlined approach that applies to the entire reporting and accounting structure for the funds.

With reduced administrative requirements to monitor, financial aid office staff should have more time and resources to devote to counseling students and their families. Enhanced counseling efforts could encompass not only traditional in-person interaction but also but also the provision of consumer information and fostering a campus environment that recognizes the importance of financial aid to students' ability to pursue and complete a postsecondary education.

## **Conclusion**

The campus-based aid programs are among the oldest federal student aid programs. By allocating funds to institutions that then award funds to needy students using broad criteria, the programs allowed schools to use these funds to best meet the needs of their individual student populations. Over the years, increasing administrative requirements have curtailed institutions' ability to use funds for their intended purpose.

Institutions serve a wide variety of populations. To effectively respond to the needs of their student population, institutions must be able to determine for themselves how to apportion their allocations. NASFAA's NCI recommendations for the campus-based programs puts the focus back where it belongs—on helping students from many backgrounds and circumstances to achieve a postsecondary education.