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UNITED STATES GENERAL ACCOUNTING OFFICE  
Washington, D.C. 20548

FOR RELEASE ON DELIVERY  
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STATEMENT OF  
GREGORY J. AHART, DIRECTOR  
HUMAN RESOURCES DIVISION  
BEFORE THE  
SUBCOMMITTEE ON OVERSIGHT  
COMMITTEE ON WAYS AND MEANS  
UNITED STATES HOUSE OF REPRESENTATIVES  
ON  
[SOCIAL SECURITY STUDENT BENEFICIARIES]

190

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E2 55  
VA 16



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*Estimote*

Mr. Chairman and Members of the Subcommittee, we are pleased to appear today to discuss our review of Social Security student benefits. By letter dated February 2, 1979, we presented to the staff of the full Committee information in chart form on our work in this area.

I would like at this time to submit a copy of the letter and charts which are attached to the statement for the record. My statement today will summarize and highlight the information contained in the charts, and comment briefly on problems the Social Security Administration has had in administering the benefit program.

Our work in this area was prompted by five major concerns:

1. There are financing problems confronting the Social Security system,
2. Annual Social Security student benefit payments have grown about fivefold since 1966,
3. The extent Social Security student benefits duplicate financial assistance provided by other programs,
4. Social Security student benefits are paid without regard to need, cost of education, or academic progress, and

F/c

5. The Social Security Administration has experienced serious problems in implementing the student benefit provisions.

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The Social Security Act as amended provides for the payment of benefits to children aged 18 to 22 of entitled retired, disabled, and deceased workers, if they are attending school full time and are not married. Payments of Social Security student benefits have rapidly grown from \$325 million in 1966, the first full year of operation to \$1.6 billion during 1978. The Social Security Administration estimates the program will continue to grow, reaching \$2.5 billion in 1982.

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Social Security student benefits, like all Social Security benefits, are based on the entitled workers' earnings in covered employment. During the 1977 school year, annual benefit payments to students ranged from less than \$100 to more than \$4,000. The average annual benefit was about \$1,700.

FINANCIAL ASSISTANCE FROM THE OFFICE OF EDUCATION AND OTHER SOURCES IS AVAILABLE TO SOCIAL SECURITY STUDENT BENEFICIARIES

HEW's Office of Education is a major source of Federal student financial aid for postsecondary education. Most of the programs it sponsors were not established when Social Security student benefits began in 1965. Its six major programs are:

- Basic Educational Opportunity Grant (Basic Grant)
- Supplemental Educational Opportunity Grant
- College Work-Study
- National Direct Student Loan
- Guaranteed Student Loan
- State Student Incentive Grant

During school year 1977-78, these programs provided about \$4.2 billion in financial assistance to about 3 million students at more than 8,000 participating schools. To participate in these programs a student must maintain good academic standing according to the standards and practice of the school. Also, funds for most of these programs are distributed on the basis of need.

The largest of these programs is the Basic Grant which provided \$1.7 billion to needy students. The Basic Grant program provides up to one-half of the student's cost of education, but not more than \$1,600 for the 1978-79 school year and \$1,800 the following year. Educational costs include tuition, living expenses, school fees, and miscellaneous expenses.

The Basic Grant program is considered to be the foundation or starting point for financial assistance. A principal factor in determining eligibility for a Basic Grant is family income.

During the 1979-80 school year, for example, a student from a family of four persons with total family income less than \$25,000 will generally be eligible for a Basic Grant.

Census Bureau data indicates that for 1977, 89 percent of the Social Security student beneficiaries had parental income of less than \$25,000. Consequently, parental income would not preclude most Social Security students from receiving a Basic Grant. Moreover, Office of Education estimates for academic year 1979-80 show that if all eligibility factors were considered, about seven out of every ten Social Security students could receive a Basic Grant.

Social Security student beneficiaries may also receive financial assistance from programs administered by other Federal agencies such as the Veterans Administration, Railroad Retirement Board, and Office of Personnel Management (formerly the Civil Service Commission). Further, many other programs are available at the State and local level to provide financial assistance.

To determine whether Social Security student beneficiaries were applying for, or receiving assistance from Office of Education and other programs, we compared Social Security student records for the 1976-77 school year with records from

- the Basic Grant program,
- the Guaranteed Student Loan program, and
- the Veterans Dependents Educational Assistance program for 18 to 22 year old dependents. (This program pays benefits to dependents of deceased and disabled veterans and should not be confused with educational benefits available to veterans themselves, such as the former GI bill.)

We estimate that 800,000 Social Security student beneficiaries could have applied for a Basic Grant during the 1976-77 school year. However, we estimate that only 218,000, or about 27 percent, were scheduled to actually receive them.

The principal reasons for this low percentage were:

- 59 percent did not bother to apply,
- 11 percent were ineligible because they did not meet the needs test, and
- 2 percent applied, were eligible to receive a grant, but never claimed the grant money.

It is significant to note, however, that of those who did apply for a Basic Grant, 71 percent were determined eligible.

Many Social Security student beneficiaries can apply for and receive Guaranteed Student Loans. We identified 31,000 Social Security student beneficiaries who received a loan, including over 10,000 who were ineligible for a Basic Grant.

Our comparison of Social Security records with Veterans Administration dependent educational assistance records showed that 48 percent were also receiving Social Security student benefits. Furthermore, when the records from three programs were compared, about 4,600 students were receiving Social Security and Veterans Administration educational benefits and also expected to receive a Basic Grant.

A 1976 Office of Education survey of 256,000 college freshmen shows that the Social Security student beneficiaries do, in fact, receive less financial support from their parents than other students. However, the data also shows that this decreased support is offset by (1) Social Security student participation in Federal, State, and private programs, especially the Office of Education programs, and (2) greater amounts of assistance from these programs.

To obtain an indication of the sources of financial assistance Social Security student beneficiaries receive, we visited 119 postsecondary schools in the Los Angeles, California, and upstate New York areas and reviewed the financial assistance folders for selected students. Conservatively, we estimate that 50 percent of the Social Security students were

receiving financial assistance from at least one other Federal, State, or private source. Some of these students received financial assistance from as many as five additional sources.

