



UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

MANPOWER AND WELFARE  
DIVISION

MAY 7 1976

The Honorable Terrel H. Bell  
Commissioner of Education  
Office of Education  
Department of Health, Education,  
and Welfare

Dear Dr. Bell:

We recently completed a limited survey of the Office of Education's State Student Incentive Grant program, authorized by the Higher Education Act of 1965, as amended (20 U.S.C. 1070c).

Our survey was conducted at Office of Education headquarters and at State scholarship agencies in Georgia, Illinois, Maryland, Pennsylvania, and Virginia. These States received about 15 percent of program funds in fiscal years 1974 and 1975. The survey objectives were to determine

- the program's progress in meeting its legislative objectives, and
- the efficiency of both the States' and Office of Education's program administration.

We did not attempt to evaluate how the State grant program interacts with the other Office of Education student assistance programs.

The program's purpose is to assist States and territories to initiate or expand grant and scholarship programs for postsecondary education students having substantial financial need. Program funding began in fiscal year 1974 for use in program year 1974-75. Appropriations through fiscal year 1976 total \$84 million.

The legislation provides that funds be distributed to a participating State based on the ratio of the number of students enrolled at postsecondary institutions in that State to the total number of such students in all States. Accordingly, the Office of Education has determined that enrollment includes students attending postsecondary institutions (2- and 4-year public and private and proprietary) on at least a half-time basis. Federal funds must be matched dollar for dollar by State funds.

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A State agency selects grant recipients using financial need criteria established annually by that State and approved by the Office of Education. Each State determines the types of students and institutions which will be eligible to participate in the program. The maximum grant is \$1,500; grants are given only to undergraduate students.

PROGRESS IN MEETING  
LEGISLATIVE OBJECTIVES

Before the State Student Incentive Grant program began only 27 of the 56 States and territories had need-based scholarship or grant programs. In fiscal year 1975, 48 States and territories were participating in the program. Although the program has significantly increased the number of States offering need-based financial aid programs, more could be done to achieve the Federal goals of providing equality of access and choice in postsecondary education.

One area that could be strengthened deals with funds allocation. The program permits States to establish institutional and student eligibility requirements which in many instances are more restrictive than the criteria used to channel program funds into the States. States having more restrictive criteria are using their allocated funds to serve fewer students than the legislation recognizes as eligible to participate in the program. Therefore, Federal funds are not being equitably distributed to all eligible students in all States.

Of the five States included in our survey, Virginia's eligibility criteria was one of the most restrictive and Pennsylvania's was the most liberal. The following examples illustrate the effect of these diverse criteria.

In fiscal year 1974 Virginia received State grant program funds based on 224,263 students enrolled on at least a half-time basis in all types of institutions (2- and 4-year public and private and proprietary) in the State. However, Virginia allowed only full-time students attending 2- and 4-year public and private colleges and universities within the State to apply for a grant. Thus 128,897 students (or 57 percent of the number on which its allocation was based) were eligible to apply for grants.

Under the same criteria, Pennsylvania received funds based on 479,920 students. However, Pennsylvania permitted full-time students (who met the State's residency requirements) attending all types of institutions (2- and 4-year public and private and proprietary) both within and outside the State to apply for a grant. Thus 441,574 students (or 92 percent of the number on which its allocation was based) were eligible to apply for grants.

The following table compares funds distribution under the present allocation method with an alternate method which considers the variation in State criteria and would allocate the funds to a State based on the ratio of the number of students deemed eligible to apply for a grant by the State to the total number of students deemed eligible by all participating States and territories.

Comparison of Existing and Alternate  
Methods for Allocating  
State Student Incentive Grant Funds a/

<u>Allocation method</u>	<u>Virginia</u>	<u>Pennsylvania</u>	<u>Total all States</u>
<u>Present</u>			
Total enrollment	224,263	479,920	10,998,481
Allocation	\$408,000	\$ 872,000	\$20,000,000
Per capita allocation b/	\$ 3.16	\$ 1.97	
<u>Alternate</u>			
Eligible to apply	128,897	441,574	8,099,223
Allocation	\$318,000	\$1,090,000	\$20,000,000
Per capita allocation c/	\$ 2.47	\$ 2.47	

a/ Enrollment data and total funding amounts are fiscal year 1974, State funding amounts shown are initial allocations and do not represent actual funding.

b/ Present allocation divided by eligible to apply.

c/ Alternate allocation divided by eligible to apply.

We recognize that the law specifies how funds should be allocated, however, some students enrolled in postsecondary institutions may not be eligible to receive State grants--depending upon the State in which they reside and upon that State's criteria for eligibility. Of the 48 participating States and territories

- 26 do not allow awards to be used at proprietary institutions,
- 30 do not allow awards to be made to part-time students, and
- 36 do not allow portability of grants--that is, students are not permitted to use their grants outside the State in which they reside.

We suggest that the Office of Education consider developing alternatives to the present allocation method that would distribute Federal funds more equitably among eligible students. One alternative method is an allocation based upon a ratio of the number of students which the State defines as eligible to apply to the total number of students deemed eligible by all participating States and territories. We have discussed the need for changing the allocation method with program officials who said they were studying various alternatives.

#### VERIFICATION OF INFORMATION

An area of growing concern in student assistance programs is their susceptibility to fraud and abuse. One control mechanism is to verify the accuracy of information provided by students and parents. However, only two of the five States we surveyed--Illinois and Pennsylvania--systematically verified the accuracy of application data.

Each year the Illinois State Scholarship Commission randomly samples about three percent of the applications. The data reported on these applications are compared with Federal income tax return data. The Commission requests explanation or correction from students or parents if data on applications is significantly different from data on tax returns. Also, all applications are checked mechanically during processing to determine the reasonableness of data reported.

The Pennsylvania Higher Education Assistance Agency requires parents and students signing applications to authorize the release of State income tax return data. Family income information on all applications is compared to tax return data to verify its accuracy.

Because the State Student Incentive Grant program is relatively new, we suggest that it would be an appropriate time for the Office of Education to encourage States to establish data verification procedures.

## PROGRAM MONITORING

The Office of Education's program officials visit participating States throughout the year to offer technical assistance and monitor the program. During the period July 1974 through June 1975, the staff conducted 32 State program reviews.

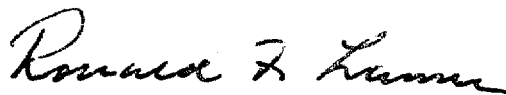
With a limited staff and the large number of State programs to monitor these officials can devote little time to each visit. For example, in a visit to one State agency, the staff spent less than a day and looked at about 12 student files. We spent 3 days at that same State agency, examined about 150 files, and noted problems in State administration not found by program officials during their limited review.

To enhance program monitoring we suggest that program officials limit the number of annual site visits so that their reviews can be more penetrating. For instance, they could review programs in one-third of the States each year, covering all States over a 3-year period. This would permit program officials an opportunity to make more thorough analyses of the States' program administration.

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Please convey our appreciation to Dr. Richard McVity and his staff for their cooperation during our survey. We would appreciate receiving your comments on the matters discussed in this letter and on any actions taken regarding our suggestions.

Sincerely yours,



Ronald F. Lauve  
Associate Director