THE PROPRIETARY SCHOOL SECTOR: A DEMOGRAPHIC AND FINANCIAL AID PROFILE

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Dissertation submitted to the Faculty of the
Virginia Polytechnic Institute and State University
in partial fulfillment of the requirements for the degree of

DOCTOR OF EDUCATION

in

Higher Education Administration

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September, 1989

Blacksburg, Virginia

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(ABSTRACT)

The purpose of this study was to answer several questions concerning distribution of student financial aid in the proprietary school sector. The study was conducted in the Spring of 1989 using a Fall, 1986, nationally representative sample of 3,837 students attending less than two-year and two-year proprietary schools in the 50 states and the District of Columbia. The sample was drawn as part of the National Postsecondary Student Aid Survey (NPSAS) conducted by the National Center for Educational Statistics in the 1986/87 academic year. Data came from edited NPSAS tapes dated May 12, 1988.

Several statistical procedures from the Statistical Analysis System (SAS) and Lotus 1-2-3 were used to answer research questions related to (1) types of educational services provided by proprietary schools, (2) types of students receiving financial aid; and, (3) types of aid packages distributed in these schools.

Several of the major results are: (1) Proprietary schools provided short-term, high-cost vocational training leading to relatively low-paying entry-level jobs. (2) Over four-fifths (84%) of the students received financial aid. The majority of these students were unmarried (74%), female (67%), less than 23 years of age (52%), lived off-campus (98%) and attended school on a full-time basis (81%). Nearly one-half (48%) of dependent and 70 percent of independent recipients had incomes of less than $20,000. About 30 percent lacked a high school diploma. Almost 43% percent were from minority backgrounds with over 70 percent having incomes under $11,000. (3) Nearly 80 percent of the recipients received either a single source of aid or two sources of aid in their aid packages. About 88 percent of this aid came from the federal government with the Guaranteed Student Loan and Pell Grant programs the predominate sources.

ACKNOWLEDGMENTS

Many people have been extremely helpful and supportive during the planning and writing of this dissertation. In particular, I wish to express appreciation to the members of my doctoral committee, Drs. Loyd Andrew (Chairman), Gabriella Belli, Karl Hereford, Ronald McKeen, and Rocco Russo for providing me with assistance and guidance.

I wish to thank my children and for understanding the importance of my work and accepting the many hours we were unable to share together.

I am equally appreciative of my wife, for her patience and support during all phases of the process, especially the proofreading and typing.

I also wish to thank and from the National Center For Educational Statistics for providing me with the data necessary to conduct this study and their willingness to assist me in understanding the intricacies of the NPSAS data base.

Finally, I wish to express appreciation to a fellow doctoral student, for providing valuable input and and constructive criticism of my work.

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CHAPTER I

INTRODUCTION

Proprietary or private, profit-seeking schools have played an increasingly important role in providing postsecondary vocational/occupational training to students in the United States. This has been particularly true for "low-income students, who were unlikely to attend other types of postsecondary institutions" (Wilms, 1984a, p. 28). Although proprietary schools have been in existence since the late 1790's, it has only been in the past two decades that they began to be recognized by policymakers and college and university officials as a legitimate sector of the postsecondary education system (Wilms, 1987).

The postsecondary education system includes accredited and nonaccredited colleges, universities, and schools offering academic, occupational, and professional education and training to students beyond the high school level. As of June 1988, there were approximately 12,056 schools providing postsecondary education in the United States (National Center for Educational Statistics, 1988a). According to the most recent estimates from the National Center for Educational Statistics (NCES), the proprietary

school sector is comprised of 6,552 schools. They account for nearly two-thirds (65%) of all postsecondary institutions offering vocational/occupational education in the United States (NCES, 1988b).

Nearly 1.2 million students were enrolled in these schools during the 1986-87 academic year. This represented approximately seven percent of all postsecondary enrollments and nearly three-fourths (72%) of all postsecondary enrollments in vocational/occupational education (NCES, 1988a; U.S. Department of Labor, 1986). The schools range from small, single-program, barber/cosmetology schools enrolling as few as 12 students to large, multi-program corporations, such as DeVry Institute and Control Data Institute, enrolling several thousand students at multiple sites (U.S. Department of Labor, 1986; Wilms, 1987; NCES, 1988b).

Most students in these schools receive some form of federal financial aid, and it is likely that enrollment growth in these schools, which has been estimated by Moore (1987) to have increased by 67 to 88 percent between 1976 and 1982, is at least partly a result of the Higher Education Amendments of 1972. These Amendments expanded the definition of postsecondary education to include accredited proprietary schools, thus providing students in

these schools access to almost all federal financial aid programs authorized under Title IV of the Higher Education Act of 1965: Pell Grant, Supplemental Educational Opportunity Grant (SEOG), National Direct Student Loan (NDSL), Guaranteed Student Loan (GSL), and College Work-Study (CWSP) (Moore, 1987). With a few minor exceptions, eligibility criteria for proprietary schools were the same as for other postsecondary schools.

In the years following the enactment of the 1972 Amendments, the number of proprietary schools eligible to distribute federal student financial aid has grown from less than 1700 in 1978 to over 3,900 in 1986 (NCES, 1982; Wilson, 1987). Due to this growth, proprietary schools are now receiving a large share of federal student aid funds. In 1974 students at proprietary schools received $3.5 million in Pell grants--about seven percent of all Pell Grants awarded nationally. By 1987 proprietary school students were receiving $783.5 million; 21% of all Pell monies awarded (Moore, 1987; Gladieux and Lewis, 1987).

Although national data on Guaranteed Student Loan (GSL) program participation have been limited, state lending institution figures have indicated that more than one-third of GSL lending in some states has been to students attending proprietary schools (Moore, 1987;

Gladieux and Lewis, 1987). The rapid growth in enrollments and student financial aid used by proprietary school students and the types of aid packages distributed in these schools have attracted increased attention from the U.S. Congress, the U.S. Department of Education, and many college officials.

Wilson (1987), a writer for The Chronicle of Higher Education, reported that college officials have been concerned about the ease with which students attending proprietary schools have been able to obtain federal financial aid. They suggested "taxpayers' dollars are being wasted because these students often drop out because of poor quality training" (p. A1). They claimed that proprietary schools "admit students who lack the ability to benefit from the training [lack a high school degree or equivalent] simply to get the available federal aid" (p. A21). Wilms (1983, 1984) and others (Moore, 1987; Wilms, Moore, and Bolus, 1986) also are concerned about the way various sources and amounts of financial aid are distributed in proprietary schools in the form of financial aid packages because these schools are known to attract large numbers of minorities and women with low-incomes.

The composition of students' financial aid packages can have a significant impact on their present and future

well-being. With the shift in federal aid policy (beginning in 1980) from an emphasis on grants to an emphasis on loans, proprietary school students, like other postsecondary students, have become increasingly dependent upon GSL and other loans. This, coupled with the fact that proprietary school students have one of the highest loan default rates of any sector of postsecondary education, has generated considerable debate in the U.S. Congress and the press over proprietary school students' participation in these loan programs (Merisotis, 1988). Some critics have suggested these high default rates were the result of proprietary schools encouraging students to take on debt burdens disproportionately heavy in relation to family or individual current earnings and their potential future earnings based on the types of occupations for which they were being trained (Wilson, 1987, 1988a; Wilms, 1983).

Donald Fouts, President of the Federation of Independent Illinois Colleges and Universities, in The Chronicle of Higher Education, summed up the concerns of college and university officials when he stated

> The combination of high default rates, admission at frequent intervals, and the availability of federal aid has created a monstrous problem of abuse at [proprietary] schools. These three elements have combined to offer an irresistible money machine for unscrupulous owners throughout the industry. The fact is, as demonstrated by the Federal

> Trade Commission, the Department of Education and countless state agencies, these schools [proprietary] can make far more money when students drop out than when they complete their course work (Fouts, 1988, p. B3).

Proprietary school officials claimed these charges of abuse and poor quality training were exaggerated. They argued the increase in Pell Grants and GSLs was the result of doing a better job attracting and educating financially disadvantaged students than other postsecondary institutions (Wilson, 1987; Simon, 1988).

William Blakey, an aide for U.S. Senator Paul Simon of Illinois, supported their argument when he stated

> These proprietary schools are providing access to poor, black students, that the rest of higher education doesn't want to or won't admit that . . . Congress should not meddle with students' choices of where to go to school . . . the whole purpose in these student-aid programs is to let students decide what kind of program they want (Wilson, 1987, p. A2).

Proprietary school officials argued that the disadvantaged backgrounds of students attending their schools, and not the institutional aid packaging practices as suggested by some critics, accounted for the high default rates (Wilms, Moore, & Bolus, 1986). Senator Paul Simon (1988) agreed that the high default rates in these schools were the result of "students at the bottom of the economic ladder being burdened with excessive debt" (p. B1).

Despite these arguments, the widespread allegations of abuse, high drop out rates, and default rates of students in proprietary schools have prompted the U.S. Department of Education on several occasions to recommend plans to the U.S. Congress that would either limit or deny participation of these schools and their students in federal financial aid programs (especially those with high drop out and loan default rates) (Wilson, 1988b).

Senator Simon (1987) claimed plans such as these and others proposed by the U.S. Department of Education "threatened to reduce the financial options available to low-income, educationally "at risk" students [lack a high school degree], a large number of whom rely on [proprietary] schools for their education" (p. B1). He stated "by denying loans to the students most likely to default, the government would effectively exclude many of the very students--low-income and minorities--for whom federal aid programs were created in the first place" (p. B1).

This debate has raised a number of questions related to the distribution of student financial aid in proprietary schools. Specifically, such questions as how many proprietary students receive financial aid; who receives aid in terms of age, gender, race, dependency status, marital status, income, high school degree status,

residency status, and enrollment status; how do they differ by type of proprietary school; and, what types of training are being selected by aid recipients? Policymakers and college officials need to know sources (federal, state, institutional, private) and types (grants, loans, work-study) of aid students are receiving in aid packages; how many sources are included in these aid packages; what percent of educational costs are being covered by these aid packages; and, what types of aid packages traditionally underserved groups (minorities, women, and low-income) of students are receiving.

Until the recent development of the National Postsecondary Student Aid Survey (NPSAS) data base these and other issues of interest to policymakers and college officials could not be addressed due to a lack of available data.

Purpose of the Study

This study was designed to analyze data from the NPSAS data base to answer these and other questions concerning the distribution of student financial aid in proprietary schools. It was guided by the following research questions:

1. What were the enrollments and types of proprietary schools in the Fall of 1986?

2. What were the characteristics of the programs of study (program type, format, and cost) selected by students by type of proprietary school in the Fall of 1986?

3. What was the distribution of aided and nonaided students by type of proprietary school in the Fall of 1986?

4. What were the demographic characteristics of students receiving financial aid by type of proprietary school in the Fall of 1986?

   Age
   Dependency Status
   Enrollment Status (Full-time vs. Part-time)
   Gender
   High School Degree Status
   Individual or Family Income
   Marital Status
   Race/Ethnicity
   Residency Status

5. What was the distribution of selected groups of aid recipients (women and men, whites and minorities, and income groups) by type of program of study in the Fall of 1986?

6. What was the distribution of financial aid and educational costs of attendance by type of proprietary school in the Fall of 1986?

7. What types of aid packages (as measured by the number of sources) were received by aid recipients in each type of proprietary school in the Fall of 1986?

8. What was the distribution of aid packages by selected groups of aid recipients (women and men, whites and minorities, and income groups) by type of proprietary school in the Fall of 1986?

9. What was the distribution of financial aid and educational costs of attendance by type of aid package and type of proprietary school in the Fall of 1986?

Data for the study were derived from the National Postsecondary Student Aid Survey data base (NPSAS) established in 1987 by NCES as a student-based financial aid data system. Data for the system were collected in a systematic manner in 1986-87 from postsecondary institutions, students, and parents. NPSAS data were designed for use in developing demographic profiles of students receiving financial aid and financial aid package profiles distributed by proprietary and other schools to address issues of concern to policymakers and college officials. These data were also organized to allow for exploring relationships between selected student, institutional and financial aid variables.

Significance of the Study

Information from this study should prove useful to members of the U.S. Congress, U.S. Department of Education, and state officials in evaluating aid distribution to proprietary schools and their students. Once the types of students served, the types of services provided, and the types of aid packages distributed in these schools are known, policymakers and researchers will have information to begin to address such issues as equal educational opportunity, debt burden of students, and high loan default rates of these schools.

College administrators, especially admission officers and financial aid administrators in community colleges and public less than two-year schools, who must compete with proprietary schools for the same student population and a limited amount of federal, state, and private financial aid, can benefit from this information as well. In addition, information generated by this study could assist proprietary school owners in establishing institutional aid packaging policies which consider the well-being of students as well as the school.

Limitations of the Study

This study had several limitations related to the sample and measures of the variables used. Several of these limitations were the result of using data from an extant data base with its inherent problems of sampling error, differences in sample frame from other comparable data sources, and missing data. Despite these problems, the advantages of using the pre-collected data far outweighed the limitations placed on this study.

First, because the survey had a Fall reference period, estimates of the total number of students attending proprietary schools, the total number of students receiving aid, and the total amount of aid

awarded by a specific financial aid program varied from enrollment estimates and actual aid award reports and from other federal data sources such as the Integrated Postsecondary Education Data System (IPEDS), Pell, GSL, and campus-based aid programs. The student sample was designed to represent students enrolled at a point in time, October 15, 1986. Therefore, enrollment estimates produced from these data would not necessarily be directly comparable to estimates from other time periods (entire 1986/87 school year) since potentially eligible students could enroll after the October 15, 1986, date of the NPSAS survey (see Chapter III, page 75). Therefore, these students did not have an opportunity to be included in the survey. These differences were particularly acute in the proprietary school sector which enrolled only 45-50% of total number of their students during the Fall semester of 1986 (NCES, 1988c). Another reason for differences in enrollment estimates between NPSAS and IPEDS was that schools and students eligible for NPSAS differed from those eligible for inclusion in IPEDS.

In addition, this study included only those students enrolled in less than two-year and two-year proprietary schools because of the relatively small sample of students attending four-year proprietary schools.

Second was the problem of missing data. Missing data introduces a certain degree of bias into any study using survey data and especially data collected by persons other than the researcher. The decision was made early in the study to retain all student observations even if one variable had a missing value. The availability of more student observations with aid amount values than with institutional, program of study, and demographic characteristic values was the driving force behind this decision. If an observation had been deleted, for example, because marital status of the student was missing, much of the important financial aid data would also have been lost. Consequently, observations were only dropped from a particular analysis which required that data, not from the overall study. There is the possibility that missing observations may have introduced some bias into the results. The effect of bias due to missing data, is assumed in this study to be minor due to the large sample size of 3,837.

Third, imputed values for tuition/fees and other cost variables by NCES and the researcher were another limitation (see Chapter III, variable specification section). Any time imputation procedures are used the accuracy of the measures may be biased, thus increasing

the possibility of biased results. Because these procedures were based on sound rationale and applied consistently in the variable derivation process, effects of bias upon the measures of these variables is assumed to be minimal.

Summary of Study

Chapter one included the introduction, purpose, research questions, significance and limitations of the study.

Chapter two provides a review of literature and research related to student financial aid and proprietary schools.

Chapter three contains the data and methods used to conduct the study. It includes a description of the National Postsecondary Student Aid Survey, study population, study sample, variable specifications, data preparation and verification, and data analysis.

Chapter four includes tables and narrative describing results of the data analyses as they related to the research questions.

Chapter five provides a summary of the data, methods, and results of the study, major conclusions and implications based upon the results, and recommendations for student financial aid policy at the institutional and federal levels and for future research.

CHAPTER II

BACKGROUND AND RELATED RESEARCH

This Chapter contains background information and a review of current research related to student financial aid and proprietary schools. It is divided into five main sections. Included in these sections are a description of: (1) student financial aid and its historical development, (2) sources of aid and regulations governing each program in 1986, (3) theory and practices of financial aid packaging, (4) historical development of proprietary schools and their access to student financial aid; and, (5) current research on distribution of student financial aid in the proprietary school sector.

Student Financial Aid

Student financial aid, especially federal aid, has become a major source of financing for postsecondary students (Galdieux and Lewis, 1987) and schools (Author). It has provided monetary assistance to students who could benefit from a postsecondary education, but who could not do so without such assistance. Federal, state, private,

and institutional sources of aid help students to meet both direct (tuition, fees, and books) and indirect (food, housing, and transportation) costs of attending college.

Typically, aid comes in three forms: grants or scholarships, loans, and work-study. Grants are monies that do not have to be repaid. They are usually awarded on the basis of financial need. Scholarships are awarded on the basis of need and/or some other criteria such as academic achievement or merit. While most of the merit-based scholarships are provided by the states, institutions, or private sources, the federal government is a significant supplier through such programs as the Truman Scholarship, National Science Foundation, and National Institutes of Health programs. Generally, grants and scholarships are referred to as gift aid or "free money". Loans are aid that must be repaid usually after the student graduates or leaves school and in the case of federal loans, often at lower interest rates than commercial loans. Work-Study is money earned as payment for a job, customarily arranged by the school. Loans and work-study frequently are referred to as self-help.

History and Theory of Financial Aid

Prior to 1944 the federal government played a limited role in the financial support of postsecondary education. The support was limited primarily to assisting institutions rather than students. Two examples are: (1) The Northwest Ordinance of 1787, which provided grants of land to the states to finance the establishment of colleges or universities; and, (2) the Morrill Act of 1862, which provided each state with grants of land to create an endowment for the support of a college or university that would provide agricultural and mechanical programs (Carnegie Council, 1975a).

G.I. Bill. The Servicemen's Readjustment Act of 1944 (G.I. Bill) was one of the first major pieces of legislation to furnish non-need based financial assistance to students attending postsecondary institutions. It provided veterans of World War II with funds for tuition, fees, books, supplies and living expenses. The Bill gave veterans, many of whom would have been unable to afford it, an opportunity to enroll in a postsecondary institution (Carnegie Council, 1975a).

Truman Commission on Higher Education. In 1946 President Harry Truman appointed the "President's Commission on Higher Education" to make recommendations

concerning public policy regarding higher education. The Commission reported on the need for equalizing and expanding educational opportunity to all. The second volume began with the following statement:

> Equal educational opportunity for all persons, to the maximum of their individual abilities and without regard to economic status, race, creed, color, sex, national origin, or ancestry is a major goal for American democracy. Only an informed, thoughtful, tolerant people can maintain and develop a free society.
>
> Equal opportunity for education does not mean equal or identical education for all people. It means, rather, that education at all levels shall be available equally to every qualified person (Zook, 1946, p. 7)

The commission concluded that "many high school graduates not attending college could do so if the barriers of race, sex, religion, state residency and economic status were removed" (Zook, 1946, p. 7). They recommended the federal government and private sector could "remove these barriers and provide access so at least 50 percent of the high school graduates could obtain a postsecondary education" (p. 7).

The recommendations received considerable support within Congress and the academic community. The problem arose with private institutions who lobbied against the recommendations "claiming that the influx of such a large number of students to a limited supply of higher education

institutions would have a serious impact in the short term" (Henry, 1975, p. 43). Their lobbying efforts proved successful in preventing the implementation of the recommendations. What the report did do was to establish credibility for the concept of equality of opportunity and expanded access to postsecondary education and planted the seed for the first federal grant program, which would be established twenty years later.

National Defense Education Act. The launching of the first space satellite (Sputnik) in 1957 by the Soviet Union spurred the development and enactment of the National Defense Education Act of 1958 (NDEA). According to the Carnegie Council (1975a),

> this was the start of what would later be referred to as the Title IV student aid programs and initiated the federal government's commitment to the financial support of postsecondary education students (p. 10).