MANY STUDENTS RECEIVE MORE IN BENEFITS  
THAN THE COST OF THEIR EDUCATION

We estimate that 218,000 Social Security student beneficiaries expected to receive Basic Grants for the 1976-77 school year. Of these, more than 100,000 expected to receive more in Social Security and Basic Grant benefits than their total cost of going to school. About 40 percent of these students received more in Social Security student benefits alone than their total educational cost for the year, with some students having excess benefits of more than \$2,200.

We also identified about 4,000 students who received benefits from Social Security, VA, and Basic Grant programs, which when totaled, were greater than their educational costs. Eighty-five percent of these students expected to receive benefits exceeding their annual educational costs by more than \$1,000 and a few by more than \$5,000.

Social Security beneficiaries can receive more in benefits than their total cost of education principally because

- Social Security student benefits are not related to educational cost and are even paid when students are on summer vacation, and



--the Social Security Administration considers student benefits as income maintenance rather than educational benefits. Thus, the Office of Education treats the student benefits as family income, thereby expecting only a small portion to be utilized in meeting educational costs.

PROBLEMS WITH PAYING EDUCATION  
BENEFITS USING AN INSURANCE SYSTEM

Social Security benefits are provided under an insurance concept, generally relating to the sharing of risks over which individuals have little or no control, such as death or disability. An insurance concept is not usually applied to conduct that is not only under the individual's control, but is actually perceived as desirable, such as obtaining postsecondary education.

There are specific problems with using the Social Security system for targeting money to students for school attendance.

These include:

- Students from lower income families will generally receive the least benefits.
- Students from larger families generally receive proportionally less than students from smaller families. This occurs because Social Security benefits to dependents from families with three or

more persons are reduced to conform to the maximum amount Social Security may pay a family. By extending dependency to student beneficiaries, other family member benefits are often diluted.

- Annual benefit payments to students range from less than \$100 to more than \$4,000. Students in the same financial position going to the same school and incurring the same costs can receive different benefit amounts.
- Students age 18 to 22 who attend school less than full time are not entitled to any Social Security benefits. Working students whose school attendance is not full time do not receive any benefits.
- Students age 18 to 22 who marry are not entitled to receive benefits even though attending school full time.
- Students are not required to make educational progress since there are no academic standards. For example, a student in our sample was paid about \$1,600 in Social Security student benefits from December 1975 through 1976, although failing all 30 credit hours taken.

SOCIAL SECURITY ADMINISTRATION'S  
MANAGEMENT OF STUDENT BENEFITS

We have found that the Social Security Administration has experienced problems in paying student benefits.

The Social Security Administration relies primarily on students to provide timely and accurate reports of their school attendance. To verify attendance and evaluate the reliability of student reporting, we examined high school and postsecondary school records for a sample of students in Los Angeles County and upstate New York.

We determined that many students were ineligible for payments because they had dropped out of school or attended only part time. Nine percent of the payments made to the students in our upstate New York sample and 19 percent of the payments made to students in our Los Angeles County sample were made to ineligible students. The Social Security Administration was not aware of most of these improper payments.

We also determined that 86 percent of the sampled students who attended school part time or dropped out did not notify Social Security as required. Further, at least 31 percent of the sampled students who were no longer attending school full time, incorrectly reported that they were full time students. For example, a student reported after the school year ended

that he had been attending school; however, the school records showed that he had dropped out several months before the end of the school year. Consequently, the student was paid about \$1,700 in benefits to which he was not entitled.

The Social Security Administration was notified of our findings during our review and is taking corrective action by

- (1) measuring the nationwide magnitude of payments to ineligible students, (preliminary results indicate annual payments to ineligible students of \$100 to \$150 million),
- (2) revising its student reporting form to require school verification, and
- (3) obtaining other verifying data from the Office of Education on students receiving Social Security benefits.

We identified several other problems with beneficiaries:

- Students have submitted inaccurate information on Social Security benefits to the Office of Education resulting in their receiving larger Basic Grants than warranted;
- The Social Security Administration has made duplicate payments to students; and
- The Social Security Administration has had difficulties in collecting overpayments made to students.

THE ADMINISTRATION PROPOSES  
TO PHASE OUT SOCIAL SECURITY  
BENEFITS FOR POSTSECONDARY STUDENTS

The Administration estimates that if a 4-year phase out of the student program for postsecondary students begins in fiscal year 1980, it could save the Social Security Trust Funds about \$170 million in the first year. By 1984, the annual savings would be about \$1.8 billion.

The Administration justifies the phase out on the basis that student aid should be provided through educational assistance programs rather than through an income maintenance program and a number of educational assistance programs have been established since 1965.

A phase out would require amending the Social Security Act.

CONCLUSIONS

Since the Social Security Administration began paying student benefits, a number of other Federal programs have been established in the Office of Education to provide student financial assistance. Parental income and other characteristics of Social Security students indicate that the majority of the students could receive assistance from these programs if they need such assistance.

Unlike the Office of Education programs, Social Security student benefits are paid under an insurance concept without

regard to need, cost of education, or academic progress.

Furthermore, our work has shown that a number of Social Security student beneficiaries are receiving financial aid far in excess of the cost of their education.

The Administration is proposing to phase out the payment of Social Security benefits to postsecondary students. The results of our work to date support a phase out of these benefits. In view of the fact that the insurance concept of the Social Security program is not well suited to meeting the educational needs of covered beneficiaries and the financial problems confronting the Social Security system, the Congress should give full consideration to such a proposal.

Mr. Chairman, this completes our statement. We will be glad to answer any questions you or other members may have. Also, we would be glad to discuss any information in the attached charts to whatever extent may be desired.

Attachment



UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

HUMAN RESOURCES  
DIVISION

February 2, 1979

Mr. John M. Martin, Jr.  
Chief Counsel  
Committee on Ways and Means  
House of Representatives


Dear Mr. Martin:

We have been examining the provisions of the Social Security program related to benefit payments for students. As part of our work, we have assembled information in chart form on these students including their relationship to other educational programs. These charts also cover many aspects of the issues and problems associated with the possible discontinuance of Social Security payments to these beneficiaries.

The information contained in these charts may be of use to the Committee in evaluating the Administration's proposal on phasing out benefits for postsecondary students. Mr. Michael Zimmerman of our Social Security audit staff (301-594-4484) will be available to discuss the data contained in the charts.

Copies of these charts are also being furnished to the Secretary of Health, Education, and Welfare, as well as to other congressional committees who have expressed an interest in this area.

Sincerely yours,

  
Gregory J. Anart  
Director

Enclosures - 25

INFORMATION

ON

SOCIAL SECURITY STUDENT BENEFICIARIES

ASSEMBLED BY

UNITED STATES GENERAL ACCOUNTING OFFICE

FEBRUARY 1979



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SHOULD SOCIAL SECURITY STUDENT BENEFICIARIES  
BE VIEWED AS DEPENDENTS OR ADULTS?

HOUSE WAYS AND MEANS COMMITTEE AND  
SENATE FINANCE COMMITTEE VIEW (1965)

(House Report #213, Senate Report #404 Part I)

" \* \* \* The Committee believes that a child over age 18 who is attending school full time is dependent just as a child under 18 or a disabled older child is dependent, and that it is not realistic to stop such a child's benefit at age 18. A child who cannot look to a father for support (because the father has died, is disabled, or is retired) is at a disadvantage in completing his education as compared with the child who can look to his father for support. Not only may the child be prevented from going to college by loss of parental support and loss of his benefits; he may even be prevented from finishing high school or going to a vocational school. \* \* \*"

SOCIAL SECURITY VIEW (1972)

(Expressed in the context of issuing the student a separate check, instead of including the student benefit as part of the family's check.)

"\* \* \* Since the basis for the change in paying benefits to students is in the recognition that any individual who is at least age 18 is an adult and has a right to receive and manage his own benefits, \* \* \*. The right to receive their own benefits is considered to be a basic right of all adults and cannot be taken away from them unless they are incompetent to manage those benefits. \* \* \*"

SOCIAL SECURITY VIEW (1979)

(Excerpt of 1980 budget justification statement.)

" . . . once a child completes his secondary education and attains the legal age of majority--increasingly regarded as 18, rather than 21, as reflected in the

change in the voting-age requirement--the person should be regarded as an adult, financially and otherwise responsible for himself, and that such a presumption of 'dependency' is not valid. Student assistance should be provided through educational assistance programs not through an income maintenance program. A number of programs have been established since 1965 that provide educational assistance. \* \* \*

THE DEPENDENCY CONCEPT IN THE  
OFFICE OF EDUCATION BASIC GRANT PROGRAM

An independent, for Basic Grant purposes, is an individual who during the previous and current year did not, or will not during the next year

- (1) live with his parents for more than 2 consecutive weeks,
- (2) be claimed as an exemption on his parents' Federal income tax return,
- (3) receive \$600 or more worth of assistance from his parents.

About 24,600 Social Security student beneficiaries, of 233,160 who applied and were eligible for an Office of Education Basic Grant during the 1976-77 school year, were considered by the Office of Education independent of their parents for purposes of receiving the Basic Grant.

SOCIAL SECURITY STUDENT BENEFITSCritics of the Program Say:

- While the SSA program is designed to provide student assistance, other Federal programs are better targeted toward students who need help. These other programs achieve more equitable results among families of similar size and resources.
- A flat-rate tax on earnings is an inappropriate method of providing assistance to enable individuals to attend college.
- The program is an expensive, inequitable, and unnecessary duplication of benefits.
- SSA programs are generally considered social insurance which has been defined as the sharing of unwanted risks over which individual beneficiaries have little or no control. This insurance concept is not usually applied to conduct that is not only under the individual's control, but is actually perceived as desirable, such as attending school past the eighteenth birthday.
- When enacted, no provision was made to cover the costs of the benefits, such as an increase in the payroll tax rate.

Supporters of the Program Say:

- Student benefits are not aid to students, but income to families.
- A social insurance program is no more properly subject to a needs test or criticism for duplicating benefits than any other insurance program.

SOCIAL SECURITY STUDENT BENEFIT PROGRAM

Eligibility Criteria

- Individual must be the child of an insured retired, disabled, or deceased worker, and
- Single, and
- Attending an eligible institution 1/ full time, and
- Age 18 to 22 2/.

Eligibility and Benefit Amount

- Are not contingent upon a student's academic progress.
- Are not related to educational cost.

1/ This includes public, nonprofit, and proprietary (profit-making) schools--but excludes mailorder establishment.

2/ Benefits may be received until the end of the school term in which age 22 is attained.

SOCIAL SECURITY STUDENT BENEFICIARIES  
PROGRAM GROWTH COMPARISON FOR THE MONTH OF DECEMBER  
1965 to 1978

	<u>Number of</u> <u>Students</u>	<u>Benefits Paid</u> <u>(millions)</u>
December 1965	205,677	\$13.725
December 1966	375,873	24.000
December 1967	427,267	27.449
December 1968	474,056	34.243
December 1969	498,015	36.027
December 1970	537,170	44.672
December 1971	583,374	53.406
December 1972	634,481	69.616
December 1973	651,540	72.612
December 1974	679,101	84.715
December 1975	774,261	104.561
December 1976	834,718	121.059
December 1977	869,184	135.687
December 1978	817,506	139.994

NOTE:

Social Security student benefit program was established in 1965 as a part of the legislation which enacted the Medicare program.