The only major obstacle the Bill encountered was over the awarding of scholarships (grants) to undergraduates. The members of Congress defeated the scholarship proposal on the basis it would be giving a student a "free ride" to attend college, but Congress did approve the National Defense Student Loan (NDSL) program under the NDEA. It provided long-term, low-interest student loans for postsecondary education in mathematics, science, and

foreign language education--fields deemed by policymakers to be critical to the development of new technology and the ability to catch the USSR (Carnegie Council, 1975a).

Economic Opportunity Act. Congress, by the passage of the Economic Opportunity Act of 1964, recognized the economic and social impact of education by creating a new program, College Work-Study (CWSP). It offered students from low-income families part-time employment while they were pursuing a college education. The rationale for the program was that the earnings helped to reduce the cost of the education and provided the student with a career-oriented work experience. The CWSP program further reinforced the federal government's policy of expanding access to postsecondary education for low-income students (NASFAA, 1988).

Higher Education Act of 1965. One of the most significant pieces of legislation to be enacted was the Higher Education Act of 1965 (HEA). Title IV of this landmark Act not only reauthorized the existing student aid programs, NDSL and CWSP, but also initiated several new need-based financial aid programs which were designed to expand access and educational opportunities to all qualified students. President Lyndon B. Johnson upon signing the Act stated:

> It [HEA] means that a high school senior anywhere in this great land of ours can apply to any college or any university in any of the 50 states and not be turned away because his family is poor (NASFAA, 1986, p. 2-7).

One of the Act's major programs was the Equal Opportunity Grant (EOG) designed to assist students who could benefit from a college education but did not have the required financial resources. This was the first grant specially available to low-income, undergraduate students with exceptional financial need (Gladieux and Wolanin, 1976). It was the realization of the Truman Commission's recommendations and further emphasized the federal government's expanding commitment to equality of opportunity for needy students.

The Act also established the Guaranteed Student Loan program (GSL) to help supplement the NDSL loan program. This program was a cooperative effort between state and federal governments to increase the availability of low-interest student loans to low- and middle-income students. The GSL program was designed (1) to encourage states and nonprofit organizations to establish adequate student loan insurance programs and (2) to provide a federal program of student loan insurance for students or lenders who did not have access to a state or private nonprofit program (NASFAA, 1988).

The CWSP, NDSL, and EOG programs became known as campus-based programs since the federal government would allocate funds to the states who in turn distributed them to participating postsecondary institutions (campuses) in their jurisdiction for allocation to individual students.

1972 Education Amendments. The first major reauthorization of the HEA was the Higher Education Amendments of 1972. These Amendments provided the majority of the present day structure of student financial aid programs.

The most significant addition was the Basic Educational Opportunity Grant program (BEOG). This was a unique program since the federal government, for the first time, provided grants directly to eligible low- and low-middle income students rather than to the institution for distribution. Once a student was determined to be eligible, he/she could attend any participating institution and receive the grant. Because of this feature, the BEOG became known as a "portable" grant (NASFAA, 1986).

The two main purposes of this program were (1) to provide universal access to postsecondary education and (2) to encourage expanded choice of institutions and fields of study by making them affordable for previously denied

groups of students (minorities, women, low-income) (Kelly, 1980). In theory it allowed students to take the grant and literally shop for the most appropriate educational experience.

The intent of the program was "another attempt to offset some of the burden of the earnings foregone by students of low-income families" (Tierney, 1980, p. 10). Congress believed the "financial burden was greater on low-income families, since they did without earnings the young adult could supply as opposed to the lesser burden on the more affluent families" (Tierney, 1980, p. 10).

Congress intended this program to be the "foundation upon which other federal student assistance programs would be based" (Rice 1975, p. 465). Supporters of the legislation wanted the program to be "equitable and simple so that eligible students would have early knowledge of their entitlement" (Rice 1975, p. 465). They believed this would encourage new groups of students to pursue a postsecondary education.

The Amendments reauthorized campus-based programs but changed the name of the EOG program to the Supplemental Educational Opportunity Grant (SEOG). According to the Carnegie Council (1975a, p. 30) the purpose of the SEOG was "to permit low-income students to attend higher education

and private institutions which they could not afford with BEOG aid alone". The Joint Student Aid Committee of the Association of American Universities and the National Association of State Universities and Land-Grant Colleges described the importance of the SEOG program when they reported

> . . . SEOG covers a wider population than BEOG. This explains the unique contribution Supplementary Grants make to the ability of all students--including those also receiving a Basic Grant--to attend the university of their choice. It enables the student to realistically choose between a tuition-free community college and a public university which charges tuition. It places the student who wishes to attend a public university in another state on more equal footing with a student who is a resident of that state. It enables students to consider attending a high cost private university without having to borrow simultaneously through the GSL and NDSL programs and working an unreasonable number of hours at a part-time job.
>
> . . . The Supplementary Grant Program helps maintain the healthy equilibrium in the cost competition among institutions from community colleges to state universities to the private institutions (p. 10).

The Amendments also changed the NDSL program name to the National Direct Student Loan program. The low-income provision of the CWSP program was deleted and the statement "to give preference to students with the greatest need" was added (Rice, 1975, p. 167).

An attempt was made to strengthen the federal/state partnership in funding postsecondary education by establishing the State Student Incentives Grant (SSIG) program. This program provided matching funds to states as an incentive to expand their student financial assistance programs, thus promoting additional access and choice (Rice, 1975).

1976 Education Amendments. Congress, through the passage of the 1976 Education Amendments, reauthorized all the existing aid programs again reinforcing the federal government's commitment to equal access and choice. However, it tightened eligibility requirements for aid recipients by imposing satisfactory academic progress requirements and adding a student consumer awareness provision that required all institutions to provide aid candidates with information on academic program policies, institutional standards, job placement, and financial aid policies and practices. In addition the family income ceiling for GSL's was raised from $15,000 to $25,000 (Office of Student Financial Aid (OSFA), 1986).

Middle-Income Student Assistance Act. Congress enacted the Middle-Income Student Assistance Act (MISAA) of 1978 in response to the increasing difficulty middle-income families were having in financing the cost of a

postsecondary education. The Act provided two types of financial relief to middle income families: (1) the BEOG's eligibility was expanded by increasing the family earnings ceiling; and, (2) the GSL program income ceiling of $25,000 was removed allowing students who met all other eligibility criteria to borrow under this program without regard to financial need. (OSFA, 1986). Olivas (1986, p. 8) blamed this legislation for "setting off a round of tuition increases, playing the wealthy off against the poor, and hastening the transfer of college costs from parents to the government".

1980 Education Amendments. The 1980 Education Amendments again reauthorized all existing Title IV programs with only a few minor eligibility revisions. It provided additional assistance to middle-income families through the Parent Loans for Undergraduate Students Act (PLUS). The program allowed parents, regardless of income, to borrow up to $3000 per year for each dependent child in postsecondary education. The one difference between this and the GSL program was that parents must start repayment of the loan principal within 60 days of its disbursement rather than after the student graduated. Although a burden, it still allowed them to spread the cost of an education over a longer period of time. Congress also

changed the name of the BEOG to the Pell Grant in honor of Senator Claiborne Pell, the prime sponsor of the program. They also approved a common need analysis system (Uniform Methodology) for both the Pell grant and campus-based programs, although it has never been fully implemented due to inadequate appropriations (Hauptman, 1982).

End of an Era. The 1960's and 1970's signified the beginning of an era when the federal government poured large amounts of money into need-based student financial aid programs. Assistance programs such as the NDSL, BEOG, SEOG and others emerged during these two decades as massive efforts aimed at lessening the economic barriers of college attendance for an expanding number of students as suggested by the Truman Commission. What was to follow in the 1980's was a shift in the federal government's commitment toward financial aid. Gibson (1982) described this shift when he stated

> as the cost of education increases due to inflation, families think twice about the financial commitment . . . and the Reagan administration made both verbal and budgetary attacks on all types of student aid. No longer was there confidence that sufficient resources were available to anyone who was really determined to go to the college of choice (p. 15)

Budget Reconciliation Act. The Omnibus Budget Reconciliation Act of 1981, which Congress enacted to control the excessive growth in the federal budget, called for reductions in the amount of appropriations for a number of federal programs, including student financial aid. Although appropriations for most federal student aid programs have been maintained or increased in real dollars in the years following passage of the Act, appropriations have not kept pace in terms of constant dollars. This Act led to reductions in the amount of institutional allowances for the administration of the Pell Grant program and totally eliminated allowances for the GSL program. This legislation also raised the interest rate for the NDSL program from four to five percent and required GSL applicants with adjusted gross incomes over $30,000 to demonstrate financial need for federally subsidized student loan funds. These changes were a major shift in federal policy--shifting the emphasis of financial aid programs for all students, especially needy students, from grants to increased reliance on loans, thereby transferring the burden of cost for a postsecondary education back to the student and his/her family (NASFAA, 1988).

1982, 1983, 1984 Amendments. The Amendments of 1982, 1983 and 1984 were mostly technical. Probably the most

significant change was the separation of the Pell Grant award formula from the other Title IV programs in packaging aid, which "may have negatively influenced the full implementation of the Uniform Methodology for all Title IV programs established by the 1980 Amendments" (OSFA, 1986, p. 10.8).

1986 Amendments. In 1986 Congress reauthorized the HEA for five more years, amending but leaving intact the basic structure of federal student aid programs under Title IV. The Amendments reimposed a limit on the number of years a student could receive a Pell Grant. It changed the GSL program to a strictly need-based program. The selection criteria for the NDSL (renamed Perkins Loan) and SEOG programs were tighten, giving priority to students with exceptional need. A new Supplemental Loans for Students (SLS) program was established providing aid to independent students. Students enrolled on at least a half-time basis were allowed to receive GSL and SLS for a maximum of one year. Two new need analysis methods for calculating the expected family contribution were incorporated into law. The Amendments also prohibited the Secretary of Education from changing any of these provisions, except for inflation, without the expressed approval of Congress.

These changes combined to make federal grants and the highly subsidized Perkins loans more difficult to obtain. Although members of Congress were concerned about the increase in debt burden being placed on students and had hoped to reestablish a better balance between loans and grants, the shift toward a system that relied primarily on loans to finance a student's education was firmly established by the reauthorization.

Sources of Financial Aid

Few students receive aid from a single funding source. Grants, loans and work-study aid from various sources are often combined into an "aid package" that attempts to meet the entire financial needs of a student (CSS, 1986). Money for aid packages comes primarily from four major sources: the federal government, state governments, colleges and universities, and private or other nonprofit organizations. The dominant provider of these funds has been the federal government, supplying between 70 and 80 percent of the total in recent years (College Board, 1988; Hansen, 1987).

Federal Government

The majority of federal funds comes from the Title IV programs authorized under the Higher Education Act (HEA) of 1965 and its subsequent Amendments [1972, 1976, 1978, 1980, 1982, 1983, 1984, 1986]. The programs offered under HEA and as amended were primarily designed to serve financially needy students. Title IV aid was distributed either through college and university campus-based programs or directly to students through non-campus-based programs.

The next two sections provide an overview of non-campus-based and campus-based aid programs and regulations governing eligibility, award amounts; and, in the case of loans, interest rates and repayment for the 1986-87 academic year (NPSAS survey time-frame). This information was abstracted from the Financial Aid Administrators Training Handbook published by the U.S. Department of Education, Office of Student Financial Assistance (1986).

Non-Campus-Based Aid Programs. The five major non-campus-based programs are Pell Grant, Guaranteed Student Loan (GSL), Parents Loans for Undergraduate Students (PLUS), Auxiliary Loans for Students (ALAS) and State Student Incentive Grant (SSIG) programs.

The Pell Grant program provides aid in the form of grants to undergraduate students who have not received a bachelor's degree and are enrolled at least halftime in a degree or certificate program. Eligibility for the program was based on financial need determined by institutions according to guidelines established by the Department of Education (DOE).

Using the Pell Method, annual adjusted gross income and asset information from both the student and/or the parents were examined to determine the student's and/or family's ability to contribute toward the cost of the education. If the costs of attendance were more than the family could contribute, the student had financial need and was usually eligible for a grant equal to the amount of demonstrated need up to $2,100 in 1986.

The amount of aid awarded to an eligible student was also limited by such factors as enrollment status (see Appendix A for definitions of full-time and halftime status), length of enrollment, and amount of funds appropriated by Congress.

The GSL program provides federally subsidized, low-interest (eight percent) loans to undergraduate and graduate students. The program is a cooperative effort involving private lending institutions, guarantee agencies,

and the federal government, which subsidizes the loans. A student submits a loan application, which has been certified (student's eligibility checked using short-form need analysis method) by the institution of choice, to a private lender whose loans are guaranteed by a guarantee agency and the federal government.

Banks, savings and loan associations, credit unions, schools and state agencies that have been approved by a guarantee agency provide private funds to make these loans. Approved organization, known as secondary markets, can purchase GSL's from lenders. These secondary markets are then responsible for the collection and management of the loans. The Student Loan Marketing Association (Sallie Mae) is the major secondary market for GSL loans.

The maximum amount an undergraduate student could borrow annually in 1986 was $2,500. Other restrictions which governed a student's eligibility and amount of the loan were (1) an adjusted gross family income of $30,000 or less and (2) the loan could not exceed the cost of attendance. However, a student with an adjusted gross family income of more than $30,000 could be eligible for a loan if he or she could show financial need. For these students the amount of the loan was based on the difference between the cost of attendance and the sum of the Expected

Family Contribution (EFC is computed by financial aid office during loan certification process) and other financial aid received. A student was not required to start repayment of the loan until six months after graduation, withdrawal, or the beginning of less-than-half-time enrollment.

The PLUS program provided loans to parents of dependent undergraduate students. These loans carried a 12% interest rate, which was tied to the prime interest rate. Repayment was scheduled to begin 60 days after disbursement of the loan. The annual loan award ceiling for 1986 was $3000 with an aggregate limit of $15,000.

The ALAS program, currently referred to as Supplemental Loans for Students (SLS), provided loans to independent undergraduate students at the same 12% rate as the PLUS program. Independent students could defer the payments on principal if they were enrolled full-time, but were required to pay interest on the loan balance after 60 days unless special arrangements were made with the lender to accrue and capitalize the interest.

The SSIG program was designed to encourage states to initiate and expand financial aid programs by providing them with federal subsidy. Funds could be used to provide state grants to students demonstrating financial need.

States were given the discretion to extend eligibility to undergraduate, graduate and less-than-half-time students. The maximum annual award was $2,000 although states had the option to set lower award limits.

Campus-Based Programs. The campus-based programs consist of the Supplemental Educational Opportunity Grant (SEOG), National Direct Student Loan (NDSL), and College Work-Study (CWSP). They are referred to as campus-based since program funds are allocated directly to participating institutions by the Department of Education for administration by the institution's financial aid officer. The federal government publishes regulations (34 CFR 674.9, 675.9. and 676.9, 1986), which set basic guidelines for awarding student aid funds in 1986. Regulations for all three campus-based programs described the institutions' responsibilities in selecting award recipients. Under these regulations institutions were required to "develop selection procedures for awarding aid" (p. iv). Institutions were also responsible for insuring these procedures were "uniformly applied, in writing, and maintained in the files of the student financial assistance office" (p. iv). The regulations also directed institutions "to make funds reasonably available to all eligible students who demonstrate need, to the extent that

funds are available" (p. iv). The regulations also restricted the use of SEOG and CWSP funds for less-than-half-time students to 10% of the institution's allocation. Finally, institutions were required to publish their criteria for selecting eligible recipients and for determining the amount of each recipient's award.

These guidelines were very general. In 1986 there were no detailed instructions about selection criteria or procedures institutions should use to award aid--only that institutions should have them. There were no specific guidelines on the composition of student aid packages. Therefore, "award packaging was subject to an institution's individual characteristics and needs" (OSFA, 1986, p. 9-5).

The SEOG program provided grant aid to undergraduate students who had not previously received a bachelor's degree. The amount of awards ranged from a minimum of $200 to a maximum of $2000. As with all campus-based funds, SEOG funds were awarded at the discretion of the institution to eligible students.

The NDSL program, currently referred to as Perkins Loans, provided low-interest (five percent) loans to undergraduate students enrolling at least halftime. Institutions made loans to students from a fund composed of eight-ninths federal and one-ninth institutional monies.

Institutions were responsible for the allocation and collection of these funds. Repayment of the loan was not required to begin until six months after the student graduated or dropped out of school.

The CWSP program provided for jobs in nonprofit or public sectors for undergraduate and graduate students. The location of the job could be either on campus or off campus. The requirement that the jobs had to be in the public or nonprofit sectors excluded proprietary schools from placing students in proprietary schools. For proprietary students to participate, they had to be placed in jobs off campus with nonprofit or public organizations (performing work of a public service nature). Participants in this program were required to receive at least current minimum wage rates. Schools were also required to contribute 20% of the funds for this program with the federal government providing the remainder.

Other Federal Aid Programs. In addition to the Title IV programs, eligible students have been able to obtain federal aid from various programs offered by the Veteran's Administration (VA), such as the various GI Bills of Rights (Korea and Vietnam) and military recruitment programs. An array of special programs also are available, such as the Health Education Assistance Loan (HEAL), National Science Foundation (NSF), National Institute of Health (NIH) and

Nursing Student Loan (NSL) programs. The majority of these programs are based on service (VA) or merit (HEAL, NSL, NSF, NIH) rather than financial need.

State Government

In 1986 all states awarded state grants under the SSIG program but the amounts varied widely among states. Many states provided other need-based and merit-based scholarships and grant programs for residents as well. Some even offered loans and other special types of programs.

Institutional Aid

Many institutions offered a variety of financial aid programs funded through their own resources (tuition waivers) or private contributions. Most had their own scholarship and grant programs, many provided work-study aid, and some even sponsored loan programs.

Private Sources

Private organizations, such as Chambers of Commerce, Lions, Rotary, VFW, etc. provided primarily merit-based aid and some limited need-based aid to students attending college. Additionally, employers, unions, foundations, fraternal organizations, corporations, and many other sources provided aid to students.

Theory of Financial Aid Packaging

The intent of federal financial aid programs is to provide eligible students through a combination of aid sources (financial aid package) the ability to attend the institution of choice for which they are qualified by meeting their financial need. The concept of financial aid packaging emerged in 1965 with the passage of the Higher Education Act [HEA] (College Scholarship Service, 1986). The Act established student financial aid programs in three general areas of aid (grants, loans, and work-study). Since the enactment of the HEA, packaging has become a widely accepted practice, viewed by many as a means of distributing aid efficiently and effectively.

Prior to 1965, most financial aid programs were largely decentralized and uncoordinated. Students who received more than one type of aid usually did so on their own initiative. Funds were often distributed among students without regard to other types of aid available to them.

In the early 1970's it became evident to the U.S. Department of Education and members of the financial aid community that a rational and systematic method was needed for distributing these various types and sources of aid to students (College Scholarship Service, 1986).

In 1973 The Task Force on Management of Student Assistance Programs attempted to identify acceptable guidelines for distributing financial aid and conceded defeat. They reported

> the existence of several similar but yet distinctive concepts has instead served more to confuse matters, perhaps even deterring the development of a full coordinated approach to the award of various student assistance monies (p. 3).

In 1974 the College Scholarship Service established The National Task Force on Student Aid Problems (1975) chaired by Francis Keppel to study this problem. They reported

> the method of packaging student aid varies widely from institution to institution and even within institutions. At some institutions, an established packaging policy may not exist--packaging may be essentially an ad hoc procedure in which aid resources are assembled in an arbitrary fashion or on a negotiated basis. At other institutions, formal packaging policies may have been adopted and procedures followed to help realize institutional objectives (p. 6).

They also emphasized the importance of packaging when they stated

> the packaging process is one of the points at which the other inequities of the present student aid system can be corrected . . . where the broad funnel of aid resources comes to its narrowest point and those resources are delivered to students (p. 4).

The Task Force (1975) recommended an equity packaging procedure intended to foster consistent and equitable

treatment of student aid applicants. Their recommendations recognized the "national goal of equal educational opportunity and supported the principle that student assistance should be distributed on the basis of need" (College Scholarship Service, 1986, p. 6.2).

Since the Task Force's report in 1975, a number of other groups including the Carnegie Council on Policy Studies in Higher Education (1979), the National Association of College and University Business Officers (NACUBO) (1981), College Scholarship Service (CSS) (1983), Office of Student Financial Aid (OSFA), and National Association of Student Financial Aid Administrators (NASFAA) (1983) have recommended aid packaging guidelines and procedures. Several of these recommendations, including the revised version of the Task Force's equity packaging procedure, are described in the following section.

Types of Packaging Practices

Individualized packaging. Aid is awarded based on the aid administrator's evaluation of a student's individual costs, resources, and needs. As a result, each financial aid package is a customized one. The more effective schools ask for and justify funds early enough in the allocation process to fulfil the majority of their

students needs. The effectiveness of many schools in seeking early funding and the inability of the federal government to inform the schools of their allocations in a timely manner has tended to encourage packaging on a first-come, first-served basis, thus increasing inequity and discouraging some students to apply. This is where proprietary schools are generally considered to be good, but probably aren't, since campus-based aid funds are not used as much as they could be.

Packaging on a first-come, first-served basis. Aid awards are made in the order in which completed applications are received by the aid office until funds are exhausted. Early applicants receive prime consideration for all available funds. Later applicants receive packages made up of remaining funds, most of which are student loans, regardless of their need or circumstances.

Ladder Concept of Packaging. All applicants are treated identically, and pac component composed of student savings, work-study, and/or loans.

Equity. All applicants begin with a base of Pell and family contributions. Next, student self-help (savings and work) is added; then, institutional grants and scholarships are added; finally, any remaining need is met by loans and/or work-study. Two versions of this practice are used--the absolute and the fixed percentages:

Packaging or Combination. Aid is awarded utilizing the same base as the ladder concept but there is no particular order to the next type or sources of aid to be added to the package.

Self-help. All applicants are treated similarly, as in the ladder concept. However, self-help is awarded before a student is considered for gift aid. Self-help assistance is awarded after the Expected Family Contributions (EFC), Pell, and other external aid are subtracted from the student's budget. Gift aid (grant) is awarded only if maximum award levels for self-help fail to meet the student's full need. This concept requires determining a standard institutional maximum self-help award. The maximum work or loan award is computed by dividing the number of needy students who apply for aid into the total work or loan funds available. The aid administrator starts with the Pell grant and parental contributions as a base and builds in a self-help component composed of student savings, work-study, and/or loans.

Equity. All applicants begin with a base of Pell and family contributions. Next, student self-help (savings and work) are added; then, institutional grants and scholarships are added; finally, any remaining need is met by loans and/or work-study. Two versions of this practice are used--the absolute and the fixed percentages:

1. Absolute. All students are funded up to an institutional maximum fixed dollar amount with gift aid before their remaining need is met with self-help aid.

2. Fixed percentage. An institutional maximum percentage level for gift aid is used rather than a fixed dollar level, all students receive the same percentage of gift aid in proportion to their costs.

Federal Guidelines for Aid Packaging.

The Office of Student Financial Assistance (OSFA, 1986) recommended the following steps for financial aid administrators to follow when packaging financial aid in 1986. It should be noted that these were guidelines and, as previously stated, institutions had wide latitude within existing governmental regulations to package aid differently.

The financial aid administrator should: (1) determine the student's cost of attendance or budget for all campus-based, GSL, PLUS, and SLS programs, (2) calculate the student's financial need (gross need) for campus-based and institutional funds by subtracting the Expected Family Contribution (EFC), which is computed by CSS, ACT or other approved group using the Uniform Methodology, from the student's budget (aid administrators could use their

discretion to adjust the budget if they felt the student had a greater need), (3) compute the student's net need by subtracting any aid received from state grants, private scholarships, veteran's benefits, Pell Grant, and loans (GSL, PLUS, or SLS) already processed through a lender for the same period of attendance from the student's gross need, (4) attempt to cover any remaining need by packaging campus-based (SEOG, NDSL, CWSP), institutional funds, and private sources of aid respectively (OSFA, 1986, p 6.4-6.5).

Institutional Objectives in Aid Packaging.

NASFAA (1986) published a list of some widely shared institutional objectives in the awarding of federal and institutional monies which are more general than federal guidelines. These are:

1. Aid should be awarded in sufficient amounts to allow access to the institution to as many eligible students as desired.

2. Aid should be awarded in ways that maximize the use of all available funds--federal, state and institutional.

3. Aid should be awarded to attract and retain certain kinds of students to fulfill the institution's mission and goals.

4. The Financial aid office should develop an award policy, that attempts when possible to maintain a balance of grants and loans. This balance in individual student aid award packages should prevent them from becoming overburdened with student loan debt (NASFAA, 1986, p. 2-10).

Proprietary School Sector

According to information published by NCES in the 1987-88 Directory of Postsecondary Institutions, the Postsecondary Education System in 1987-88 includes the "universe of all institutions providing postsecondary education (education and training beyond the high school level) in the United States, District of Columbia, and U.S. territories" (NCES, 1988a, p. 6).

Institutions in the postsecondary education system were divided by NCES into three sectors based on whether they were operated under public, private (nonprofit), or private profit-making (proprietary) control. Institutions in the public sector were operated by "publicly elected or appointed school officials and supported primarily by public funds" (p. 6). Institutions in the private nonprofit sector were managed by "individual(s) or agencies receiving no compensation for assuming the risk of operation" (p. 6). Proprietary sector schools were owned and operated by "individual(s) or agencies receiving compensation [profits] for assuming the risk of operation and were required to pay federal and/or state income tax on the profits" (p. 6).

Institutions in each sector were also classified according to the type of program or highest degree level offered (four-year, two-year, less than two-year).

Four-year institutions offered "postsecondary education leading to at least a four-year bachelor's degree or higher in one or more programs" (p. 7). Two-year schools provided "postsecondary education leading to at least a two-year certificate or associate's degree or a two-year program that was creditable toward a bachelor's or higher degree" (p. 7). Less than two-year schools offered "postsecondary education in programs lasting less than two years resulting in either a terminal occupational award or was creditable toward a two-year or higher degree" (p. 7).

As of June 1988, NCES estimated that the postsecondary education system was comprised of 12,052 institutions: 6,552 proprietary, 3,254 private nonprofit, and 2,250 public schools respectively. The proprietary sector included 113 four-year, 835 two-year, and 5,604 less than two-year schools; the private nonprofit sector consisted of 1,991 four-year, 841 two-year and 522 less than two-year schools; and, public sector had 626 four-year, 1,247 two-year, and 377 less than two-year schools (NCES, 1988a).

Proprietary Schools and Financial Aid

Proprietary schools are privately owned postsecondary schools operated for profit. They have, according to Jung (1980), "provided a significant portion of vocational

training in America since the Colonial period" (p. 1). However, it was not until the late 19th century that these schools first gained the attention of the public when this country was striving to train a labor force to satisfy its rapidly expanding manpower requirements (Katz, 1973, Juhlin, 1976).

Frequently referred to as "trade" or "career" schools, they have been "generally held in low esteem" (Wilms, 1982, p. 7) by college officials and labor union leaders. Many college officials believed that private training, without public controls, would be directed only at individual employer's needs, thus training students for "dead end" occupations. Labor officials feared owners of these schools would instigate anti-union feelings among their students or use their students to break strikes (Lapp and Mote, 1915 cited in Wilms, 1982).

During the first half of the 20th century, proprietary schools operated in relative obscurity while the federal government began to invest heavily into public vocational education at the high school level. In 1944 Congress, through the passage of the G.I. Bill, allowed proprietary schools to work with veterans in acquiring vocational skills. However, a series of scandals in which some proprietary school owners cheated GI's out of their

benefits propelled these schools into the public limelight (Berry and Dunbar, 1970). Published accounts of deceptive recruiting practices by some of these schools prompted a number of states to enact licensing laws aimed at regulating their operations. Generally, these attempts at state regulation proved ineffective in stopping unscrupulous owners determined to misrepresent the quality of their training and to defraud students (Federal Trade Commission, 1976). The publicity created from these reported offenses resulted in further damaging the image of these schools.

In the years immediately following World War II, the poor image of these schools persisted. Many students and parents perceived them as having "only a limited utility" (Wilms, 1982, p. 11) because economic growth of the postwar years had created a large number of jobs and relatively low unemployment rates. Conventional wisdom suggested that "the rapidly growing higher education system (traditional colleges and universities) was a better avenue to employment than the training provided by proprietary schools" (Wilms, 1982, p. 11). In addition, there was a widely held belief among many college officials and policymakers that making a profit and providing quality training were incompatible. This view stemmed from lack of

governmental and peer (accrediting association) regulations or reviews placed on these schools. During the 1960's most proprietary schools operated virtually free of any regulations. By 1969, less than one-half of these schools were members of one of the four trade accreditation associations (Association of Independent Colleges and Schools, National Association of Trade and Technical Schools, National Accrediting Commission of Cosmetology Arts and Sciences, and National Home Study Council) or a member of a regional accreditation association (Federal Trade Commission, 1976).

Since the mid-1960's, forces that had excluded proprietary schools from the postsecondary education system began to change gradually. The perceived surplus of college graduates seeking skilled jobs coupled with a weak economy appeared to some policymakers to have lessened the value of a college education, thus shifting their focus to short-term vocational/occupational training. In addition, the large amount of money being invested by the federal government in student financial aid attracted the attention of proprietary school owners (Wilms, 1982, 1983, 1984a).

Proprietary school representatives began appearing frequently before Congressional committees requesting a fair share of the growing federal student financial aid

funds. They contended that "all the available training resources must be mobilized to prepare young men and women for jobs in an increasingly technological world" (U.S. House of Representatives, 1965, p. 965). They claimed that "public colleges did not have the capacity to meet the burgeoning demand by themselves, that resources of the proprietary schools were necessary if this drive to prevent occupational obsolescence was to be successful" (U.S. House of Representatives, 1965, p. 966). They also stated that many of their students were from "disadvantaged backgrounds and required some form of federal aid to pay for their education" (U.S. House of Representatives, 1965, p. 966).

In 1965 their efforts paid off. The U.S. Congress made proprietary students eligible for the GSL program when it passed the Higher Education Act. During the next five years accredited proprietary schools successfully lobbied Congress for their inclusion in the College Work Study Program (CWSP), although their students could not work for a profit-making institution. They also were successful in gaining access to the NDEA Student Loan Program, although the other postsecondary schools had already captured the first $190 million dollars of annual appropriations (Wilms, 1982, 1983 and 1984a). However, they were unable to convince Congress to allow them to participate in the

Educational Opportunity Grant Program (EOG), which was "expected to become one of the major sources of student financial aid in the 1970's" (U.S. Senate, 1970, p. 918).

When Congressional hearings for the 1972 Amendments to the Higher Education Act began, officials of accredited proprietary schools asked to be included in the EOG program and for elimination of the appropriation restrictions placed upon the NDEA program. They argued for full participation in federal student aid programs because they offered financially needy students another important choice for training (U.S. Senate, 1970, p. 918). Again, their efforts paid off with the enactment of the 1972 Amendments to the Higher Education Act. Title IV of the Act permitted proprietary students access to the BEOG (Pell) program, NDSL loans, and other aid programs offered under the Act. Congress, through the 1972 Education Amendments, also mandated "that representatives from proprietary schools should take part in federally funded efforts to coordinate planning for postsecondary education" (Pautler, Roufa, and Thompson, 1988, p. 61). Thus, after 175 years of existence, proprietary schools had become fully recognized by the federal government as a legitimate sector of the postsecondary education system.

Financial aid programs authorized by the Higher Education Act and as amended through the Fall of 1986 had identical institutional requirements (except for the GSL program) for proprietary schools as other postsecondary schools. A school was eligible to participate when it met all the following criteria: (1) admitted students with a high school diploma or equivalent (GED) or students beyond the age of compulsory school attendance but who could benefit from the training (lacked a high school diploma), (2) was licensed by the host state to provide postsecondary program(s) leading to a degree or certificate, (3) provided programs lasting at least six months or 600 clock-hours which prepared students for employment in an occupation recognized by the U.S. Department of Education (DOE), (4) was accredited by one of the nationally recognized accrediting associations; and, (5) offered instruction in one or more programs for at least two years (OSFA, 1986; OSFA, 1988).

The eligibility criteria for the GSL program were more liberal, permitting schools to enroll students who had dropped out of school as early as the elementary level if they could benefit from the training. A student had to be enrolled in a program of study lasting a minimum of 300 clock hours; and schools, if not accredited, had to be approved by a state agency (OSFA, 1986, and OSFA, 1988).

In the years following their recognition as part of the postsecondary education system, the Federal Trade Commission (FTC) attempted to regulate the operation of proprietary schools. Between 1970 and 1976, the FTC conducted hearings and received testimony from over 900 students who had been defrauded by some of these schools. In 1976, the FTC reported that "the availability of large amounts of federal student aid, which seemed like 'free money,' coupled with the lack of reliable information which would allow for verification of school claims [by students], led many prospective students to be less cautious than they should be in making enrollment decisions" (Federal Trade Commission, 1976, p. 438).

In 1978, the FTC proposed a Trade Regulation Rule which would have required proprietary schools to provide prospective students with information about dropout, graduation, and job placement rates. The Rule also contained provisions for a pro-rata refund policy and a "cooling-off" period for students to cancel their contract with the school without penalty. Proprietary school officials challenged the proposal before the U.S. Court of Appeals, and in 1979 the Court ruled in their favor, requesting the proposed Rule be returned to the FTC for revision. While the FTC on several occasions during the

1980's has recommended modified versions of the Rule to Congress, it has never been passed (Wilms, 1982 and FTC, 1976).

Although the FTC has not achieved its goal of regulating these schools, there is some evidence (but limited) that proprietary school owners, concerned about their poor image and the likelihood of governmental regulations, began in the early 1980's to improve their practices. The major accrediting associations for proprietary schools recognized by the U.S. Department of Education and some of the larger proprietary schools (e.g. Control Data Institute and DeVry), have adopted a number of the reforms suggested by the FTC, such as refund policies, substantiation of job placement, publication of graduation and dropout rates, as well as earnings of their graduates (Wilms, 1987).

The Department of Education was able to convince Congress to implement a policy requiring the publication of student consumer information by all postsecondary schools. The purpose of this information was (1) to inform students of the academic programs (types of programs, faculty, facilities, accrediting or licensing body) offered by the school, (2) to describe the sources of financial aid, (3) to give instructions and deadlines for aid applications and refunds; and, (4) to inform students of their rights and

responsibilities as Title IV aid recipients (OSFA, 1986, p. 17.10). This information was required to be available to all prospective and currently enrolled students.

Regulations governing the GSL program required schools offering specific occupational programs to publish job placement information and prospective salaries. If the information was not available, the schools could use data from regional or national studies, which for proprietary schools was almost nonexistent.

Although this policy provided some limited consumer protection for aid recipients, Congress failed to provide additional funding to pay for the increased auditing staff necessary to effectively monitor all 12,052 postsecondary schools including the 6,552 proprietary schools.

In summary, by 1986 many proprietary schools were well-established organizations operating in close proximity to community colleges and public vocational/technical schools offering similar programs. They provided student consumers with an alternative educational program. However, these schools have continued to attract the attention of policymakers and college officials, who on several occasions attempted to convince the U.S. Congress to limit or deny proprietary schools access to available student aid funds because of allegations of abuse of the financial aid system, and high student loan default rates.

Related Research

This section includes a review of current research related to the distribution of student financial aid in proprietary schools. It is divided into three sections: (1) a review of the research relating to the demographic characteristics of proprietary students particularly those receiving financial aid, (2) a description of the studies reporting the types of programs of study offered by proprietary schools especially those selected by students receiving financial aid; and, (3) a review of the research pertaining to the types of financial aid packages distributed by proprietary schools.

Demographic Characteristics

Current research is limited concerning demographic characteristics of proprietary students and students receiving financial aid. The available research has focused mainly on three interrelated demographic characteristics--income, race/ethnicity and gender--which have often been associated with limited educational access to postsecondary education. These three factors are interrelated in that income was affected by race and gender. Therefore, it should not be surprising that if students from low-income backgrounds are heavily dependent

upon student financial aid to pay for their education; that minority and female students, who have been found to be disproportionately represented in low-income groups, are also heavily dependent upon financial aid. The major findings of current research studies are summarized in the following sections.

Income. A study by Friedlander (1980) found that students attending proprietary schools were the least advantaged of all postsecondary students. For example, 32% of proprietary school students, as opposed to 19% of community college freshmen in 1975, reported parental income below $8,000. This agreed with results of an earlier national study by Wilms (1974), which reported that less advantaged students had a tendency to choose a proprietary school over other postsecondary institutions.

A more recent study by Wilms (1983) discovered that aid recipients in proprietary schools were less advantaged than aid recipients in community colleges. Of those dependent upon their parents for support, 38% were from families with incomes of less than $8,000 and 58% from families with incomes of $14,000 or less. Of those classified as financially independent, 77% had incomes of less than $8,000.

Race/Ethnicity. Several studies have found that proprietary schools served a much higher proportion of minority students than other postsecondary schools (Freidlander, 1980; Wilms, 1983; Wilms, 1984b).

Wilms (1983) reported that approximately one-half of all aid recipients in proprietary schools were from minority backgrounds. He also found that minority students attending proprietary schools tended to be disproportionately represented in need-based aid programs. Specifically, he reported that "54 percent of the need-based recipients in proprietary schools were minority students compared to 35 percent for aid recipients attending public community colleges, although the income distributions of the two groups were similar" (p. 22).

Gender. Several studies have demonstrated that proprietary schools attract a large number of women (Wilms, 1974, Wilms, 1983, Wilms, 1987). Wilms (1974) reported that "proprietary students sex varies widely with their occupational program [sic], which largely reflects that sexual composition of the larger occupation" (p. 15).

In a later study Wilms (1984a) reported that ". . . 60% of the aid recipients in proprietary schools were female although the proportion varied at different types of

schools, consistent with the gender composition of specific occupational programs offered by the schools (p. 22).

In the same study he discovered proprietary school women were over-represented in need-based financial aid programs relative to their proportion among all proprietary students. He reported ". . . women constituted 63 percent of the need-based aid recipients, compared with 45 percent of those receiving no financial aid" (Wilms, 1983, p. 19).

Other Demographic Characteristics. The only study to examine the age, marital status, and dependency status of proprietary students receiving aid found that "69% of all aid recipients in proprietary schools were under the age of 26, with one-half under the age of 21 years old. The majority (83%) were not married, . . . and slightly over one-half (52%) were financially independent of their parents for support (Wilms, 1984b, p. 19).

Although there has been considerable speculation about the number of aided students in proprietary schools, who lack a high school diploma or its equivalent, there is no evidence to support this conjecture. Information on the residency status and enrollment status (full-time and part-time) of aid recipients is also limited.

Programs of Study

Types of Programs. While research on the types of program selected by proprietary students receiving aid is limited, a few studies have described the types of programs offered by proprietary schools and enrollments by program. Wilms (1987) reported that "proprietary schools were diverse offering instruction in programs ranging from accounting to zookeeping" (p. 12). The U.S. Department of Labor (1986) and NCES (1986) reported that major programs offered by proprietary schools were business/secretarial, cosmetology/barber, trade, health, flight, arts/design, other and correspondence. Enrollments in these programs varied considerably with "approximately 35% of the students enrolled in business/secretarial, 25% in correspondence, 11% in cosmetology, 10% in trade programs and the remainder evenly distributed among the other occupational programs" (U.S. Department of Labor, 1986, p. 58).

Program Costs, and Program Format. Several studies have found the costs (tuition, books, fees, equipment and materials) of proprietary school programs varied greatly depending upon the type and length of the program of study. Programs were also more expensive than similar public community college or public vocational school programs. The higher costs were primarily a function of

higher tuitions (in most cases the sole source of revenue); and, to a lesser extent, the intensive nature of the programs (students were required to attend class 25 or more hours per week) (Wilms, 1974, Wilms, 1982, Wilms, 1987).