SOCIAL SECURITY STUDENT BENEFICIARIES  
NUMBER AND AMOUNT PAID  
DURING PERIOD JULY 1, 1976 to JUNE 30, 1977

<u>Month</u>	<u>Number</u>	<u>Amount</u> (millions)
July 1976	653,072	\$ 94.826
August 1976	705,237	102.417
September 1976	737,061	107.069
October 1976	770,835	112.041
November 1976	805,889	117.019
December 1976	834,718	121.059
January 1977	841,299	121.722
February 1977	858,873	124.071
March 1977	882,670	127.447
April 1977	894,842	129.295
May 1977	873,558	126.249
June 1977	804,817	<u>124.576</u>
Total		<u>\$1,407.791</u>

NOTE:

During this period, a total of 1,053,556 different persons received one or more payments as students.

SOCIAL SECURITY STUDENT BENEFICIARIES  
STUDENTS BY BASIS OF ENTITLEMENT AT YEAR END  
FROM 1965 TO 1978

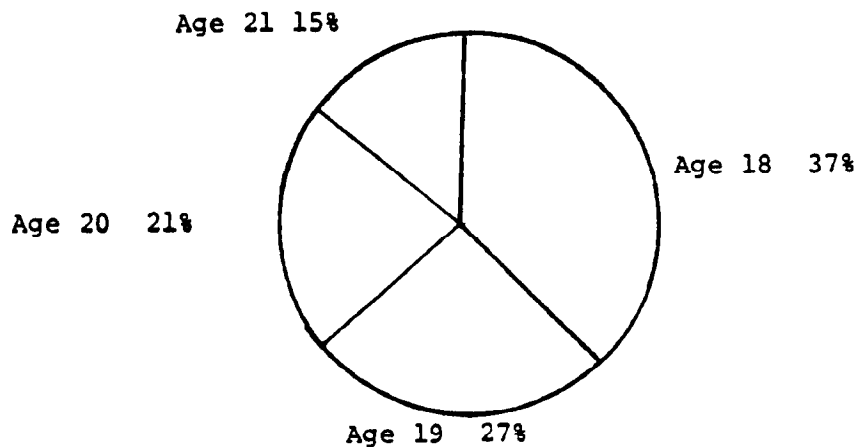
<u>December</u>	<u>Total Number</u>	<u>Percent of Students Who Were Children Of:</u>		
		<u>Retired Workers</u>	<u>Deceased Workers</u>	<u>Disabled Workers</u>
1965	205,677	16.6	75.4	8.0
1966	375,873	17.9	71.0	11.1
1967	427,267	16.9	71.0	12.1
1968	474,056	16.8	70.2	13.0
1969	498,015	16.3	70.3	13.4
1970	537,170	16.8	69.2	14.0
1971	583,374	16.7	68.6	14.7
1972	634,481	16.6	67.3	16.1
1973	651,540	17.5	66.6	15.9
1974	679,101	17.4	65.2	17.4
1975	774,261	17.2	63.8	19.0
1976	834,718	18.6	61.4	20.0
1977	869,184	18.1	61.5	20.4
1978	817,506	18.6	60.8	20.6

NOTES:

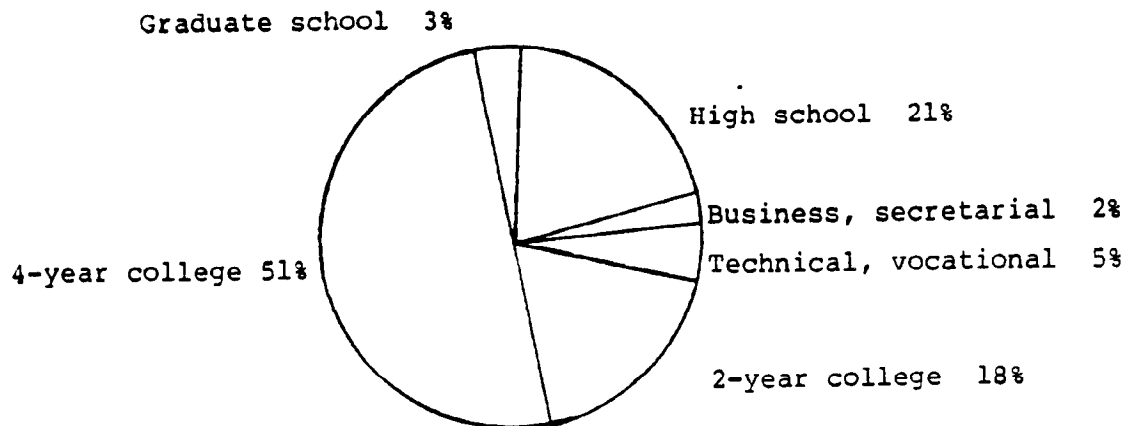
1. The monthly benefit payable to a student is related to the primary insurance amount of the retired, disabled, or deceased worker. The primary insurance amount is related by law to the average monthly earnings of the worker and is the amount payable monthly to a retired worker upon entitlement to full benefits at age 65 and to a disabled worker upon entitlement to disability benefits. It also serves as the basis for computing all other benefits based on an earnings record.
2. Student children of retired and disabled workers can each receive up to 50 percent of the primary insurance amount, while student children of deceased workers can each receive up to 75 percent. Total benefits payable to a family, however, are subject to a statutory maximum amount.

SOCIAL SECURITY STUDENT BENEFICIARIES  
BY AGE AND TYPE OF SCHOOL

STUDENT AGE  
 (December 1972)



TYPE OF SCHOOL  
 (1972-73 SCHOOL YEAR)



NOTE:

Most recent data available.

GAO ESTIMATE  
SOCIAL SECURITY STUDENT BENEFITS PAID  
BY TYPE OF SCHOOL ATTENDING

<u>Type of School Attending</u>	<u>Academic Year</u>	
	<u>1976-77</u>	<u>1977-78</u>
	(millions)	
High School	\$ 257.2	\$ 282.6
Non-graduate postsecondary	1,107.3	1,216.9
Graduate	<u>43.3</u>	<u>47.6</u>
Total	<u>\$1,407.8</u>	<u>\$1,547.1</u>

NOTE:

Above estimates are based on Social Security survey data for students in academic year 1972-73, and assume the proportion of students and median benefits for these groups are the same in 1976-77 and 1977-78.

SOCIAL SECURITY STUDENT BENEFICIARIES  
ATTENDING PUBLIC OR PRIVATE SCHOOL  
1972-73 SCHOOL YEAR  
BY TYPE AND COST OF SCHOOL

	<u>Total</u>	<u>High School</u>	<u>College</u>	<u>Non-college Postsecondary</u>
Total Number (in thousands)	<u>588</u>	<u>126</u>	<u>420</u>	<u>42</u>
<u>Percent Public or Private</u>				
Percent in public	75	95	71	54
Percent in private	25	5	29	46
Total percent	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>
<u>Percent and Cost of School</u>				
	<u>Total</u>	<u>High School</u>	<u>College</u>	<u>Non-college Postsecondary</u>
Percent with no cost	11	41	3	4
Percent with cost	89	59	97	96
Total percent	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>
Median nonzero cost	-	\$ 170	\$1,810	\$1,220
Median annual SSA student benefit	-	\$1,176	\$1,416	\$1,476

NOTES:

1. Most recent data available.
2. Cost includes tuition, fees, books, room, board, travel, and/or private health fees, as reported by the students.
3. The median annual SSA student benefit shown above represents median December 1972 benefits multiplied by twelve.

SOCIAL SECURITY STUDENT BENEFICIARIES  
LIKELIHOOD OF SCHOOL ATTENDANCE WITHOUT STUDENT BENEFITS  
NUMBER AND PERCENTAGE DISTRIBUTION OF STUDENTS BY  
TYPE OF SCHOOL - 1972-73 SCHOOL YEAR  
SOCIAL SECURITY SURVEY OF STUDENT OPINION

<u>Survey of Students</u>	<u>All Students</u>	<u>High School Students</u>	<u>College Students</u>	<u>Noncollege Postsecondary Students</u>
Total number (In thousands)	<u>588</u>	<u>126</u>	<u>420</u>	<u>42</u>

<u>Student Comment:</u>	<u>Percent</u>			
Would not go to school	33	16	36	54
No opinion	14	8	16	13
Would go to school	<u>52</u>	<u>76</u>	<u>47</u>	<u>32</u>
Total percent	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

NOTES:

1. Most recent data available.
2. Student comment percentage figures may not add to total due to rounding.
3. The Basic Educational Opportunity Grant Program as a source of Federal student financial aid did not provide funds for the first time until the 1973-74 academic year.

SOCIAL SECURITY STUDENT BENEFICIARIES  
GAC DISTRIBUTION OF STUDENTS BY BENEFIT RANGE AND MONTHS PAID  
DURING THE YEAR JULY 1, 1976, TO JUNE 30, 1977  
NUMBER OF MONTHS STUDENTS RECEIVED SSA STUDENT BENEFITS

SSA Benefit Range (\$)	1	2	3	4	5	6	7	8	9	10	11	12	Total Students
1- 100	335	873	1627	1044	737	525	298	187	171	133	318	809	7057
101- 300	296	3583	7589	5524	4290	3504	2323	1879	1584	1382	3476	9198	44628
301- 600		2752	14178	12056	9392	9002	5310	4011	3264	3374	7520	23014	93873
601-1000		44	6794	13500	12576	14901	8936	7482	6547	6052	12063	49798	138693
1001-1500			4	1538	7283	15204	10583	9432	8675	10370	22259	89938	175286
1501-2000					94	2095	4724	6753	7733	9901	23398	103256	157954
2001-2500						9	245	1272	3311	7931	21473	91353	125594
2501-3000								20	435	2038	9505	90866	102864
3001-3500										194	1517	23989	25700
3501-4000										2	44	1826	1872
Over 4000										1		36	37
<b>Total</b>	<b>631</b>	<b>7252</b>	<b>30192</b>	<b>33662</b>	<b>34372</b>	<b>45240</b>	<b>32419</b>	<b>31036</b>	<b>31720</b>	<b>41378</b>	<b>101573</b>	<b>484083</b>	<b>873558</b>

NOTE:

The 873,558 student beneficiaries were those beneficiaries paid in May 1977. This table shows the range of their student benefits during a 1-year period and excludes Social Security benefits paid prior to age 18 (if the student became 18 during the above period).

SOCIAL SECURITY STUDENT BENEFIT PROGRAM  
PROBLEMS WITH AN INSURANCE SYSTEM  
TO PAY BENEFITS FOR FULL-TIME SCHOOL ATTENDANCE

The Social Security student benefit program provides benefits to individuals regardless of their need for assistance to attend school since these benefits are paid under Social Security's insurance concept. If Social Security student beneficiaries are receiving payments to attend school full time, some problems with the insurance concept payment mechanism are:

- Student beneficiaries themselves can receive payments ranging from less than \$100 to more than \$4,000 for attending school full time for a year.
- Students from lower income families will generally receive the least benefits under the SSA program because parental earnings and contributions to SSA were low.
- Persons age 18 to 22 who attend school less than full time are not entitled to any Social Security student benefits.
- Persons age 18 to 22 who marry are not entitled to receive student benefits even though attending school full time.
- Dependents from families of three or more persons generally have their SSA benefits reduced because there are maximum amounts which SSA may pay any one family. In a sense, by extending dependency to student beneficiaries, other family dependent benefits are diluted.



BUREAU OF THE CENSUS-SURVEY OF INCOME AND EDUCATION  
PERCENT OF SOCIAL SECURITY STUDENT BENEFICIARIES  
BY RANGE OF PARENTAL INCOME

<u>Parental Income Range</u> (1977 Dollars)	<u>Percent of SSA</u> <u>Student Beneficiaries</u>
NONE	.6
\$ 1 to \$ 3,999	16.8
4,000 to 5,999	11.9
6,000 to 7,499	10.8
7,500 to 9,999	12.7
10,000 to 11,999	8.0
12,000 to 14,999	10.6
15,000 to 19,999	12.8
20,000 to 24,999	5.3
25,000 to 29,999	4.1
30,000 to 34,999	2.2
35,000 to 39,999	.9
40,000 and over	3.3

NOTES:

1. Parental income in 1975, updated by Census to 1977 dollars.
2. The percentages shown above related to a Census universe for 603,000 Social Security student beneficiaries in 1975.
3. During academic year 1978-79, a student from a family of four persons with total family income less than \$15,000 is generally eligible for an Office of Education Basic Grant. For academic year 1979-80, a student from a family of four persons whose family income is less than \$25,000 will generally be eligible for a Basic Grant.