The only study (Wilms, 1984a) that attempted to describe the costs and format of programs selected by students receiving aid was limited to need-based recipients of federal aid in schools accredited by NATTS (mainly trade and technical program), AICS (business and secretarial), and ACCE (cosmetology and barber). Wilms reported that "programs in trade schools were more costly than [business] schools, which in turn were more expensive than cosmetology school programs. Average program costs (including tuition, books, and equipment) range from a low of $1153 for programs in [cosmetology] schools to $5084 for [trade] schools. . . . Tuition accounted for 43% of the typical need-based aid recipient's total educational costs of $6552 per year" (p. 8).

He found that "although proprietary schools operated on either a clock- or credit-hour basis, 46% of the programs in business/secretarial schools, 57% in trade and technical schools, and 97% in cosmetology schools used the clock-hour format in computing program lengths and financial aid awards" (p. 16).

Financial Aid Packaging

The first study (Applied Management Science, 1980) to examine how aid was packaged by proprietary schools used data collected in 1978-79 by the Study of the Impact of Student Financial Aid Programs Survey (SISFAP). They reported proprietary schools placed a far heavier emphasis on grants which were targeted toward low-income students and a lighter emphasis on loans (only data on the NDSL programs was available) and work-study. They also indicated proprietary students had substantially higher costs of attendance than students attending public two-year schools and, after taking all aid into account, had a larger unmet need (out-of-pocket costs) than public two-year students.

In a later study, Wilms (1983) found, with the exception of Veterans' Administration programs, the chief financial assistance programs used by proprietary school students were the grant and loan (only data on NDSL program was included) programs authorized by Title IV of the Higher Education Act of 1965. He also indicated that "proprietary school students were heavy users of nonreturnable aid (grants) over returnable aid (loans) and work" (p. 14).

The most recent and most comprehensive study on how proprietary schools package student financial aid was

conducted by Wilms (1984b), using data collected by the National Commission on Student Financial Assistance covering the 1981 and 1982 school year. As stated earlier this study was limited to students receiving need-based federal financial aid in schools accredited by NATTS, AICS and ACCE.

He reported that "need-based aid recipient's relied heavily on two types of aid: Pell Grants and Guaranteed Student Loans with funds from the two programs covering 12% and 19% respectively of an average need-based aid recipient's total costs of attendance" (p. 4). He also found that other federal aid programs, especially the campus-based programs, played only a minor role in financing their education.

CHAPTER 3

METHOD

The purpose of this study was to answer the questions set forth in Chapter I concerning the distribution of student financial aid in the proprietary school sector. This chapter includes a description of (1) the National Postsecondary Student Aid Survey (NPSAS) the data base used in this study, (2) the NPSAS proprietary schools sample data, and (3) the methods used in this study.

National Postsecondary Student Aid Survey

The need for a national data base on postsecondary student financial aid prompted the U.S. Department of Education (DOE) to conduct the National Postsecondary Student Financial Aid Survey (NPSAS) in 1986-87. According to the National Center for Educational Statistics (NCES), the "NPSAS was designed as a student-based source of data about how student financial aid is targeted, received, and used by postsecondary students" (NCES, 1988c, p. 1.1).

The NPSAS consisted of an "out-of-school" and "in-school" component. The purpose of the "out-of-school" component was to determine (1) federal costs arising from

student loan programs, and (2) total educational debt incurred by students no longer attending school but who had received a GSL.

The purpose of the "in-school" component was to examine how financial aid was distributed to students in the various types of postsecondary institutions so that current financial aid policy issues could be addressed. Data were collected from a nationally representative sample of students enrolled in all types of postsecondary institutions who did and did not receive financial aid in the Fall of 1986. This included students attending two-year and four-year, public and private, for-profit (proprietary) and nonprofit institutions, and schools with less than two-year occupational programs, and students from all academic levels (undergraduate, graduate, and first-professional) (NCES, 1988c).

Only data from the "in-school" component were used in this study because the purpose was to answer questions relating to the distribution of financial aid in proprietary schools according to demographic and program factors. The discussion in the remainder of this chapter will focus on the "in-school" component of the national study.

NPSAS Survey Instruments

The National Center for Educational Statistics (NCES) used four different survey instruments to collect data for the in-school component of NPSAS. These included: (1) Institutional Abstract Form, (2) Institutional Update Form, (3) Student Questionnaire, and (4) Parents Questionnaire. Copies of these instruments are available in the NPSAS Student File Codebook published by the National Center for Educational Statistics (NCES, 1988d).

These instruments were used to obtain information on the students' enrollment characteristics, financial aid status, financial aid awarded, cost of attendance, and demographic and socioeconomic characteristics. The types of information collected by each instrument are discussed later in this Chapter in the data collection section.

NPSAS Population

The target population of the in-school component of NPSAS included students enrolled in all sectors of postsecondary education in the 50 states and the District of Columbia in the Fall of 1986. To be included in the "in-school" component of NPSAS, students had to be enrolled in an institution that met all of the following criteria: (1) offered an educational program designed for persons who had completed a secondary education, (2) offered an

academic, occupational, or vocational-oriented course of study, (3) offered access to persons other than those employed by the institution, (4) offered courses other than correspondence courses, and (5) offered at least one program lasting three months or longer (NCES, 1988c).

Based on these criteria, students attending accredited and nonaccredited public, nonprofit, and proprietary institutions regardless of accreditation status were eligible for inclusion in the study. Students were not eligible if they attended an institution serving only secondary students, offering only avocational, recreational, remedial courses, provided only in-house training of less than three months in length, or provided only correspondence courses.

Additionally, to be included in the "in-school" NPSAS universe, students (1) had to be enrolled in a course(s) for credit, in an occupational or vocational program or course of study, or in a degree or formal award program, and (2) not be enrolled in a high school program (NCES, 1988c).

NPSAS Sample

It was necessary for NCES to create its own sample frame of postsecondary institutions from which to draw the sample of students because no single validated file or data

base existed for the universe of all students attending postsecondary institutions. The sample design was aimed at providing a nationally representative sample of students from all sectors of postsecondary education at one point in time as well as limiting the variability of the estimates of the characteristics of students (NCES, 1988c).

Students were selected for NPSAS as "the third stage in a three stage sample design that involved clustering of units [institutions] at two of the sampling stages, stratification of the sampling units at each stage, and assignment of differential selection probabilities for students at different levels" (NCES, 1988c, p. 101).

The first stage consisted of selecting geographic areas based upon three-digit zip codes. Before selecting the zip code clusters, a file of schools was created by merging the HEGIS institutions files and the Pell Grant eligible institutions files. From this merged file the 162 largest schools were selected for inclusion in the sample before systematic sampling was undertaken (NCES, 1988c).

The remaining institutions were clustered by geographic regions, which had to have a minimum size of seven institutions or 1,000 students. This process yielded a total of 361 primary sampling units (PSUs) or geographic areas. The 50 largest PSUs were selected from the 361

PSUs. The remaining 311 PSUs were then stratified by state and assigned a probability of selection proportional to their size. The 311 PSUs were then systematically sampled resulting in 70 PSUs being chosen. Thus, the first stage resulted in a "sample of 120 PSUs consisting of 50 PSUs selected with certainty and 70 PSUs selected with probability proportional to their size" (NCES, 1988d, p. 2-3).

The second stage involved the selection of the remaining institutions from which students would be chosen in stage three. First a complete list of eligible institutions in each of the 120 PSUs were drawn from four data sources: (1) the Higher Education General Information Survey (HEGIS) data base, (2) a file of institutions participating in campus-based and/or Pell grant programs, (3) a file of institutions which could certify GSL recipients; and, (4) a special NCES file of proprietary institutions not contained in the other files. A total of 7814 institutions were selected from the 120 PSUs stratified by type of institution (universities, other four-year, two-year, less than two-year), control (public, nonprofit, proprietary) and eligibility of the institution to distribute Pell Grants. The design ensured that the 346 largest institutions within the strata in the universe were

selected with certainty, while another 802 institutions were selected systematically by size within each stratum (NCES, 1988a; NCES, 1988d).

After contacting each sampled school, it was discovered that some schools had multiple campuses. If enrollments at these multiple sites exceeded 1,000 students they were subsampled. This resulted in 32 additional schools in the sample. A supplemental sample of 11 schools in the state of New York also was included in the sample. Thus, the sample of institutions consisted of a total of 1353 institutions; 162 from stage 1, and 1191 from stage 2 (NCES, 1988d).

The third stage of the sampling procedure was the selection of students from the selected schools. While the original design called for a sample of 70,000 students, loss of subjects occurred due to ineligibility of institutions or students, or refusal of institutions to participate. This process yielded only 59,886 eligible students for whom NCES was able to get completed institutional abstract forms. These students came from 1073 of the 1353 selected postsecondary institutions. They were selected systematically stratified by level (undergraduate, graduate and professional) and type (two-year, less than two-year, four-year) and control (public, nonprofit, proprietary) of school (NCES, 1988d).

The sample of 59,886 eligible students was surveyed using the student questionnaire. A total of 43,176 students completed the questionnaire 34,882 of whom were classified as undergraduate students (NCES, 1988d).

The overall response rates for undergraduate students in the NPSAS "in-school" component was 67%, which was the product (joint probability) of the institutional abstract (95%) and the student questionnaire (71%) weighted response rates (NCES, 1988c). The response rates for the students attending proprietary schools are described later in this chapter.

NPSAS Estimation Weights.

NCES (1988d) developed estimation weights for estimating the national population of students enrolled in different types and control of postsecondary schools. These weights were constructed in a series of steps. First, a basic weight was obtained by using the inverse (reciprocal) of the probability of selection. Second, the base weights were adjusted by a ratio adjustment factor based upon information from the 1986-87 [IPEDS] and 1985-86 [HEGIS] data bases (NCES, 1988d).

To provide estimates of variances of the statistics produced using NPSAS data, a jackknife replication method was utilized by Westat which produced 34 replicates of each

stratum. These replicates were stored in the data base in a variable called ST_FWGT. Weighted estimates of the student population attending proprietary schools were reported in the present study using the replicates stored in the variable ST_FWGT.

Reliability and Validity of NPSAS Estimates

The estimates produced from the NPSAS were compared by NCES with other published postsecondary education data sources--IPEDS/HEGIS, Pell Program, and GSL program--to determine the reasonableness of the estimates.

When enrollment data for NPSAS and IPEDS/HEGIS were compared, NPSAS based enrollment estimates were approximately 11 percent lower for all institutional sectors. These differences were the result of three factors: (1) The sampling error associated with the individual surveys, which was deemed to be relatively small, (2) the methods used to produce the institutional universes of the two surveys, and (3) the different time frames measured by the two surveys. Although both surveys were conducted in the Fall of 1986, the IPEDS/HEGIS survey collected data for the entire 1986-87 school year by asking institutions to estimate their full-year enrollments, while NPSAS was limited to students actually enrolled at one-point-in-time in the Fall semester (NCES, 1988c).

However, NCES noted that once the enrollments of institutions included in IPEDS/HEGIS but ineligible for the NPSAS were excluded from the IPEDS/HEGIS enrollments, "observed differences between these two data sources [were] not substantially significant at the .05 level" (NCES, 1988c, p. 121).

The NPSAS estimates of the number of Pell Grants awarded to individual students were compared with actual data on the number of Pell Grants disbursed to these students by the federal government in the Fall of 1986. NCES reported that "only 2.9% of the cases were in disagreement between the two data sources with less than one percent of the students reporting they had received a Pell Grant but having no reported disbursement [sic] information" (NCES, 1988c, p. 126). They also noted that "these differences were not significantly different at the .05 level" (NCES, 1988c, p. 126). A similar finding was made when NPSAS estimates were compared with GSL quarterly data of loan commitments that lenders had made during the Fall of 1986 (NCES, 1988c).

NPSAS Data Collection Procedures

In the Fall of 1986, trained data gathers collected student data from institutional registration and financial aid office records using the institutional abstract form

(see NPSAS codebook for copies of survey forms). Information on members of the student sample were collected from registration records on such items as type of school, program of study, program format, program length, enrollment status (full-time/part-time), demographic characteristics (gender, age, race, dependency status, high school degree status, and residency status. If the students were aided, financial aid award data were obtained from financial aid office records. This included data on the type, source and amount of aid awarded to the students through the financial aid office. Financial aid offices have information primarily on aid awards from Title IV programs and from the institutions. Information was also collected concerning financial characteristics of families and/or students (adjusted gross income, assets) from financial office records (NCES, 1988c). If a student received a single-source of aid from state or private sources the financial aid office may not have information on the aid award or student/family income.

The institutional update form was used in the Summer of 1987 to update the initial institutional data collection information to validate original aid award figures and to determine if students were still enrolled in school (NCES, 1988c). This information was used later by NCES to

estimate the actual educational costs of attendance for each student (see educational cost variables in variable specification section in Appendix A).

In March of 1987, student questionnaires were mailed to the sample of students. Non-respondents were sent a mailgram reminder, followed by a second questionnaire and finally a second mailgram reminder in May of 1987.

A phone questionnaire was used to obtain information from non-respondents to the mail survey. Students were asked questions about their educational program, demographic characteristics, high school background, educational expenses, earnings, finances (adjusted gross income data was not collected from parents or students), and sources and amounts of aid awards from all possible sources (NCES, 1988c). Information on aid awards not processed by the financial aid office should have been reported on this instrument.

In the Spring of 1987, questionnaires were mailed to a subsample of 27,000 parents of students in the NPSAS sample to determine the financial condition of the families of dependent students with no financial aid (NCES, 1988c). These data were not available for inclusion on the NPSAS data tape dated May, 12, 1988 supplied by NCES and, therefore, could not be used in the present study.

NPSAS Editing and Formatting

NCES (1988d) used a two-phase edit procedure. In the first phase, survey forms were scan edited by trained personnel for "completeness, readability, and critical items" (p. 4-1). Forms which passed the scan edit procedure were batched and eventually key-entered and verified. Questionnaires failing this edit phase were given to trained telephone interviewers for data retrieval. Next, a computer program was used to check and flag the data for "range errors, logical inconsistencies, and erroneous skip patterns" (p. 4-1).

The second phase involved checking the out-of-range errors, logical errors and skip patterns of data elements flagged in Phase I to validate the internal consistency.

NPSAS Proprietary Schools Sample Data

Study Population

The target population of this study was undergraduate students enrolled in accredited and nonaccredited less than two-year and two-year proprietary schools in the 50 states and the District of Columbia on October 15, 1986.

According to NCES (1988a) the NPSAS based estimated population of students enrolled in less than two-year and two-year proprietary schools in the Fall of 1986 was

577,140, with approximately 378,535 in less than two-year schools and 195,605 in two-year schools (Table 1). This represented slightly over five percent of the estimated 11,213,433 undergraduate students enrolled in the NPSAS postsecondary school universe during this time period. According to preliminary estimates from the other major postsecondary enrollment data source IPEDS, approximately 1.1 million students were enrolled during the academic year in these two types of proprietary schools in the 1986-87 (NCES, 1988b). As stated earlier in this chapter, the difference in the two estimates is primarily due to one being an estimate of Fall enrollments, whereas the second is an estimate of academic year enrollments. These academic year enrollment estimates included all new enrollments without adjustment for those who left school because of program completion or dropout. This difference, to a lesser extent, is also the result of sampling error associated with each survey.

Table 1

Number of Students Sampled, Response Status to Student Questionnaire, Population, and Percent of Population Sampled by Type of Proprietary School

	Proprietary Students			
	Sample		Population	
Type of School	Desired	Responded	Total	Percent in * Sample
Two-year	2,081	1,479	198,605	.7
Less than two-year	3,961	2,358	378,605	.6
Total	6,042	3,837	577,140	.7

*Sample Responded/Total Population

Study Sample

According to the codebook produced by NCES, the accessible sample of students attending less than two-year and two-year proprietary schools was 3,837. Initial subsetting of the entire data set revealed there were actually 3,959 students classified as attending proprietary schools. This difference was explained by 122 students classified as having attended four-year schools. Although there were 113 four-year proprietary schools in the United States in 1986, the original sample frame of NPSAS was not stratified for students enrolled in these schools. Therefore, these student observations were not included in this study.

The procedures used by NCES to select the sample of proprietary students and the response rates for the two survey instruments (institutional abstract and student questionnaire) are summarized below using information provided in Tables 1, 2, and 3.

First, a total of 82 two-year and 256 less than two-year schools were selected for the study. Of these schools approximately 95% of the two-year and 86% of the less than two-year schools agreed to participate in the NPSAS study (Tables 2 & 3).

Second, a total of 2,081 eligible "two-year" and 3,961 eligible "less than two-year" students were selected from the participating schools. Information for the institutional abstract form was obtained for these students from registrars and/or financial aid offices by trained data gathers (if student was aided) (Tables 1 & 3).

Third, eligible students were surveyed using the student questionnaire form, with approximately 71% of the two-year and 60% of the less than two-year students completing the form either initially or during one of the follow-ups. This resulted in the final sample of 3,837 students (Table 3).

Table 2

Number of Sampled Proprietary Schools in NPSAS by Type of School, Response Status, Population of Proprietary Schools, and Percent of Population Sampled

	Proprietary Schools			
	Sample		Population	
Type of School	Desired	Responded	Total	Percent in * Sample
Two-year	82	78	835	9.3
Less than two-year	256	221	5604	3.9
Total	338	299	6439	4.6

* Sample Responded/Total Population

Table 3

Institutional Abstract, Student Questionnaire, and Overall Response Rates by Type of Proprietary Schools

Type of School	Response Rates (In Percent)		
	Institutional	Student	Overall *
Two-year	95	71	67
Less than two-year	86	60	52
Total	88	64	56

* Product of the institutional and student response rates

Methods of the Study

Variable Specifications

This section provides a brief description of how the variables used in this study were derived by NCES and the researcher. A more detailed description is provided in Appendix A and in the NPSAS codebook published by NCES (1988d).

Because two sources of data were available (institutional and student responses), NCES was faced with the problem of which data source to use in deriving variables for analysis. In general, but not always, they used updated institutional data from transcripts or from financial aid office records. Generally, student responses were used only when information was unavailable from the institutional abstract. However, race, gender, and age were taken from student responses.

Data Preparation and Verification

Data for the study were extracted from the NPSAS.MAY12 computer tape supplied by CES and stored in the tape library at Virginia Polytechnic Institute and State University (VPI). The tape contained a copy of the NPSAS data base as of May 12, 1988. These data were accessed via

the mainframe computer located at VPI using the Statistical Analysis System (SAS), a fourth generation data management and statistical software package (SAS Institute, 1988).

First, the SAS subprogram FREQ was run to generate frequency and percent distributions for the variables CTRL (control of school) and TYPE (type of school). This analysis revealed 122 observations classified as TYPE=3 and CTRL=3, which represented four-year proprietary schools. For the reason cited earlier in this chapter, these observations were not included in the study.

Second, the SAS subprogram COPY was used to create a SAS system file on tape called NPPROP. This file contained 3,837 observations with 763 variables for each observation. This subset was based on the variables CTRL=3 (control equal to proprietary) and TYPE=1 or 2 (type of school equal to less than two-year or two-year).

Third, the SAS procedure FREQ was used to compute unweighted frequency distributions for each categorical variable. The SAS procedure UNIVARIATE was employed to compute means, standard deviations, and medians for each of the continuous variables. Distributions of each of these variables were checked by a computer program for missing and out-of-range values. If an observation had a missing or out-of-range value for a variable, a decision was made

either to assign a missing value symbol (. or 9) or to impute a value to the variable (see variable specification section of this Chapter for details). Additionally, new variables such as the AID AMOUNT VARIABLES and NET_COST were derived and checked for out-of-range values (see Appendix A for detailed description). Finally, a new SAS system disk file (PROP) was created using a program developed by the researcher. This file included all data elements necessary to answer the research questions.

Data Analysis

Three subprograms from the Statistical Analysis System (SAS) (SAS Institute, 1988) and a series of spreadsheets from LOTUS 1-2-3 (Lotus Development Corp., 1988) were used to answer the research questions proposed in Chapter I.

First, it was necessary to build a profile of the sample of aid recipients attending proprietary schools in terms of demographic characteristics, programs of study, and tuition and fees to begin answering research questions one through four; and, to build a profile of the types of aid packages distributed by proprietary schools to answer research question seven. This was accomplished by using the SAS subprogram FREQ and its TABLES and WEIGHT options. The WEIGHT option and the variable ST_FWGT were used in

these and all other analyses to produce the weighted population estimates.

Second, demographic, institutional, program of study, and package variables were crosstabulated using the SAS subprogram FREQ to analyze the relationships among these variables. This procedure answered research questions one through five, seven, and eight.

Third, several computer software packages and subprograms were used to answer research questions six and nine relating to distribution of financial aid and educational costs of attendance by proprietary schools.

The SAS subprograms SORT and UNIVARIATE were used to develop multiple level nesting of the weighted means of each of the aid amounts and costs variables. To answer research question six, the weighted means were nested within the types of proprietary schools. To answer research question nine, the weighted means were nested within each type of aid package within each type of proprietary school. The UNIVARIATE subprogram was also used to generate weighted population estimates of the number of students receiving each source of aid.

Next, Lotus 1-2-3, Version 2.01 (Lotus Development Corp., 1988) and the weighted means generated by SAS were used to develop models of the distribution of financial aid

and educational costs of attendance. The model used to answer research question six represented an aid package for an average student receiving at least one source of financial aid within each type of proprietary school. The ratio of total educational costs of attendance covered by each aid amount were calculated by dividing the average amount of financial aid from each aid source by the average amount of total educational costs. For example, the percent of total educational costs covered by the Pell Grant program for an average aid recipient in a two-year school was computed by dividing the average Pell amount of $774 by the average total educational costs of $5,949 to obtain the 13% figure (see Table 16 in Chapter IV). The models used to answer research question nine were derived in the same way, except they were nested within schools.

CHAPTER IV

RESULTS OF THE STUDY

The purpose of this study was to answer several questions concerning the distribution of student financial aid in proprietary schools. The results are presented in this Chapter. It is divided into sections according to the order the research questions were proposed in Chapter I. The major divisions are: (1) Proprietary Schools and Enrollments, (2) Programs of Study Selected by Students by Type of Proprietary School, (3) Distribution of Aided and Nonaided Students by Type of Proprietary School, (4) Demographic Characteristics of Aid Recipients by Type of Proprietary School, (5) Programs of Study of Aid Recipients by Gender, Race, and Income, (6) Distribution of Aid and Costs by Type of School, (7) Types of Aid Packages by Type of Proprietary School, (8) Distribution of Aid Packages by Gender, Race, and Income by Type of School; and, (9) Distribution of Aid and Costs by Type of Package and Type of School.

Data presented in this chapter were derived from the NPSAS data base as of May 12, 1988 and have been statistically weighted using the procedure described in

Chapter III to represent the universe of students attending accredited and nonaccredited less than two-year and two-year proprietary schools in the Fall of 1986.

Estimates of the population are represented in each table by the symbol (N). These estimates vary in some of the tables depending upon the number of missing responses for each variable in a given analysis. With a few exceptions, estimates in the first four sections are reported for all students with missing and non-missing responses while estimates in the last five sections are reported for only students with non-missing responses.

Proprietary Schools and Enrollments

According to estimates from the NPSAS data, the population of students enrolled in less than two-year and two-year proprietary schools in the Fall of 1986 was 577,140; slightly over five percent of the 11,213,433 undergraduate students enrolled in postsecondary institutions in the Fall of 1986 according to NPSAS data.

Enrollments are for a single point-in-time (October 15, 1986) representing nearly one-half (49%) the total number of students who actually enrolled in the two types of proprietary schools in the 1986-87 school year (see Chapter III for comparison with other postsecondary estimates).

Approximately two-thirds (66%) of the students in the two types of proprietary schools were enrolled in less than two-year schools offering at least one short-term program (lasting at least 3 months) and resulting in either a terminal occupational award or was creditable toward a two-year or higher award. The remaining students (34%) were enrolled in two-year schools providing postsecondary education and training leading to a certificate or associate degree or was creditable toward a baccalaureate or higher degree (see Table 1, Chapter III).

Programs of Study Selected by Students by Type of Proprietary School

Types of Programs

Included in this section is a description of the programs of study selected by students in the Fall of 1986. Program categories were derived from Classification of Instructional Program (CIP) codes developed by NCES in 1981 (NCES, 1985).

Although proprietary schools offered a wide variety of programs of study, they fell into eight major categories: Secretarial, Business, Electronics, Cosmetology, Computer, Health, Trades, and Other (Table 4). The majority of these programs were occupational/vocational in nature and were similar to those reported in Chapter III.

Table 4

Distribution of Students by Type of Program and by Type of Proprietary School: Fall Semester, 1986

Programs	Type of School		
	Less Two-year	Two-year	Total
	N=378,535	N=198,605	N=577,140
	(In Percent calculated within columns)		
Secretarial	28	24	27
Business	12	23	16
Electronics	9	21	13
Cosmetology	17	0	11
Computer	9	6	8
Health	10	3	8
Trades	6	9	7
Other	4	7	5
Missing	6	6	6

Note. Columns add to 100 percent because of rounding.

Over two-fifths (42%) of all students selected secretarial or business programs with secretarial being the most popular attracting over one-fourth (27%) of all students. The next most popular programs were electronics (13%) and cosmetology (11%). Another 21% of the students were equally distributed among computer, health, and trade programs. The remainder selected other types of occupational or liberal arts programs (5%) or were not codeable (6%) due to missing CIP codes (Table 4).

For both two-year and less than two-year schools, secretarial was the most popular program (24% and 28% respectively). In two-year schools, the next most popular programs were business (23%) and electronics (21%). In contrast, these programs had only 12% and 9%, respectively, of less than two-year students. The second most popular program in less than two-year schools, cosmetology (17%), was not offered in two-year schools (Table 4).

Program Format

An analysis of the format (clock-hour vs. credit-hour) of programs selected by students revealed there was an almost equal distribution between the use of clock-hour and credit-hour formats for measuring program length and computing financial aid awards in proprietary schools (see page 118 for definitions).

Contrasts were evident between the two types of schools with the majority (69%) of students in less than two-year schools enrolled in programs using the clock-hour format, while the majority (82%) of the students in two-year schools were enrolled in programs using the credit-hour format (Table 5).

Table 5

Distribution of Students by Program Format and by Type of Proprietary School: Fall Semester, 1986

Program Format	Type of School		
	Less Two-year	Two-year	Total
	N=378,535	N=198,605	N=577,140
	(In Percent calculated within columns)		
Credit hour	30	82	48
Clock hour	69	16	50
Both	*	2	1
Missing	1	*	1

Note. * Less than one percent. Columns add to 100 percent because of rounding.

Credit-Hour Programs

Table 6 displays the types of credit-hour programs selected by students in the Fall of 1986. Almost one-half (47%) of the students enrolled in programs using the credit-hour format selected business and secretarial programs. Secretarial was the most popular. This program had one-fourth (25%) of all students enrolled on a credit-hour basis. The next most popular credit-hour programs were electronics (14%) and computer (11%).

For both two-year and less than two-year schools, secretarial was the most popular credit-hour program (29% and 22% respectively). In two-year schools, the next most popular credit-hour programs were business (26%) and electronics (19%). In contrast, these programs had only 15% and 8%, respectively, of less than two-year students. The next most popular credit-hour programs in less than two-year schools were computer (16 per cent), business (15 per cent) and health (12 per cent) programs (Table 6).

Table 6

Credit-Hour Programs Selected by Students and by Type of Proprietary School: Fall Semester, 1986

	Type of School		
	Less Two-year	Two-year	Total
	N=110,218	N=161,908	N=272,126
Programs	(In Percent calculated within columns)		
Secretarial	29	22	25
Business	15	26	22
Electronics	8	19	14
Computer	16	8	11
Health	12	4	7
Other	7	7	7
Trades	7	7	7
Cosmetology	*	*	*
Missing	5	6	6

Note. * Less than one percent. Columns add to 100 percent because of rounding.

Clock-Hour Programs

Table 7 displays the clock-hour programs selected by students in the Fall of 1986. One-half (50%) of the students enrolled in programs using the clock-hour format selected secretarial (28%) or cosmetology (22%) programs.

Secretarial (28%) and cosmetology (26%) were the most popular clock-hour programs selected by students in less than two-year schools. Students in two-year schools tended to select secretarial (34%), electronics (32 per cent), and trades (17%) clock-hour programs (Table 7).

Table 7

Clock-Hour Programs of Study Selected by Students and by Type of Proprietary School: Fall Semester, 1986

Programs	Type of School		
	Less Two-year	Two-year	Total
	N=263,909	N=30,862	N=294,771
	(In Percent calculated within columns)		
Secretarial	28	34	28
Cosmetology	26	0	22
Electronics	9	32	11
Business	9	7	10
Health	10	1	8
Trades	4	17	6
Computer	5	1	5
Other	3	7	4
Missing	6	1	6

Note. Columns add to 100 percent because of rounding.

Program Costs

An analysis of average costs (tuition and fees) of programs offered on a clock-hour basis and credit-hour basis by each type of school revealed differences in (1) average costs of a program between the two types of schools, (2) average costs among various types of programs; and, (3) average costs of a program offered on both a credit-hour and a clock-hour basis between the two types of schools.

First, as shown later in Table 29 the average costs (tuition and fees for the academic year or academic program) of a program in a two-year school was 28% higher than the average costs of a program in a less than two-year school ($3,951 compared to $3,097).

Second, average costs varied among certain programs, regardless of program format. Health ($2,461 and $2,718), cosmetology ($2,603), computer ($2,918 and $3,188) secretarial ($2,974 and $3,131) and business ($3,395 and $3,476) programs had the lowest average costs; while electronics ($4,714 and $4,562), other ($4,098 and $4,093), and trades ($3,877 and $4,088) programs had the highest average costs (Tables 8 and 9). This appears to be a function of the average length of the individual programs.

Third, average costs of a credit-hour program in two-year schools were about 11% higher than in less than

Table 8

Average Costs of Programs Offered in Clock-Hour Format by Type of Proprietary School: Fall Semester, 1986

School/ Program	Students (N)	Ave. Costs of Clock-hour Program (In Dollars)
Less than two-year schools	248,074	2,946
Business	23,877	3,359
Computer	13,195	2,991
Cosmetology	68,616	2,603
Electronics	23,752	3,860
Health	26,391	2,452
Other	7,792	3,452
Secretarial	73,895	2,893
Trades	10,556	3,357
Two-year schools	30,553	5,030
Business	2,139	3,488
Computer	291	*
Cosmetology	0	*
Electronics	9,876	6,730
Health	309	*
Other	2,198	6,680
Secretarial	10,493	3,521
Trades	5,247	5,052
All schools	278,627	3,174
Business	26,016	3,395
Computer	13,486	2,918
Cosmetology	68,616	2,603
Electronics	33,628	4,714
Health	26,700	2,461
Other	9,990	4,098
Secretarial	84,388	2,974
Trades	15,803	3,877

Note. * Too few students to make reliable estimates.

Table 9

Average Costs of Programs Offered in the Credit-hour Format by Type of Proprietary School: Fall Semester, 1986

School/ Program	Students (N)	Ave. Costs of Credit-hour Program (In Dollars)
Less than two-year schools	104,707	3,274
Business	16,289	3,766
Computer	17,635	3,519
Cosmetology	251	*
Electronics	8,817	3,726
Health	13,226	2,735
Other	7,715	3,260
Secretarial	32,955	2,991
Trades	7,819	3,333
Two-year schools	152,194	3,648
Business	42,096	3,372
Computer	12,953	2,696
Cosmetology	0	*
Electronics	30,763	4,852
Health	6,476	2,718
Other	12,952	4,518
Secretarial	35,620	3,254
Trades	11,334	4,787
All schools	256,901	3,496
Business	58,385	3,476
Computer	30,588	3,188
Cosmetology	251	*
Electronics	39,580	4,562
Health	19,702	2,718
Other	20,667	4,093
Secretarial	68,575	3,131
Trades	19,153	4,088

Note. * Too few students to make reliable estimates.

two-year schools ($3,648 compared to $3,274). In an attempt to explain this difference the average number of credit-hours taken by an average student were compared for each school. It was discovered that an average student in a two-year school took 15 credit-hours compared to 14.2 for an average student in less than two-year schools, which may explain some of this difference.

The average costs of a clock-hour program in two-year schools were over 70% higher than in less than two-year schools ($5,030 compared to $2,946). A comparison of the length of an average clock-hour program in each school demonstrated the difference in average costs was a function of longer length of programs in two-year schools, which, on average, lasted 1623 hours compared to 1053 hours in less than two-year schools.

Distribution of Aided and Nonaided Students by Type of Proprietary School

As shown in Table 10, approximately 84% of the estimated 577,140 students attending proprietary schools in the Fall of 1986 received at least one type of financial aid from federal, state, institutional or private sources. Though the distributions of aided and nonaided students were comparable across the two types of schools, less than two-year schools enrolled nearly twice (48%) as many aid recipients because of the relative size of student enrollments.

Although students in proprietary schools represented slightly over five percent of all postsecondary enrollments in the Fall of 1986, they received about 14% of the Pell Grants awarded to all postsecondary students in the Fall of 1986 (NCES, 1988c, p. 3). While the actual number of GSL loan commitments made to proprietary students was unavailable, information drawn from the initial analysis of the NPSAS data by NCES (1988c) revealed proprietary students were more likely to borrow through the GSL program (67%) than students attending private (nonprofit) junior colleges (33%), less than two-year public schools (18%) and community colleges (6%).

Table 10

Distribution of Aided and Nonaided Students by Type of Proprietary School: Fall Semester, 1986

	Type of School		
	Less Two-year	Two-year	Total
	N=378,535	N=198,605	N=577,140
Aid Status	(In Percent calculated within columns)		
Aided	84	83	84
Non-Aided	16	17	16

Note. Columns add to 100 percent because of rounding.

Considering federal campus-based aid, proprietary students received a higher percent of funds from the SEOG (10%) and NDSL (8%) than students attending private junior colleges (5% and 4%), public less than two-year schools (2% and 2%), and community colleges (2% and 2%), but less CWSP funds (less than 1% compared to 5%, 3%, and 2% respectively) (NCES, 1988c).

Proprietary students received a similar distribution of aid from state (10%), institutional (4%), and private (4%) sources as compared to students in public less than two-year schools and community colleges and a smaller percent of aid from each of these sources as compared to students in private junior colleges (25%, 26%, and 7%) (NCES, 1988c).

Demographic Characteristics of Aid Recipients by Type of Proprietary School

Tables 11 through 24 provide a demographic profile of the characteristics of students receiving financial aid, who accounted for approximately 84% of the students in less than two-year and two-year proprietary schools in the Fall semester of 1986. These characteristics were chosen to provide a comparison of aid recipients enrolled in proprietary schools with those reported in the literature and to compare students enrolled in each type of school and program of study. Several of the characteristics (dependency status, adjusted gross income, attendance status) were also selected because they are related to receipt of financial aid and the amount of aid awarded.

The distributions of aided students by demographic characteristics in this section were similar to those of nonaided students. The only exception was for minority students (blacks, Hispanics, Asians and others) who were slightly more likely to receive aid than white students (90% compared to 80%), which is consistent with the findings of other studies (Friedlander, 1980, Wilms, 1984a). Income data, one of the most important factors in determining the receipt of aid, were missing for over 95% of the nonaided students thus making comparisons between the two groups impossible.

Generally, the demographic characteristics of aid recipients attending proprietary school were similar to those previously reported in Chapter II.

The majority of aid recipients in proprietary schools in the Fall of 1986 were unmarried (74%), female (67%), less than 23 years of age (52%), lived off-campus (98%), and attended school on a full-time basis (81%). These schools served aid recipients from the lowest income levels with 48% of the dependent and 70% of the independent recipients having incomes of less than $20,000. Almost 43% were from minority groups with over 70% having incomes of less than $11,000. Almost 30% lacked a high school diploma making them poorly prepared academically for most other types of postsecondary schools or programs.

It was found that the typical aid recipient in a less than two-year school was unmarried (72%), female (72%), 26 years of age, and attended on a full-time basis (77%). Almost one-half (48%) came from minority backgrounds and 35% lacked a high school degree. The majority were financially independent (61%) and had an income of less than $11,000 a year.

A typical aid recipient in a two-year school was unmarried (79%), white (66%), female (55%), 24 years of age, dependent (55%) upon their parents for financial support, and attended on a full-time basis (87%). Generally, recipients in two-year schools, because of their dependent status, had more family contributions than their counterparts in less than two-year schools. Therefore, their entitlement for need-based based financial aid was probably less.

The following subsections contain a more detailed analysis of the demographic characteristics of aid recipients by type of proprietary school.

Age

Aid recipients in proprietary schools were relatively young, with slightly over one-half (52%) less than 24 years old and 72% under 30 years old. A larger percent of older recipients (24 and over) were enrolled in less than two-year schools (52% compared 39%). This was especially true for recipients 30 years of age and older who comprised almost 28% of the recipients in less than two-year schools compared to 18% of the recipients in two-year schools (Table 11).

Table 11

Age of Aid Recipients by Type of Proprietary School: Fall Semester, 1986

Age	Type of School		
	Less Two-year	Two-year	Total
	N=319,349	N=165,544	N=484,893
	(In Percent calculated within columns)		
18-23	48	61	52
23-29	24	22	23
30-over	28	17	25
Missing	*	*	*
Average Age	26	24	26
Median Age	23	21	22

Note. * Less than 1 percent.

Columns add to 100 percent because of rounding.

Dependency Status

Slightly over one-half (51%) of all aid recipients in proprietary schools were classified for federal financial aid purposes as financially independent of their parents with the percent being substantially higher among aid recipients in less than two-year schools (63% compared to 45%).

The distributions of independent and dependent recipients between the two types of schools were consistent with the age distributions of recipients enrolled in each type of school. Older students tended to be financially independent of their parents, while younger students tended to be financially dependent upon their parents for financial support (Table 12).

Table 12

Dependency Status of Aid Recipients by Type of Proprietary School: Fall Semester, 1986

Dependency Status	Type of School		
	Less Two-year	Two-year	Total
	N=319,349	N=165,544	N=484,893
	(In Percent calculated within columns)		
Dependent	37	55	49
Independent	63	45	51
Missing	*	*	*

Note. * Less than one percent. Columns add to 100 percent because of rounding.

Adjusted Gross Income

To differentiate between two economically distinct groups of aid recipients, the adjusted gross incomes of dependent (relied on their parents for support) and independent (relied on themselves for support) recipients were described separately. It should be noted that about 12% of dependent recipients and 18% of independent recipients had missing income data. Tables 13 and 14 include the distribution of all dependent and independent recipients. Later analyses involving income included only those students who had reported incomes.

Aid recipients in proprietary schools regardless of dependency status came from lower income groups. As shown in Tables 13 and 14 about one-half (48%) of dependent and 70% of independent recipients had reported adjusted gross incomes of less than $20,000. Approximately 27% of the dependent and 52% of the independent aid recipients had incomes of less than $11,000.

Although the income distributions for independent recipients were fairly comparable across the types of schools, dependent recipients in less than two-year schools were more financially disadvantaged than their counterparts in the two-year schools with over 54% coming from families with an adjusted gross income of less than $20,000 compared to 42% of the dependent recipients in two-year schools.