CONGRESSIONAL BUDGET OFFICE  
ESTIMATES FOR FISCAL YEAR 1978  
STUDENT ASSISTANCE FUNDING  
PROGRAM FUND DISTRIBUTION BY FAMILY INCOME

<u>Program</u>	<u>\$0-15,000</u>	<u>\$15,000 - 25,000</u>	<u>\$25,000 and over</u>	<u>All income</u>
Basic Grant				
Dollars (millions)	1,947	129	0	2,076
Percent	94	6	0	100
Supplemental Grant				
Dollars (millions)	248	22	0	270
Percent	92	8	0	100
Direct Loan				
Dollars (millions)	212	98	16	326
Percent	65	30	5	100
College Work-Study				
Dollars (millions)	348	78	9	435
Percent	80	18	2	100
Guaranteed Loan				
Dollars (millions)	331	172	27	530
Percent	63	32	5	100
Veterans' Readjustment				
Dollars (millions)	1,129	804	161	2,094
Percent	54	38	8	100
Social Security				
Student Benefits				
Dollars (millions)	923	260	263	1,446
Percent	64	18	18	100

Abbreviations

Basic Educational Opportunity Grant (Basic Grant) program.  
 Supplemental Educational Opportunity Grant (Supplemental Grant) program.  
 National Direct Student Loan (Direct Loan) program.  
 Guaranteed Student Loan (Guaranteed Loan) program.

NOTES:

1. Data source for the above estimates was the Congressional Budget Office, "Federal Assistance for Postsecondary Education: Options for Fiscal Year 1979," May 1978.
2. Actual Social Security student benefits for fiscal year 1978 were \$1,577 million.

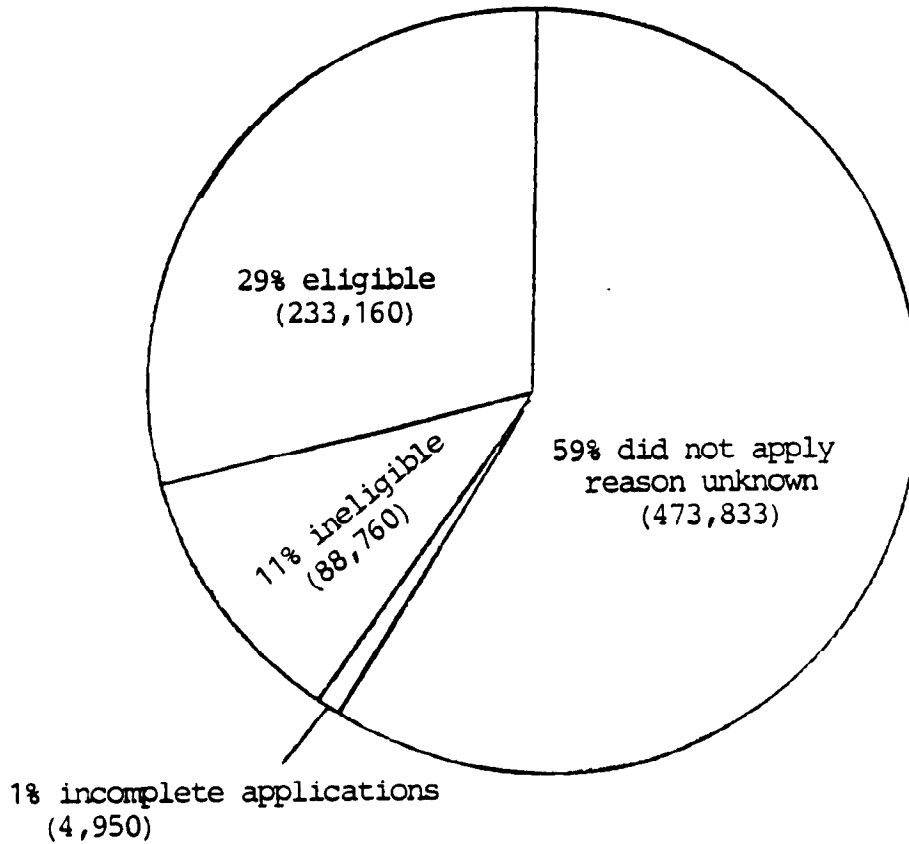
ESTIMATED COST OF EDUCATION FOR  
SOCIAL SECURITY STUDENT BENEFICIARIES  
WHO WERE ALSO BASIC GRANT RECIPIENTS  
ACADEMIC YEAR 1976-77

<u>Estimated Cost Range</u>	<u>Percent Social Security Student Beneficiaries</u>
\$ 1 to \$1,300	.4
1,301 to 1,650	8.1
1,651 to 2,000	30.3
2,001 to 2,350	24.8
2,351 to 2,700	11.0
2,701 to 3,050	6.1
3,051 to 3,400	4.0
3,401 to 4,100	8.0
4,101 to 4,800	4.0
4,801 to 5,500	1.9
5,501 to 6,200	.9
Over 6,200	<u>.5</u>
Total	<u>100.0</u>

NOTES:

1. The above percentages apply to an estimated 207,537 Social Security student beneficiaries.
2. Cost as reported by the schools includes tuition, fees, living expenses, and miscellaneous expenses.

GAO ESTIMATES  
SOCIAL SECURITY STUDENT BENEFICIARIES AND  
THE BASIC EDUCATIONAL OPPORTUNITY GRANT PROGRAM  
ACADEMIC YEAR 1976-77



NOTE:

We estimate that a total of 800,703 Social Security non-graduate postsecondary student beneficiaries could have applied for a Basic Grant during the 1976-77 academic year.