Table 13

Adjusted Gross Income of Dependent Aid Recipients by Type of Proprietary School: Fall Semester, 1986

Adjusted Gross Income	Type of School		
	Less Two-year	Two-year	Total
	N=117,453	N=91,224	N=208,677
	(In Percent calculated within columns)		
less than 11,000	31	22	27
11,000-19,999	23	20	21
20,000-29,999	17	19	18
30,000-39,999	9	17	12
40,000-over	5	12	8
Missing	15	10	12

Note. This table includes only students who could be classified as dependent. Columns add to 100 percent because of rounding.

Table 14

Adjusted Gross Income of Independent Aid Recipients by Type of Proprietary School: Fall Semester, 1986

Adjusted Gross Income	Type of School		
	Less Two-year	Two-year	Total
	N=202,707	N=78,532	N=278,239
	(In Percent calculated within columns)		
less than 5,000	26	27	26
5,000-10,999	28	22	26
11,000-19,999	17	20	18
20,000-over	11	14	12
Missing	18	17	18

Note. This table only includes those students who could be classified as independent. Columns add to 100 percent because of rounding.

Enrollment Status

In 1986 the enrollment status of a student, which was used in computing financial aid awards, was determined by the type of format (clock-hour and credit-hour) used by schools to measure program length. By definition, for a student to be classified as full-time for financial aid purposes they had to be enrolled for 12 or more credit-hours per term (quarter or semester) or 24 or more clock-hours per week, and, for a student to be classified as part-time they had to be enrolled for 6 to 11 credit-hours per term or 12 to 23 clock-hours per week.

Overall, 81% of all aid recipients in proprietary schools were enrolled on a full-time basis (Table 15). In two-year schools aid recipients were slightly more likely to be enrolled on a full-time basis than recipients in less than two-year schools (87% compared to 77%).

Table 15

Enrollment Status of Aid Recipients by Type of Proprietary School: Fall Semester, 1986

Enrollment Status	Type of School		
	Less Two-year	Two-year	Total
	N=319,349	N=165,544	N=484,893
	(In Percent calculated within columns)		
Full-time	77	87	81
Part-time	16	10	14
Missing	7	3	5

Note. Columns add to 100 percent because of rounding.

Marital Status

The majority (74%) of all aid recipients in proprietary schools were not married which is consistent with their relative youth. A slightly larger percent of aid recipients were married in less than two-year schools than two-year schools (28% compared to 21%). This is consistent with the fact that less than two-year schools enrolled a larger percent of older recipients than two-year schools. (Table 16)

Table 16

Marital Status of Aid Recipients by Type of Proprietary School: Fall Semester, 1986

Marital Status	Type of School		
	Less Two-year	Two-year	Total
	N=319,349	N=165,544	N=484,893
	(In Percent calculated within columns)		
Married	28	21	26
Not Married	72	79	74
Missing	*	*	*

Note. * Less than 1 percent. Columns add to 100 percent because of rounding.

High School Degree Status

Only 71% of all aid recipients held a high school diploma. Of the remaining recipients, 14% had passed the GED, 10% had no record of high school completion (GED, certificate, etc.), and 3 percent had received a certificate of completion (Table 17).

Aid recipients in two-year schools appear to be prepared better academically than those in less than two-year schools. In two-year schools over four-fifths (83%) of the recipients held a high school diploma compared to less than two-thirds (64%) of the recipients in less than two-year schools. In addition, 14% of the recipients in less than two-year schools had no record of high school completion compared to only 3 percent of the recipients in two-year schools (Table 17).

Table 17

High School Degree Status of Aid Recipients by Type of Proprietary School: Fall Semester, 1986

Degree Status	Type of School		
	Less Two-year	Two-year	Total
	N=319,349	N=165,544	N=484,893
	(In Percent calculated within columns)		
Diploma	64	83	71
GED or Equiv.	17	11	14
Cert of Compl.	4	3	3
Dropout	14	3	11
Missing	1	*	1

Note. * Less than 1 percent. Columns add to 100 percent because of rounding.

Residency Status

Fifty-six percent of all aid recipients in proprietary schools lived by themselves (not with parents). Of the remainder 42% lived with their parents and 2 percent lived in school-owned housing. In the two-year schools there was a even split between recipients living by themselves or with parents, whereas in less than two-year schools the majority (60%) of all recipients lived by themselves. The residency status of aid recipients in proprietary schools was consistent with their dependency status. The majority of dependent recipients either lived with their parents at home or in school-owned housing, while the majority of independent recipients lived by themselves (Table 18).

Although only 2 percent of all recipients lived in school-owned housing, five times as many recipients in two-year schools lived in school housing than recipients in less than two-year schools (5% compared to 1%).

Table 18

Residency Status of Aid Recipients by Type of Proprietary School: Fall Semester, 1986

Residency Status	Type of School		
	Less Two-year	Two-year	Total
	N=319,349	N=165,544	N=484,893
	(In Percent calculated within columns)		
School Owned	1	5	2
By Themselves	60	47	56
With Parents	39	48	42
Missing	*	*	*

Note. * Less than 1 percent. Columns add to 100 percent because of rounding.

Gender

Over two-thirds (67%) of all aid recipients in proprietary schools were female with less than two-year schools attracting a larger share of female recipients than two-year schools (72% compared to 56%) (Table 19).

Gender by Income

A comparison of the adjusted gross incomes of independent and dependent male and female aid recipients (with reported incomes) revealed that independent and dependent females were more financially disadvantaged than their male counterparts. Of the independent and dependent females 67% and 35% respectively had incomes of less than $11,000 compared to 54% and 26% of the independent and dependent males (Tables 20 and 21).

This supports the findings of previous research by Freidlander (1980) and Wilms (1974, 1983, 1984a, 1987) that found women in proprietary schools to be disproportionately represented in low-income groups.

Table 19

Gender of Aid Recipients by Type of Proprietary School: Fall Semester, 1986

	Type of School		
	Less Two-year	Two-year	Total
	N=319,349	N=165,544	N=484,893
Gender	(In Percent calculated within columns)		
Male	28	44	33
Female	72	56	67

Note. Columns add to 100 percent because of rounding.

Table 20

Adjusted Gross Income of Dependent Aid Recipients by Gender and by Type of Proprietary Schools: Fall Semester 1986

Adjusted Gross Income	Gender		
	Females	Males	Total
	N=117,605	N=67,469	N=185,074
	(In Percent calculated within columns)		
less than 11,000	35	25	32
11,000-19,999	24	24	24
20,000-29,999	20	21	21
30,000-39,999	13	17	14
40,000-over	8	13	9

Note. Columns add to 100 percent because of rounding. This table only includes students with non-missing responses for the income, dependency status, and gender.

Table 21

Adjusted Gross Income of Independent Aid Recipients by Gender and by Type of Proprietary Schools: Fall Semester, 1986

Adjusted Gross Income	Gender		
	Females	Males	Total
	N=166,706	N=64,538	N=231,244
	(In Percent calculated within columns)		
less than 5,000	34	26	32
5,000-10,999	33	28	32
11,000-19,999	19	29	22
20,000-over	14	17	14

Note. Columns add to 100 percent because of rounding. This table only includes students with non-missing responses for the income, dependency status, and gender.

Race/Ethnicity

An analysis of the race/ethnicity of aid recipients demonstrated that proprietary schools served a disproportionate share of aid recipients from minority backgrounds. Minority students (black, Hispanic, Asian, Indian, and other) accounted for approximately 43% of all aid recipients in proprietary schools. Of these minorities, black (23%) and Hispanic (15%) students were the predominate groups with Asian, Indian and other unclassified students accounting for less than five per cent of all aid recipients
(Table 22).

Almost one-half (48%) of all recipients in less than two-year schools came from minority groups compared to slightly over one-third (34%) of all recipients in two-year schools. Of the two major minority groups the distribution of black recipients in both types of schools was approximately equal, while over twice as many Hispanic recipients were enrolled in less than two-year schools (19% compared to 8%).

Table 22

Race/Ethnicity of Aid Recipients by Type of Proprietary School: Fall Semester, 1986

Race/ Ethnicity	Type of School		
	Less Two-year	Two-year	Total
	N=319,349	N=165,544	N=484,893
	(In Percent calculated within columns)		
Asian	4	3	3
Black	23	23	23
Hispanic	19	8	15
Indian	1	1	1
White	52	66	57
Other	*	*	*
Missing	*	*	*

Note. * Less than 1 percent. Columns add to 100 percent because of rounding.

Race/Ethnicity by Income

A comparison of the adjusted gross incomes of dependent black, Hispanic and white aid recipients (students classified as other were omitted from this analysis because of the small number of observations) shown in Table 23 demonstrates that black and Hispanic aid recipients were more financially disadvantaged than white aid recipients with 54% of the black and 42% of Hispanic recipients coming from families with adjusted gross incomes of less than $11,000 compared to only 18% of the white aid recipients. Furthermore, 35% of dependent white recipients came from families with incomes of $30,000 or higher compared to only 11% of Hispanic and 9% of black aid recipients.

A similar distribution pattern was found for independent black, Hispanic and white aid recipients with 82% of the black, 79% of the Hispanic, and 57% of the white recipients having incomes of less than $11,000. In addition, 18% of the independent white recipients had incomes greater than $20,000 compared to 10% of the black and only one percent of the Hispanic recipients (Table 24).

This supports the findings of previous research by Freidlander (1980) and Wilms (1983, 1984a, 1987) that found aid recipients from minority backgrounds to be disproportionately represented in low-income groups in proprietary schools.

Table 23

Adjusted Gross Income of Dependent Aid Recipients by Race/Ethnicity by Type of Proprietary Schools: Fall Semester, 1986

	Race/Ethnicity			
	Black	Hispanic	White	Total
	N=42,935	N=29,928	N=103,906	N=176,769
Adjusted Gross Income	(In Percent calculated within columns)			
less than 11,000	54	42	18	31
11,000-19,999	26	27	22	24
20,000-29,999	11	20	25	21
30,000-39,999	5	7	20	14
40,000-over	4	4	15	10

Note. Columns add to 100 percent because of rounding. This table only includes students with non-missing responses for the income, dependency status, and race/ethnicity.

Table 24

Adjusted Gross Income of Independent Aid Recipients by Race/Ethnicity by Type of Proprietary Schools: Fall Semester, 1986

	Race/Ethnicity			
	Black	Hispanic	White	Total
	N=56,894	N=35,594	N=127,903	N=220,391
Adjusted Gross Income	(In Percent calculated within columns)			
less than 5,000	43	39	27	32
5,000-10,999	29	40	30	32
11,000-19,999	18	19	25	22
20,000-over	10	1	18	14

Note. Columns add to 100 percent because of rounding. This table only includes students with non-missing responses for the income, dependency status, and race/ethnicity.

Programs of Study by Gender, Race, and Income Groups

Gender by Program

The programs of study selected by female and male aid recipients were analyzed to determine the type of career or occupational decisions made by men and women. Previous research (Wilms, 1974, 1983, 1984a) has indicated that the type of career a person chooses is closely related to gender.

It was discovered that female aid recipients selected programs leading to traditional female-oriented secretarial, cosmetology, and health careers, while male aid recipients selected programs leading to traditional male-oriented electronics and trade careers. For example, females comprised about 93% of all aid recipients enrolled in secretarial, cosmetology, and health programs, while males comprised about 92% and 86% of all aid recipients enrolled in electronics and trades programs (Table 26).

Table 25

Programs of Study Selected by Aid Recipients in Proprietary Schools By Gender: Fall Semester, 1986

Programs	N	Gender	
		Female	Male
		(In Percent Calculated in Rows)	
Secretarial	128,475	93	7
Cosmetology	54,457	93	7
Health	36,634	93	7
Electronics	61,640	8	92
Trades	33,858	14	86
Business	75,000	70	30
Computer	37,888	67	33
Other	11,621	49	51
Total	439,573	67	33

Note. Columns add to 100 percent because of rounding. This table only includes aid recipients with non-missing responses for program and gender.

Race/Ethnicity by Program of Study. An analysis of the programs of study selected by aid recipients from different racial/ethnic backgrounds revealed that black and Hispanic recipients preferred secretarial, health, and computer programs, while white aid recipients favored cosmetology, electronics, business, and trades programs (Table 26).

Aid recipients classified as other (Asian, Indians, and others) appear to be evenly distributed among the various programs of study, except for the computer program. This difference could be the result of either the small number of recipients in this group (5%) or the fact that Asian students have been found to select programs in the more technical fields such as computer operations and programming (Caplan, 1981).

Table 26

Programs of Study Selected by Aid Recipients in Proprietary Schools By Race: Fall semester, 1986

Programs	N	Race/Ethnicity			
		Black	Hispanic	White	Other
		(In Percent calculated in rows)			
Secretarial	128,475	25	18	51	6
Cosmetology	54,457	17	11	67	5
Health	36,634	25	16	56	3
Electronics	61,640	14	10	72	4
Trades	33,858	15	12	65	8
Business	75,000	18	13	66	4
Computer	37,888	26	19	44	11
Other	11,621	32	7	57	4
Total	439,573	23	15	57	5

Note. Columns add to 100 percent because of rounding. This table only includes aid recipients with non-missing responses for program and race/ethnicity.

Income by Program of Study

An analysis of the types of programs selected by independent aid recipients from different income levels demonstrated that over two-thirds of the independent recipients with incomes of less than $20,000 selected cosmetology (73%), secretarial (69%), computer (67%), and health (67%) programs, compared to approximately one-half of the independent recipients choosing electronics (44%), business (48%) and trades (56%) programs (Table 27).

A similar distribution pattern was found for dependent aid recipients with approximately 60% of the dependent recipients selecting secretarial (66%), cosmetology (67%), computer (66%), and health (58%) programs coming from families with incomes less than $20,000, compared to nearly one-half of the dependent recipients taking electronics (42%), business (52%), and trades (44%) programs (Table 28).

Table 27

Programs of Study Selected by Independent Aid Recipients in Proprietary Schools By Income: Fall Semester, 1986

Programs	N	Adjusted Gross Income			
		0 4,999	5,000 10,999	11,000 19,999	20,000 over
		(In Percent calculated in rows)			
Secretarial	63,655	35	34	19	12
Cosmetology	32,412	41	32	16	11
Health	19,098	28	39	16	17
Electronics	24,073	17	27	35	21
Trades	13,298	21	35	23	21
Business	32,907	23	25	32	20
Computer	16,520	46	22	23	8
Other	13,488	37	38	17	8
Total	215,451	32	31	22	15

Note. Columns add to 100 percent because of rounding. This table only includes aid recipients with non-missing responses for program, dependency status, and income.

Table 28

Programs of Study Selected by Dependent Aid Recipients in Proprietary Schools By Income: Fall Semester, 1986

		Adjusted Gross Income				
Programs	N	0 11,000	11,000 19,999	20,000 29,999	30,000 39,999	40,000 over
		(In Percent calculated in rows)				
Secretarial	48,310	40	26	17	10	7
Cosmetology	14,143	38	29	19	8	6
Health	13,685	28	30	22	15	5
Electronics	30,370	18	24	24	16	18
Trades	15,020	26	18	22	21	13
Business	29,144	31	21	21	15	12
Computer	13,378	43	23	19	11	4
Other	9,319	20	19	23	22	16
Total	173,369	33	24	21	14	8

Note. Columns add to 100 percent because of rounding. This table only includes aid recipients with non-missing responses for program, dependency status, and income.

Summary

The findings of the analyses of the programs selected by aid recipients from gender, race/ethnicity, and income groups demonstrated that female, minority, and low-income aid recipients selected short-term, lower-costs secretarial, cosmetology, and health programs. Whereas, white, male, and higher-income aid recipients selected longer-term, higher costs electronics, and trades, programs.

Distribution of Aid and Costs by Type of School

The way financial aid was distributed in the form of aid packages in the two types of proprietary schools was examined in several different ways. In this section aid packaging in proprietary schools was analyzed by comparing the distribution of aid and educational costs of attendance (aid package) for an average recipient in each type of school to provide an overview of the distributions and to determine if differences in distribution existed between the types of schools.

In the next section the distribution of the aid packages in terms of the number of sources of aid received by a recipient were analyzed for the two types of schools. Subsequent analyses delved beneath the surface of the packages derived in the second analysis to determine (1) the distribution of the various types of aid packages among different groups of aid recipients (independent and dependent recipients from different income levels, black, Hispanic, white, and other recipients, and male and female recipients); and, (2) the distribution of aid and cost within each type of aid package within each type of school.

Table 29 portrays how aid and total educational costs (including its components) were distributed to proprietary school students receiving at least one form of financial

aid in the Fall of 1986. The percent of total costs for each source of aid was determined by dividing aid by total costs. For example, the percent of total costs covered by the Pell program was computed by dividing the average Pell amount of aid ($891) by the total costs ($5,216) to obtain the 17.1% figure (Table 29).

Total Educational Costs

Total costs, which included tuition and fees, room and board (probably badly understated), and miscellaneous costs (books, supplies, transportation, child care) were $5216 for an average proprietary school aid recipient as compared to the average costs of between $2,107 and $3,377 for an average recipient in a public less than two-year schools and community colleges; and between $4,552 and $6,127 for an average recipient in a private (nonprofit) junior college (NCES, 1988c).

Of total costs, tuition and fees comprised 65%, room and board 10% and miscellaneous 25%. The average total costs of a recipient in a two-year school were approximately 19% higher than a recipient in a less than two-year school. Over 75% of this difference was the result of higher average tuition and fees costs, although room and board and miscellaneous costs were also higher.

Although an average aid recipient in both types of schools received a similar amount of aid ($3,602 and $3,619), an average recipient in a two-year school was required to pay approximately 40% of total costs compared to only 25% for an average recipient in a less than two-year school.

Aid Distribution

The federal government provided most of the funding for an average proprietary school aid recipient. Funds from these sources accounted for almost 61% of an average recipient's total costs, while other non-federal sources (state, institution and private) covered less than 9% of the total costs.

An average recipient in a less than two-year school had a higher percent of total costs covered by federal sources (68% compared to 51%) than a recipient in a two-year school. Whereas, an average recipient in a two-year school had a higher percent of total costs covered by state sources (7% compared to 3%).

Federal loan programs covered two-fifths of the total costs of an average proprietary school aid recipient. Of these loan funds, the majority (37%) came from the GSL program.

Federal grant programs were the second largest contributor of funds, covering more than one-fifth of the total costs of a average recipient. Of these funds, the majority (17%) came from Pell Grant program.

Campus-based programs (SEOG, NDSL, and CWSP) covered less than three percent of total costs.

Consistent with being more heavily dependent upon federal aid, a recipient in a less than two-year school used more federal loans ($2,147 compared to $2,050) and grants ($1,107 compared to $928) than a recipient in a two-year school to cover total costs. A recipient in a less than two-year school relied more heavily upon the GSL program than a recipient in a two-year school with approximately 25% more of their total costs covered by funds from this program. A recipient in a less than two-year school was also more reliant upon Pell Grants than a recipient in a two-year school (20% compared to 13%).

Table 29

Distribution of Aid, Total Costs and Net Cost for All Aid Recipients by Type of Proprietary School: Fall, 1986

Total Costs/ Aid Sources/ Student Costs	Type of School: Less Two-year N=319,349 % Total Costs	Less Two-year N=319,349 Ave. Dollars	Two-year N=165,544 % Total Costs	Two-year N=165,544 Ave. Dollars	Sector N=484,893 % Total Costs	Sector N=484,893 Ave. Dollars
COSTS						
Tuition/Fees	64.0	3097	66.4	3951	65.0	3389
Room/Board	9.6	462	10.0	592	9.7	506
Misc. Costs	26.4	1277	23.6	1406	23.6	1321
TOTAL COSTS	100.0	4836	100.0	5949	100.0	5216
FEDERAL GRANTS						
Pell	19.7	952	13.0	774	17.1	891
SEOG	1.1	51	0.9	56	1.0	53
SSIG	*	1	0.2	13	0.1	6
Other	2.1	101	1.6	94	1.9	98
Total Grants	22.9	1107	15.7	938	20.1	1048
FEDERAL LOANS						
GSL	40.5	1958	30.8	1830	36.7	1914
ALAS	0.3	17	0.2	14	0.3	16
PLUS	1.0	47	1.8	109	1.3	68
NDSL	2.5	120	2.5	96	2.1	112
Other	0.1	4	*	1	0.1	4
Total Loans	44.4	2147	34.4	2050	40.5	2114
CWSP	0.1	6	0.4	26	0.2	6
Other	0.1	6	0.1	8	0.1	7
FEDERAL TOTAL	67.5	3266	50.7	3022	60.9	3181
STATE GRANTS	2.5	122	6.1	364	3.9	206
STATE LOANS	0.2	11	0.5	28	0.3	17
STATE WORK	0.0	0	0.1	4	0.1	1
STATE TOTAL	2.7	133	6.8	396	6.7	224
INST. GRANTS	0.7	32	1.1	67	0.8	44
INST. LOANS	0.8	37	0.7	40	0.7	38
INST. WORK	*	1	1.8	2	0.1	2
INST. TOTAL	1.5	70	1.8	109	1.6	84
OTHER AID	2.7	133	1.6	92	2.3	119
TOTAL AID	74.5	3602	60.8	3619	69.1	3608
NET COSTS TO STUDENT	25.5	1234	39.2	2330	30.8	1608

Note. * less than 0.1 percent. Percents forced to 100%.

Types of Aid Packages by Type of Proprietary School

Another way to view aid packaging is to examine the number of sources of aid received by a student. In theory, needier students and/or those enrolled in more expensive schools and programs should require and receive more than one source of aid in their package (see Chapter II, page 40). In this analysis aid packages were classified by number of sources of aid received (single-source, two-source, and multiple-source (three or more)).

As shown in Table 30, approximately 79% of all aid recipients in proprietary schools received either a single-source (35%) or two-source (44%) aid package. About one-third of the recipients in both types of schools received aid from only one source. Of the remaining recipients, those in less than two-year schools were more likely to receive two-sources of aid (49%), while recipients in two-year schools were more likely to receive a multiple-sources of aid (29%).

Table 30

Types of Aid Packages Received by Aid Recipients by Type of Proprietary School: Fall Semester, 1986

	Type of School		
	Less Two-year	Two-year	Total
	N=319,349	N=165,544	N=484,893
Number of Source	(In Percent calculated within columns)		
Single-Source	35	36	35
Two-Sources	49	35	44
Multiple-Sources	16	29	21

Note. Columns add to 100 percent because of rounding.

Distribution of Aid Packages by Gender, Race, and Income by Type of School

In this section interactions of the demographic variables (gender, race, and adjusted gross income for independent and dependent recipients) were analyzed to determine any differences in distribution of various types of aid packages by each type of proprietary school. The following is a summary of the findings.

Package by Gender by Type of School

As shown in Table 31, male aid recipients were more likely to receive a single-source aid package (43% compared to 32%), while a female aid recipient were more likely to receive a two-source package (47% compared to 38%).

About one-third of both sexes in two-year schools received aid from two sources (37% females and 33% males). For the remaining recipients, females were more likely to receive multiple-source packages (34%), while males were more likely to receive a single-source of aid (46%). Nearly an equal distribution of both sexes in less than two-year schools received aid from multiple sources (18% females and 16% males). For the remaining recipients, males were more likely to receive a single-source (40%) package, while females were more likely to receive a two-source package (51%).

Table 31

Distribution of Aid Packages by Gender and Type of Proprietary School: Fall Semester, 1986

	Gender	
	Males	Females
Package Type	(In Percent calculated within columns)	
Less than Two-year	N=88,272	N=231,076
Single-Source	40	33
Two-Source	42	51
Multiple-Source	18	16
Two-year	N=72,846	N=92,699
Single-Source	46	29
Two-Source	33	37
Multiple-Source	21	34
All Schools	N=161,118	N=323,775
Single-Source	43	32
Two-Source	38	47
Multiple-Source	19	21

Note. Columns add to 100 percent because of rounding. This table only includes aid recipients with non-missing responses for package and gender.

Package by Race by Type of School

The distribution of aid packages among various racial/ethnic groups in each type of proprietary school is shown in Table 32. About 20% of each racial/ethnic group received aid from multiple-sources. For the remaining recipients, over one-half of all minority aid recipients (54% black, 50% Hispanic, and 51% other) received a two-source package compared to 38% of the white aid recipients. Approximately 40% of white aid recipients received a single-source of aid compared to 25% of black, 32% of Hispanic, and 29% of other aid recipients.

The similar distribution pattern of aid packages among racial/ethnic groups was found in each types of schools. Aid recipients from minority groups were more likely to receive two-sources of aid, while white recipients were more likely to receive a single-source of aid. In less than two-year schools, aid recipients from minority groups were more likely to receive a two-source aid package (59%, 53% and 54% respectively), while white recipients were equally likely to receive either a single-source (41%) or two-source (42%) package. In two-year schools, white aid recipients were also more likely to receive a single-source of aid, while black and other recipients were more likely to receive two-sources of aid.

Table 32

Distribution of Aid Packages by Race/Ethnicity and Type of Proprietary School: Fall Semester, 1986

	Race/Ethnicity			
	Black	Hispanic	White	Other
Package Type	(In Percent calculated within columns)			
Less than Two-year	N=74,786	N=59,402	N=166,010	N=17,055
Single-Source	24	31	41	31
Two-Source	59	53	42	54
Multiple-Source	17	16	17	15
Two-year	N=37,735	N=12,842	N=108,677	N=6,042
Single-Source	28	36	40	22
Two-Source	45	34	31	45
Multiple-Source	27	30	29	33
All Schools	N=112,521	N=72,244	N=274,687	N=23,097
Single-Source	25	32	40	29
Two-Source	54	50	38	51
Multiple	21	18	22	20

Note. Columns add to 100 percent because of rounding. This table only includes aid recipients with non-missing responses for package and race/ethnicity.

Package by Income for Independent Aid Recipients by Type of School

Overall, the majority of the independent aid recipients from lower income levels (85% of less than $5,000) and (81% of $5,000 to $10,999) received two-source and multiple-source aid packages, while 64% of the independent aid recipients from highest income level ($20,000 and over) received single-source packages (Table 33).

Considering the two types of schools, a similar distribution pattern was found among the three types of aid packages. For the two lowest income levels (less than $5,000 and $5,000-$10,999), independent aid recipients in less than two-year schools were more likely to receive a two-source aid package (60% and 60% compared to 44% and 41%), while independent recipients in two-year schools were twice as likely to receive multiple-source aid packages (44% and 41% compared to 21% and 20%).

Table 33

Distribution of Aid Packages to Independent Aid Recipients by Adjusted Gross Incomes and Type of Proprietary School: Fall Semester, 1986

School/ Package Type	Adjusted Gross Income			
	0-4,999	5,000-10,999	11,000-19,999	20,000 over
	(In Percent calculated within columns)			
Less than Two-year	N=52,091	N=56,213	N=34,147	N=22,954
Single-Source	19	20	41	69
Two-Source	60	60	38	25
Multiple-Source	21	20	21	6
Two-year	N=20,048	N=16,442	N=15,134	N=11,092
Single-Source	9	17	37	55
Two-Source	47	41	39	24
Multiple-Source	44	41	24	21
All Schools	N=72,139	N=72,655	N=49,281	N=34,046
Single-Source	15	19	42	64
Two-Source	56	56	38	25
Multiple-Source	29	25	20	11

Note. Columns add to 100 percent because of rounding. This table only includes independent aid recipients with reported income data.

Package by Income for Dependent Aid Recipients by Type of School

Overall, the distribution of packages by income level for dependent aid recipients were similar to the distributions found for independent aid recipients. Dependent aid recipients from the lowest income levels (less than $11,000 and $11,000-$19,999) received two-source and multiple-source aid packages, while dependent aid recipients from the highest income levels ($30,000-$39,999 and $40,000 and over) received single-source packages (Table 34).

For the two types of schools, a similar distribution pattern was also found among the three types of aid packages. Considering the two lowest income levels (less than $11,000 and $11,000-$19,999), dependent aid recipients in a less than two-year school were more likely to receive a two-source aid package (68% and 54% compared to 19% and 21%), while dependent recipients in a two-year school were nearly twice as likely to receive a multiple-source aid package (37% and 37% compared to 19% and 21%). For the highest income level, 69% and 60% of the recipients in less than two-year and two-year schools respectively received a single-source of aid.

Table 34

Distribution of Aid Packages to Dependent Aid Recipients by Adjusted Gross Income and Type of Proprietary School: Fall Semester, 1986

School/ Package	Adjusted Gross Income				
	0-11,000	11,000-19,999	20,000-29,999	30,000-39,999	40,000 over
	(In Percent calculated within columns)				
Less than Two-year	N=36,702	N=26,841	N=19,690	N=10,158	N=5,908
Single-Source	13	24	34	68	69
Two-Source	68	54	24	22	22
Multiple-Source	19	21	42	10	9
Two-year	N=20,486	N=17,869	N=17,644	N=15,571	N=10,478
Single-Source	8	24	37	62	60
Two-Source	55	39	26	19	34
Multiple-Source	37	37	37	19	6
All Schools	N=57,188	N=44,710	N=37,334	N=25,729	N=16,386
Single-Source	11	24	36	64	64
Two-Source	63	48	25	20	30
Multiple-Source	26	28	39	16	6

Note. Columns add to 100 percent because of rounding. This table only includes dependent aid recipients with reported income data.

Summary of Packaging by Gender, Race and Income

Generally, aid recipients from the highest income levels received a single-source of aid. Of this group recipients were more likely to be white and male. Of the remaining aid recipients, those from low-income levels received either a two-source aid package or multiple-source package. For recipients of two-source package, the majority were female and minorities, while there was a fairly equal distribution of recipients by gender and race for multiple-source packages.

A similar distribution of aid packages was found for aid recipients in both types of schools. In less than two-year schools, whites and males from the highest income levels received single-sources of aid, while women and minorities from the lowest income levels received two-sources of aid. In two-year school the distribution was also the same, except that females were more likely to receive multiple-source aid packages.

Distribution of Aid and Cost by Type of Package and Type of School

This section summarizes the major results of the analysis of distribution of aid and educational costs for each type of aid package within each type of proprietary school. A more detailed analysis of distributions for each type of aid package is provided in Appendix B. Information for this analysis was drawn from Tables 35, 36, and 37. The format used was similar to Table 29, which depicted the distribution of aid and costs in section six of this Chapter.

Total Costs. In two-year schools an average recipient of a single-source of aid, two-source aid package, or multiple-source aid package had higher total costs ($5,990, $5,806, $6,071) than a recipient of similar aid packages in less than two-year schools ($4,564, $4,741, $5,680). This difference appears to be the result of higher program costs (tuition and fees) associated with longer-term credit-hour and clock-hour programs offered by two-year schools.

An average recipient of a multiple-source package in both types of schools had higher total costs ($5,680 and $6,071) than an average recipient of a two-source package ($4,741 and $5806) or single-source of aid ($4,564 and $5,990). Recipients of multiple-source packages required

aid from several sources to meet the higher costs of their programs because of restrictions placed upon the amount of aid they could receive from the Pell Grant ($2,100) and GSL ($2,500) programs in 1986.

Although they received similar amounts of total aid, average recipients of each type of aid package in less than two-year schools paid a lower amount of out-of-pocket costs (net costs) as compared to average recipients of comparable packages in two-year schools ($2,105, $774, $843 compared to $3,552, $2,018, and $1,160) (NCES, 1988c). This appears to be the result of two factors: (1) lower costs associated with programs in less than two-year schools, and (2) greater financial need as measured by lower income levels of aid recipients in these schools.

Distribution of Aid. The federal government was the major source of funding for recipients of each type of aid package with an average recipient of a two-source package (80% and 58% of total costs) or multiple-source package (74% and 60% of total costs) in each type of school more heavily dependent on federal aid sources than an average recipient of a single-source of aid (46% and 36% of total costs). Recipients of two-source and multiple-source packages had the lowest income levels in both types of schools and, therefore, were eligible for aid from more federal sources and larger aid awards from these sources.

Other non-federal sources of aid covered a relatively small amount of each aid package recipient's total costs in both types of schools. The only exception was for an average recipient of multiple-source packages in two-year schools who had nearly 18% of total costs covered by aid from state sources. This difference may have been a function of the sample which contained a supplement of schools and students from New York, one of the few states to award state aid to proprietary students. This hypothesis, however, could not be tested since over 80% of the recipients could not be linked to a particular state.

Campus-based programs (SEOG, NDSL, and CWSP) and other federal aid programs covered a very small percent of each aid package recipient's total costs. The limited amount of funds from these programs can be explained in part by the policy prohibiting students from working for profit-making organizations, such as proprietary schools. In addition, proprietary student participation in the SEOG and NDSL programs may also have been restricted by (1) the limited amount of appropriations for these programs, which were only 8 percent of all aid distributed by the federal government (Gladieux and Lewis, 1987); and, (2) the late inclusion of these schools in these programs after other postsecondary schools had captured the majority of available funds (see Chapter II).

Federal loan programs, especially GSL, were the predominate sources of funding for recipients of each type of aid package in each type of school with an average recipient of a single-source of aid almost exclusively dependent on loans from the GSL and, to a lesser extent, other loan programs to cover total costs. This dependency on loans appears to be primarily the result of the lesser financial need of single-source recipients because of higher income levels which made them ineligible for Pell and SEOG grants.

Average recipients of two-source packages in both types of schools were almost exclusively dependent on a combination of a GSL and a Pell Grant to finance their education. They were the neediest of all aid package recipients and used the Pell Grant and GSL to cover between 65% and 85% of total costs depending upon the type of school.

Average recipients of multiple-source packages in both types of schools relied mainly upon a combination of a GSL, Pell Grant, and state grant to pay for their education. Although they were not as financially disadvantaged as recipients of two-source packages, they had to pay the highest costs of any package recipient, thus requiring aid from several sources to

cover total costs. These packages (average multiple-source) covered 85% and 81% of an average recipient's total costs in less than two-year schools and two-year schools respectively.

Table 35

Distribution of Aid, Total Costs and Net Costs for All Recipients of a Single-Source of Aid by Type of Proprietary School: Fall Semester, 1986

Total Costs/ Aid Sources/ Net Cost	Type of School: Less Two-year N=111,117 % Total Costs	Ave. Dollars	Two-year N=60,060 % Total Costs	Ave. Dollars	Sector N=171,177 % Total Costs	Ave. Dollars
COSTS						
Tuition/Fees	64.6	2947	67.5	4046	65.8	3333
Room/Board	8.6	392	8.6	518	8.6	436
Misc. Costs	26.8	1225	23.8	1426	25.6	1296
TOTAL COSTS	100.0	4564	100.0	5990	100.0	5064
FEDERAL AID						
FEDERAL GRANTS						
Pell Grant	4.4	201	2.2	132	3.4	177
Other Grants	4.1	187	2.2	132	3.4	177
Total Grants	8.5	388	4.4	264	6.8	344
FEDERAL LOANS						
GSL	35.8	1636	30.0	1798	33.4	1691
Other Loans	1.5	65	1.3	77	1.4	71
Total Loans	37.3	1701	31.3	1875	34.8	1762
FEDERAL OTHER	0.5	27	0.3	18	0.5	25
FEDERAL TOTAL	46.3	2116	36.0	2157	42.1	2131
STATE AID	1.1	50	1.0	60	1.1	56
INST. AID	1.7	78	2.2	132	1.8	92
OTHER AID	4.7	215	1.5	90	3.4	173
TOTAL AID	53.9	2459	40.7	2439	48.4	2452
NET COSTS TO STUDENT	46.1	2105	59.3	3552	51.6	2612

Note. Columns add to 100 percent because of rounding.

Table 36

Distribution of Aid, Total Costs and Net Costs for All Recipients of Two-Source Aid Packages by Type of Proprietary School: Fall Semester, 1986

Total Costs/ Aid Sources/ Net Cost	Type of Schools: Less Two-year N=155,027 % Total Costs	Less Two-year N=155,027 Ave. Dollars	Two-year N=58,185 % Total Costs	Two-year N=58,185 Ave. Dollars	Sector N=213,212 % Total Costs	Sector N=213,212 Ave. Dollars
COSTS						
Tuition/Fees	64.0	3034	66.7	3872	64.9	3263
Room/Board	9.6	454	9.4	547	9.5	479
Misc. Costs	26.4	1253	23.9	1387	25.6	1289
TOTAL COSTS	100.0	4741	100.0	5806	100.0	5031
FEDERAL AID						
FEDERAL GRANTS						
Pell Grants	29.8	1413	19.4	1126	26.5	1333
Other Grants	1.7	80	2.3	133	2.1	106
Total Grants	31.5	1493	21.7	1259	28.4	1429
FEDERAL LOANS						
GSL	44.8	2124	31.9	1852	40.7	2048
Other Loans	3.1	147	4.6	267	3.6	181
Total Loans	47.9	2271	36.5	2119	44.3	2229
FEDERAL OTHER	0.1	5	0.1	6	0.1	5
FEDERAL TOTAL	79.5	3769	58.3	3385	72.8	3663
STATE AID	1.9	90	3.4	198	2.3	116
INST. AID	1.2	57	1.1	65	1.1	55
OTHER AID	1.7	81	2.4	140	2.1	106
TOTAL AID	84.3	3997	65.2	3788	78.3	3940
NET COSTS TO STUDENT	15.7	744	34.8	2018	21.7	1091

Note. Columns add to 100 percent because of rounding.

Table 37

Distribution of Aid, Total Costs and Net Costs for All Recipients of Multiple-Source Aid Packages by Type of Proprietary School: Fall Semester, 1986

	Type of School					
	Less Two-year N=53,204		Two-year N=47,300		Sector N=100,504	
Total Costs/ Aid Sources/ Net Cost	% Total Costs	Ave. Dollars	% Total Costs	Ave. Dollars	% Total Costs	Ave. Dollars
COSTS						
Tuition/Fees	63.3	3595	64.7	3928	64.0	3752
Room/Board	11.0	629	12.2	741	11.6	682
Misc. Costs	25.7	1457	23.1	1402	24.4	1431
TOTAL COSTS	100.0	5680	100.0	6071	100.0	5865
FEDERAL AID						
FEDERAL GRANTS						
Pell Grants	20.7	1176	19.0	1153	19.9	1167
Other Grants	5.3	301	4.1	249	4.7	276
Total Grants	26.0	1477	23.1	1402	24.6	1443
FEDERAL LOANS						
GSL	38.0	2158	30.3	1840	34.2	2006
Other Loans	9.7	551	5.6	339	7.8	457
Total Loans	47.7	2709	35.9	2179	42.0	2463
FEDERAL OTHER	0.3	18	1.3	83	0.8	47
FEDERAL TOTAL	74.0	4204	60.3	3664	67.4	3953
STATE AID	7.5	426	17.7	1075	12.4	727
INST. AID	1.9	108	2.4	146	2.1	123
OTHER AID	1.8	99	0.5	26	1.2	69
TOTAL AID	85.2	4837	80.9	4911	83.1	4872
NET COSTS TO STUDENT	14.8	843	19.1	1160	16.9	993

Note. Columns add to 100 percent because of rounding.

CHAPTER V

SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

This chapter begins with a brief summary of the research design and methods of the study. The second section includes a summary and discussion of major results of the study as they related to the research questions. In the last two sections, major conclusions are provided along with recommendations for student financial aid policy at both the institutional and federal levels as well as additional research.

Summary of Study

The purpose of this study was to answer several questions concerning distribution of student financial aid in proprietary schools. Proprietary schools or profit-making institutions are a large and growing segment of the postsecondary education system in the United States. In 1972 the U.S. Congress, by enactment of Higher Education Amendments, expanded the definition of postsecondary education to include accredited proprietary schools, thus providing students in these schools access to almost all federal financial aid programs authorized under Title IV of

the Higher Education Act of 1965. Since the passage of the Amendments, there have been repeated allegations by many college officials and some policymakers that proprietary schools are providing poor quality training and using the financial aid system to exploit poorly prepared and often disadvantaged students.