OFFICE OF EDUCATION THEORETICAL ESTIMATES OF  
SOCIAL SECURITY STUDENT BENEFICIARIES  
ELIGIBLE AND INELIGIBLE FOR BASIC GRANTS  
ASSUMING ALL STUDENTS APPLY

<u>Academic Year</u>	<u>If Social Security Student Benefit Program is:</u>			
	<u>Continued</u>		<u>Discontinued</u>	
	<u>Eligible</u>	<u>Ineligible</u>	<u>Eligible</u>	<u>Ineligible</u>
1977-78	351,812	447,488	-	-
1978-79	402,120	430,759	-	-
1979-80	572,977	283,120	617,652	238,447
1980-81	526,763	336,521	578,477	284,808
1981-82	493,437	373,021	544,144	322,333

NOTES:

1. Above data are estimates by the Office of Education assuming all SSA student beneficiaries attending postsecondary educational institutions apply for Basic Grants. However, actual prior experience (1976-77 school year) has shown that 59 percent of potential postsecondary Social Security student beneficiaries did not apply for Basic Grants.
2. The following Office of Education estimates show the increased cost to the Basic Grant program if the Social Security student benefit program is discontinued:

<u>Academic Year</u>	<u>Amount (millions)</u>
1979-80	\$49
1980-81	52
1981-82	60

Basic Grant costs would increase because Social Security student benefits, if discontinued, would not count as income in determining grant eligibility. Some previously ineligible Social Security students would then become eligible, and some of those already eligible would receive increased grant amounts.

REASONS SOCIAL SECURITY STUDENT BENEFICIARIES  
WERE INELIGIBLE FOR A BASIC GRANT  
ACADEMIC YEAR 1976-77

Social Security Student Beneficiaries  
Considered by the Office of Education as:

<u>Parental Dependent</u>	<u>Percent</u>	<u>Parental Independent</u>	<u>Percent</u>
Parents' income too high	62	Students' income too high	93
Parents' assets too high	26	Students' assets too high	6
Students' assets too high	5	No one reason	<u>1</u>
No one reason	<u>7</u>		
Total	<u>100</u>	Total	<u>100</u>

NOTES:

1. The above percentages were based on a GAO analysis of two samples (dependents and independents) of Social Security students determined ineligible for a Basic Grant by the Office of Education.
2. Income includes earnings, non-taxable items, and Veterans Educational Benefits.
3. Assets include home equity, other real estate, stocks, bonds, savings accounts, and business assets.

GAO ESTIMATE  
SOCIAL SECURITY STUDENT BENEFICIARIES  
WITH SOCIAL SECURITY STUDENT BENEFITS  
IN EXCESS OF SCHOOL COST  
ACADEMIC YEAR 1976-77

<u>Excess Benefit Range</u>	<u>Number of Social Security Students</u>
\$ 1 to 100	5,364
101 to 300	9,812
301 to 600	11,834
601 to 1,000	9,494
1,001 to 1,400	3,300
1,401 to 1,800	570
1,801 to 2,200	55
Over 2,200	<u>6</u>
Total	<u>40,435</u>

NOTES:

1. Based on a comparison of Social Security student beneficiaries who were also scheduled to receive a Basic Grant during the 1976-77 academic year, we estimate a total of 218,253 Social Security student beneficiaries expected to receive educational benefits from both programs.
2. Excess benefits for each individual were computed by subtracting the reported school cost from the Social Security student benefit alone.
3. School cost includes tuition, fees, living expenses, and miscellaneous expenses. The cost was reported to the Office of Education by the schools the students were attending.

GAO ESTIMATE  
SOCIAL SECURITY STUDENT BENEFICIARIES  
ALSO SCHEDULED TO RECEIVE A BASIC GRANT  
BENEFITS IN EXCESS OF SCHOOL COST  
ACADEMIC YEAR 1976-77

<u>Excess Benefit Range</u>	<u>Number of Social Security Students</u>
\$ 1 to 100	8,049
101 to 300	15,853
301 to 600	22,254
601 to 1,000	23,874
1,001 to 1,400	16,444
1,401 to 1,800	10,883
1,801 to 2,200	3,687
Over 2,200	<u>749</u>
Total	<u>101,793</u>

NOTES:

1. Based on a comparison of Social Security student beneficiaries who were also scheduled to receive a Basic Grant during the 1976-77 academic year, we estimate a total of 218,253 Social Security student beneficiaries expected to receive educational benefits from both programs.
2. Excess benefits for each individual were computed by subtracting the reported school cost from the sum of the Social Security student benefit and the scheduled Basic Grant amount. The scheduled grant amount was used since actual data was not available at the time of our review.
3. School cost includes tuition, fees, living expenses, and miscellaneous expenses. The cost was reported to the Office of Education by the schools the students were attending.



GAO ESTIMATE  
SOCIAL SECURITY STUDENT BENEFICIARIES  
WITH VA DEPENDENT EDUCATIONAL BENEFITS  
AND SCHEDULED TO RECEIVE A BASIC GRANT  
BENEFITS IN EXCESS OF SCHOOL COST

<u>Excess</u> <u>Benefit Range</u>	<u>Number of</u> <u>Social Security Students</u>
\$ 1 to 100	39
101 to 300	73
301 to 500	143
501 to 1,000	340
1,001 to 2,000	896
2,001 to 3,000	1,341
3,001 to 4,000	960
4,001 to 5,000	263
Over 5,000	<u>24</u>
Total	<u>4,079</u>

NOTES:

1. Based on a comparison of Social Security student beneficiaries who received VA dependent educational benefits and who also were scheduled to receive Basic Grants during the 1976-77 academic year, we estimate a total of 4,613 Social Security student beneficiaries expected to receive educational benefits from the three programs.
2. Excess benefits for each individual were computed by subtracting the reported school cost from the sum of the Social Security student benefit, the VA dependent educational benefit and the scheduled Basic Grant amount. The scheduled grant amount was used since actual data was not available at the time of our review.
3. School cost includes tuition, fees, living expenses, and miscellaneous expenses. The cost was reported to the Office of Education by the schools the students were attending.

GAO ESTIMATES OF  
SOCIAL SECURITY STUDENT BENEFICIARIES  
RECEIVING EDUCATIONAL AID  
FROM SOME OTHER AID PROGRAMS

VETERANS ADMINISTRATION DEPENDENT BENEFICIARIES

GAO compared samples of Social Security student beneficiaries (1,053,556) with VA dependent beneficiaries receiving educational benefits (62,273) during the 1976-77 school year.

Based on this comparison, we estimate 29,778 Social Security student beneficiaries were recipients of benefits from both programs during the 1976-77 school year.

NOTE:

The VA dependent beneficiaries receiving educational benefits are dependents of disabled or deceased veterans. These dependents are not to be confused with veterans receiving GI bill benefits.

GUARANTEED STUDENT LOAN RECIPIENTS

GAO compared samples of Social Security student beneficiaries (1,053,556) with 307,449 Guaranteed Student Loan recipients during the 1976-77 school year.

Based on this comparison, we estimate 30,617 students were recipients of benefits from both programs during the 1976-77 school year.

NOTES:

1. The Social Security student beneficiaries represent all students paid in the 1976-77 school year. Based on most recent data available, we estimate that about 21 percent of these total students are in high school and, therefore, ineligible to receive these loans.
2. Program officials from the Guaranteed Student Loan program were unable to determine whether the loan records furnished represented all of the loan records during the 1976-77 school year.

STUDENTS RECEIVING SOCIAL SECURITY BENEFITS,  
VA DEPENDENT EDUCATIONAL BENEFITS, AND  
SCHEDULED TO RECEIVE A BASIC GRANT

GAO compared Social Security student beneficiaries (1,053,556) with VA dependent beneficiaries receiving educational benefits (62,273) and then with those students scheduled to receive a Basic Grant (1,882,833) during the 1976-77 school year.

Based on this comparison, we estimate 4,613 students were recipients of benefits from these three programs during the 1976-77 school year.

NOTE:

Based on most recent data available, we estimate that about 24 percent of the Social Security student beneficiaries shown above would not be eligible for a Basic Grant during this period since they were high school or graduate level students.

OFFICE OF EDUCATION  
SURVEY OF SOCIAL SECURITY AND OTHER STUDENTS  
SOURCES OF FUNDS TO ATTEND COLLEGE  
FALL 1976

<u>Source of Funds</u>	<u>Total Percent of Students</u>		<u>Percent of Students by Amount of Funds</u>					
	<u>SSA</u>	<u>Other</u>	<u>\$1 - \$999</u>		<u>\$1000 - \$1999</u>		<u>Over \$1999</u>	
			<u>SSA</u>	<u>Other</u>	<u>SSA</u>	<u>Other</u>	<u>SSA</u>	<u>Other</u>
<u>Parents/Family</u>	67	72	42	26	11	13	14	33
<u>Office of Education</u>								
Basic Grant	35	19	21	12	14	7	-	-
Supplemental Grant	11	5	9	4	2	1	-	-
Work-Study	17	11	15	10	1	1	-	-
Guaranteed Student Loans	10	8	4	3	4	4	1	1
National Direct Student Loans	12	8	9	5	3	3	-	-
<u>Other Grants</u>								
State	23	14	16	10	6	3	1	1
College	18	13	11	8	4	3	3	2
Private	11	7	9	6	2	1	1	-
<u>Other Loans</u>								
College	6	4	5	2	1	1	-	-
Other	5	5	2	2	1	2	1	1
<u>Work</u>								
Part-time	57	49	50	43	5	5	1	1
Full-time	7	6	5	4	1	1	1	-

NOTES:

1. The Office of Education survey was based on the responses of 13,508 Social Security student beneficiaries and 242,583 non-Social Security students who were first-time, full-time freshmen in the Fall of 1976.
2. Percent of students by amount of funds may not add to total percent of students because of rounding.

SOCIAL SECURITY STUDENT BENEFICIARIES  
RECEIVING EDUCATIONAL ASSISTANCE  
STUDENT PARTICIPATION IN AID PROGRAMS  
ACADEMIC YEAR 1976-77

<u>Type School</u>	<u>Number of Sources of Educational Aid</u>						<u>Total</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6+</u>	
4 year	68	35	40	30	21	10	204
2 year	153	37	27	12	3	1	233
<u>Vocational or Technical</u>	<u>13</u>	<u>6</u>	<u>7</u>	<u>3</u>	<u>0</u>	<u>0</u>	<u>29</u>
Total	<u>234</u>	<u>78</u>	<u>74</u>	<u>45</u>	<u>24</u>	<u>11</u>	<u>466</u>
Percent	<u>50</u>	<u>17</u>	<u>16</u>	<u>10</u>	<u>5</u>	<u>2</u>	<u>100</u>

NOTE:

The above data represents the results of a GAO review of the financial aid files of 466 cases of Social Security student beneficiaries receiving educational aid from all sources, including Social Security student benefits, and all Federal, State, and private assistance known to the financial aid officer at the school the students were attending. The data represents a sample of Social Security students attending school in upstate New York and Los Angeles County, California.

Social Security Student Beneficiaries  
Overpayments During Fiscal Year 1977  
Sample of Recipients

	Upstate New York		Los Angeles County	
	<u>Sample</u>	<u>Universe</u>	<u>Sample</u>	<u>Universe</u>
Number of Students	356	31,248	393	45,090
Payments to Students	\$442,481	\$38,841,000 <u>a/</u>	\$529,156	\$60,871,000 <u>a/</u>
Percent of Students Overpaid	9	N/A <u>b/</u>	19	N/A <u>b/</u>
Amount of Overpayments	\$39,794	\$3,496,000 <u>a/</u>	\$98,353	\$11,322,000 <u>a/</u>

a/estimated figures based on sample results

b/N/A = not applicable

NOTE:

Above data represents a sample of all types of Social Security student beneficiaries (high school, nongraduate postsecondary and graduate).