Despite the large amount of student financial aid currently being used by students attending proprietary schools, relatively little data have been available concerning the distribution of aid among the various types of schools and their students. Available research was limited to three studies--the 1980 Applied Management study, using 1978-79 data; the 1982 study by Wilms, using 1978-79 data; and, the 1983 study by Wilms, using 1981-82 data. Although each study provided some insight into aid packaging by these schools, data used in the studies did not reflect major changes in federal financial aid policy that occurred between 1980 and 1986: Namely, the substantial shift in grant-loan balance that has resulted in the proportion of grant aid declining from a high of 80 percent to 48 percent, and the proportion of loans increasing from a low of 17 percent to 48 percent (College Board, 1987). This change in relationship between grants and loans was largely the result of three factors (1) decreased appropriations to pay for

institutional administrative costs previously approved for the Pell Grant and GSL programs, (2) inadequate appropriations for the Pell and SEOG grant programs, which did not kept pace with rising tuition costs, increasing inflation, and growing enrollments of needy students, and (3) increased funds necessary to pay for interest subsidies, defaults, and administrative costs of the rapidly growing GSL program.

The present study was conducted in the spring of 1989 using a Fall, 1986 nationally representative sample of 3,837 students attending less than two-year and two-year proprietary schools in the 50 states and the District of Columbia. The sample was drawn as part of the National Postsecondary Student Aid Survey conducted in the Fall semester of the 1986-87 school year by the National Center of Educational Statistics (NCES). Data for this study came from the edited tapes, dated May 12, 1988.

The National Survey included a representative sample of students and institutions from all sectors of postsecondary education. Data were collected on a total of 34,882 undergraduate students from 1,073 postsecondary institutions.

The 3,837 students in this study represented approximately 577,140 students enrolled in the proprietary school sector in the Fall of 1986. They were members of 299

institutions or 4.6 percent of the 6,439 accredited and nonaccredited two-year and less than two-year institutions in the proprietary sector of postsecondary education.

Summary of Major Results and Discussion

This section summarizes: (1) Enrollments and Characteristics of Schools and Programs; (2) Distribution of Aided and Nonaided Students by Type of School; (3) Characteristics of Aid Recipients by Type of School; (4) Programs of Study by Gender, Race, and Income; and, (5) Financial Aid Packaging in Proprietary Schools.

Enrollments and Characteristics of Schools and Programs

In the Fall of 1986, 5604 less than two-year and 835 two-year proprietary schools provided vocational and occupational training to an estimated 577,140 students, the majority of whom were enrolled in secretarial (27%), business (15%), electronics (13%), and cosmetology (11%) programs, with the remainder distributed among computer, health, trade, and other occupational programs.

Approximately 67% of these students were enrolled in less than two-year schools providing training primarily in lower-cost secretarial, cosmetology, business, and health related programs. The majority (70%) of these programs were offered on a short-term, clock-hour basis.

The other one-third attended two-year schools, 68 percent of whom were enrolled in longer-term, higher-cost secretarial, business, electronics and trades programs leading to a certificate and/or associate degree. Over 80% of these programs were offered on a credit-hour basis.

On average, actual costs of programs (tuition and fees) offered on a credit-hour basis and clock-hour basis by two-year schools were higher than programs offered by less than two-year schools. This difference appears to be mainly a function of shorter-length programs offered by less than two-year schools (see Tables 8 and 9 in Chapter IV).

The total costs for an average aid recipient in the two types of proprietary schools were $4,836 and $5,949 as compared to the total costs of between $2,107 and $3,377 for an average recipient in public less than two-year schools and community colleges; and between $4,552 and $6,127 for an average recipient in private (nonprofit) junior colleges.

Distribution of Aid Recipients by Type of School

The following are major findings concerning distribution of aided and nonaided students enrolled in the two types of proprietary schools in the Fall of 1986:

Approximately 84% of the 577,140 students enrolled in both types of proprietary schools received at least one form of financial aid from federal, state, institutional or

private sources. This finding was similar to that reported by NCES in its initial analysis of the NPSAS data. That is, proprietary school students were more likely to receive financial aid, especially Pell Grants and Guaranteed Student Loans, than students attending other types of postsecondary schools (NCES, 1988c).

Contrary to what might be expected, given the short-term enrollments of these students, it was discovered that less than two-year schools enrolled nearly twice as many of these aid recipients as two-year schools.

It also would appear that a greater percent of proprietary students received aid in 1986 than in 1981-82. Wilms (1983) estimated that between 38% and 57% of the students enrolled in proprietary schools received at least one form of financial aid from federal, state, private, or institutional sources in the 1981-82 school year. He based his estimates on 1981-82 data collected by The National Commission on Student Financial Assistance from proprietary schools accredited by ACCE, AICS, and NATTS. This would suggest that proprietary schools are enrolling more students in 1986 requiring financial assistance than in 1981-82.

Characteristics of Aid Recipients

The following is a profile of the demographic characteristics of aid recipients (or 84% of the students) enrolled in proprietary schools in the Fall of 1986.

1. The majority of aid recipients in proprietary schools in the Fall of 1986 were unmarried (74%), female (67%), less than 23 years of age (52%), lived off-campus (98%), and attended school on a full-time basis (81%). These schools served aid recipients from the lowest income levels with 48% of the fiscally dependent and 70% of the independent recipients having incomes of less than $20,000. Over two-fifths (43%) were from minority groups with over 70% having incomes of less than $11,000. These results are consistent with those of an earlier study by Wilms (1983) who reported that a disproportionate number of female and minority aid recipients with low or low-middle incomes were enrolled in these schools.

2. The typical aid recipient in a less than two-year school was unmarried (72%), female (72%), 26 years of age, and attended school on a full-time basis (77%). Almost one-half (48%) came from minority backgrounds. The majority were financially independent (61%) and had incomes of less than $11,000 a year.

3. The typical aid recipient in a two-year school was unmarried (79%), white (66%), female (55%), 22 years of age, dependent (55%) upon parents for financial support, and attended school on a full-time basis (87%).

4. The typical aid recipient in a two-year school, more generally dependent upon parental financial support, had a higher family income (their own and parents) than their counterpart in a less than two-year school. Thus, according to the need-based student aid formulas used in 1986, they were more capable of paying the higher costs of the longer-term programs offered by these schools.

5. Nearly 35 percent of aid recipients enrolled in less than two-year schools did not have a high school diploma compared to 17 percent in two-year proprietary schools and five percent of the undergraduate students in all other sectors of postsecondary education (NCES, 1988c). Therefore, these schools enrolled a disproportionate number of aid recipients unprepared academically for most other types of postsecondary schools or programs. Such students are at an increased risk of dropping out of school.

6. Aid recipients in proprietary schools exhibited many of the characteristics associated with loan defaulters cited in recent studies by Boyd and Martin (1986) and by

Davis (1985). They were young (75% under 29 years of age), unmarried (74%), female (67%), minority (43%), low-income (70% independent and 48% dependent with annual incomes of less than $20,000), and lacked a high school diploma (29%). This background and their heavy reliance on loans to cover educational costs may explain to a large degree the high default rates of students in these schools. Other factors that probably contributed to defaults are lack of a high school degree, high drop out rates, poor quality of training programs, inadequate student support services, and low paying post-training occupations.

7. With the exception of students from different income groups (income data were unavailable for 95% of nonaided students and 15% of the aided students) and minority students, who were slightly more likely to be aided than white students, the distribution among aided and nonaided students were similar for the other demographic characteristics.

Programs of Study by Gender, Race, and Income

Women and minorities with lower individual and family incomes were heavily enrolled in short-term, less-expensive programs that prepared them for relatively low paying occupations; while white male aid recipients, with higher individual and family incomes, were heavily enrolled in

longer, more expensive programs of study leading to occupations that provided relatively higher earnings.

For example, students in the least costly and least income-gaining occupational programs--cosmetology, health, and secretarial science--were almost exclusively women or minorities with low incomes. Moreover, a large proportion of these were black and Hispanic women with low incomes.

By contrast, those students in the most costly and most income-gaining occupational programs--electronics and trade--were men, and, in most cases white men, with relatively high family or personal incomes. Relatively high income is an income above the poverty level of approximately $11,000 but not likely to exceed $30,000.

In 1986 average hourly wages for cosmetologists, secretaries, and health specialists (nurses aides) ranged from $3 to $7 as compared to the range in average hourly wages for those in electronics and building trades fields of $9 to $14 (U.S. Department of Labor, 1986).

Financial Aid Packaging in Proprietary Schools

This section includes a description of (1) types of aid packages (single-source, two-source, and multiple-source) distributed by each type of proprietary school, and (2) distribution of financial aid and educational costs within the proprietary sector.

Types of Aid Packages. The majority (79%) of all aid recipients in proprietary schools received aid either from a single source (35%) or at most two different sources (44%) in their packages. About one-third of the recipients in both types of schools received aid from only one source. Of the remaining recipients, those in less than two-year schools were more likely to receive two sources of aid (49%), while recipients in two-year schools were more likely to receive multiple sources of aid (29%).

Recipients of a single source of aid, who were more likely to be white and male, had higher individual or family incomes than recipients of two or multiple sources of aid. Although a small percent of single-source recipients obtained a Pell Grant, the vast majority of single-source recipients were limited to loans from the GSL program because of their relatively high incomes. This loan covered approximately one-third of an average recipient's total costs.

Recipients of aid packages containing two sources of aid were primarily women and minorities with the lowest incomes of any aid recipients. They were almost exclusively dependent upon a combination of a GSL and a Pell Grant which covered nearly 75% of their educational costs.

Recipients of aid packages containing multiple sources of aid were predominantly white women with low-incomes in two-year schools. These recipients needed a larger amount of aid to pay for their education because they had to pay the highest costs of any aid package recipients. In addition, they required aid from alternative sources to cover the higher program costs since the Pell and GSL programs had maximum award ceilings limiting the total amount of aid a student could receive from the two sources. They were able to acquire these additional funds mainly from state sources which, when combined with a Pell Grant and a GSL, allowed them to cover over 80% of their costs.

Distribution of Aid. Aid recipients in proprietary schools (like those in other postsecondary sectors) received the majority of their aid from federal sources. The federal government provided about 88 percent of all student aid funds in the Fall of 1986. Most of the aid was from Guaranteed Student Loans (GSLs) and/or Pell Grants. Funds from these programs covered over one-half (54%) of an average aid recipient's total educational costs, with monies from the GSL program covering 37% and Pell program covering 17% of total costs.

This was contrary to findings of earlier research by Applied Management (1980) and Wilms (1982), who reported

that in 1978-79 proprietary schools placed a far heavier emphasis on grants, especially Pell Grants, and a lighter emphasis on loans. This difference is partially explained by the fact that their studies were fundamentally flawed. They analyzed data from the NDSL program and did not have data on the more widely used GSL program, a problem that has plagued many other studies. This difference may also be the result of changes in aid policy set forth earlier in this chapter that occurred between 1980 and 1986.

The finding regarding the large proportion of loan funding relative to grants agrees in part with the finding of a more recent study by Wilms (1983). He reported that funds from the GSL program covered 19% and the Pell Grant program 12% of an average aid recipient's total costs in 1981-82, an amount that appears at variance with the low-income backgrounds of most proprietary students.

Federal, campus-based aid programs (SEOG, NDSL, and CWSP) played only a small part in assisting proprietary school aid recipients with their educational costs. The limited amount of funds from these programs can be explained in part by a policy that prohibited profit-making institutions from distributing CWSP funds to students who were working either on-campus or for other profit-making organizations. In addition, proprietary school student

participation in the SEOG and NDSL programs also may have been restricted by (1) the limited amount of appropriations for these programs--only 8 percent of all aid distributed by the federal government in 1986 (Galdieux and Lewis, 1987)--and (2) the late inclusion of these schools into campus-based programs after other postsecondary schools had captured the majority of available funds (see Chapter II, page 52).

Other nonfederal sources of aid (state, institution, and private) provided relatively little financial support to students other than recipients of multiple-source packages in two-year schools. This appears to be a function of the higher program costs and lower income levels of these aid recipients. It also may be a function of the sample which contained a supplement of schools and students from New York, one of the few states to award state aid to proprietary students. These hypotheses, however, were not tested because the majority (80%) of aid recipients could not be linked to a particular state. For this reason, the NPSAS estimates of state aid distributed to proprietary students should be interpreted cautiously because they may have overestimated the number of proprietary students nationwide receiving state aid.

Major Conclusions

Six major conclusions can be drawn from the results of this study.

1. The evidence suggests that Senator Paul Simon and others were right when they stated that proprietary schools have been filling an educational niche by providing vocational/occupational training for economically and educationally disadvantaged women and minorities who are not being served by other postsecondary institutions.

However, the majority of these students are enrolled in programs offering entry-level occupational training in such fields as cosmetology, secretarial science, business, electronics, and building trades. Moreover, the more educationally, ethnically, or economically disadvantaged a student is, the more likely he/she (and most are she's) is to be enrolled in a short-term program leading to a low income-gaining occupation.

Estimates of total education costs suggest that charges (mainly tuition, fees, and materials) of proprietary schools are not out-of-line with the costs of many institutions in other sectors of postsecondary education, including state and locally supported community colleges and private nonprofit junior colleges. However, proprietary school students generally are charged the full-costs of education

while those attending publicly supported schools are generally charged, even in worst cases, no more than 50 percent of educational costs with the state and/or local governments picking up the remaining 50 percent (see Chapter IV, page 144).

Consequently, proprietary school students, who are the least academically prepared and least economically capable of accepting and retiring an encumbrance of all postsecondary students, are often encumbered with a financial aid loan burden. This burden is likely to be greater than if they had attended public institutions offering comparable programs. Nearly 60 percent of an average proprietary student's financial aid is in the form of government supported loans. Thus, their future is encumbered with loans which they most likely will be unable to repay, given the low income-gaining nature of the occupations for which they are trained.

2. The large number of proprietary students applying for and receiving financial aid despite missing adjusted gross income data suggests that either record keeping procedures in financial aid offices of proprietary schools are inadequate, or survey instruments and/or procedures used by NCES to collect these data were inadequate. The researcher suspects the former.

Further investigation needs to be conducted in this area to determine where the problem lies, especially in light of the forthcoming 1990 NPSAS, which could cost the taxpayers between seven and nine million dollars. If the problem lies with the schools' record keeping procedures, this would have implications for the Department of Education to monitor more closely these schools since, under federal law, they are required to maintain accurate and complete information on recipients of Title IV aid. It also may have implications for policymakers to consider restoring the appropriations for schools to administer the Pell and GSL programs which either were reduced or eliminated in 1981 by the Budget Reconciliation Act.

3. The evidence indicates that despite the high costs of proprietary schools, they have continued to increase their market share of high-risk students and student financial aid (Andrew and Russo, 1989; and Gladieux and Lewis, 1987). This would suggest that those public less than two-year vocational schools and community colleges which attract students with similar characteristics and offer comparable programs for between one-third to one-half the costs to the students (NCES, 1986b, 1988c), may not be doing as good a job of recruiting high-risk students and packaging financial aid for them as the schools in the proprietary sector.

Reputedly, proprietary schools have demonstrated the benefits of aggressive marketing and recruiting programs, flexible short-term programming, and some limited nurturing during the recruitment and application processes (Andrew and Russo, 1987) or until the disbursement of aid awards (author). In addition, they have been able to provide aid packages to students to cover the majority of their immediate educational costs.

4. The high dropout rates of these schools are probably the result of admitting a large share of students with poor educational backgrounds. However, it also could indicate student dissatisfaction with the schools and programs. The literature (Wilms, 1982) offers only limited evidence that these schools provide a high quality of training and adequate student support services designed to keep students in schools. Indeed, the cases of fraud or near fraud reported from time to time would suggest that accrediting and licensing processes in this sector may be less than desirable.

5. Demographic data on proprietary school students suggest that federal financial aid is creating a demand for education by a group of students who might not otherwise have aspired for such training and is supplying a source to meet that demand. The question is: Is the demand and thus

the supply being artificially created? And, if so, is the distribution of federal financial aid largesse to these schools through the students they attract likely to create sufficient human capital to support the investment costs? The evidence is not encouraging. The majority of students, especially those most economically, ethnically, or gender disadvantaged, are enrolled in occupational programs leading to relatively poor jobs--ones not likely to provide sufficient income to pay off educational loans. Moreover, other data (Wilms, 1982, 1987; Wilson, 1987; Merisotis, 1988) suggest that dropouts among these students are excessive, even from the shortest and least demanding programs.

It seems possible that women and minorities with low-incomes choose shorter-term programs leading to potentially less lucrative careers because of lower-costs and shorter time commitments to complete their training. This means that they are out of the labor force for a shorter period of time, causing less financial burden for themselves and/or their families. Thus, income differences, which this and other studies (Astin, 1972; Freidlander, 1980; Wilms, 1983) have found to be closely related to race and gender differences, are perpetuated.

6. The results of this study have demonstrated that the majority of aid recipients in proprietary schools had

limited access to aid from federally funded campus-based programs and nonfederal (state, institutional, and private) sources making them heavily dependent upon loans from the GSL programs and, to a lesser extent, Pell Grants to finance their education. Despite the intent of policymakers in recent years to provide access and choice for disadvantaged students through the GSL and other loan programs, this heavy dependence on loans may be poorly serving both students and society.

Several recent studies (Lee, 1984; New York Higher Education Assistance Corporation, 1984; Boyd and Martin, 1986) have suggested that loans were the greatest benefit to students in four-year, graduate, and professional schools training for careers paying high salaries and the least benefit to students in proprietary schools and community colleges training for low-paying jobs. They also found that high-risk students (women, minorities, low-income, and low achievers) were more likely to drop out of school and eventually default on their loans than traditional white middle-income, highly motivated students. For these reasons, loans are generally viewed by members of the financial aid community as a last resort form of aid for high-risk students. This would lead one to question the wisdom of federal policies that encourage proprietary

students to take out a GSL or any loan to finance their education when it is known they come from low-income and poor educational backgrounds, train for low-paying occupations, and are more likely to dropout of school and default on their loans.

Recommendations

This study was a beginning step in the investigation of complex issues surrounding financial aid distribution in the proprietary school sector. While the results of this study shed some light on the characteristics of these schools, their students, and the distribution of aid to students in these schools, they confirmed the need to review and to evaluate the existing financial aid system.

Four different sets of recommendations are proposed: (1) what role should the federal government play in reducing the default rates of students and improving the performance of proprietary schools, (2) what role should the proprietary school sector play in changing its poor image, improving its performance, and reducing its high default rates, (3) what role should community and other public colleges play in competing with the proprietary school sector, and (4) what types of further research should be undertaken regarding financial aid distribution in the proprietary school sector.

Role of the Federal Government

Evidence from this study suggests that the federal government and the public need to reevaluate their "love affair" with student loans in light of rising costs of loan subsidies created by increased student needs in all postsecondary sectors and high default rates on loans in the proprietary sector.

There is a very real need to offer second and third chances to individuals who, for a variety of reasons, have been excluded from or missed educational opportunities in the K-12 system. This need is becoming increasingly felt since a large proportion of those individuals who missed earlier educational opportunities are from either economic or ethnic underclasses and, in too many instances, from both. It is these classes who will comprise the majority of the traditional-age working population by the year 2000. It has been estimated that no more than 25 percent of the workers in America will be white males by 2000 (Hudson Institute, 1987).

There also is a need for skilled workers in many low- or modest-paying occupations. The United States economy is currently suffering from an inadequate supply of workers with specialized technical or service-oriented training required by employers. Employers are looking for workers

with the kinds of specialized skills that neither high schools nor four-year schools are providing. The U.S. Labor Department predicts that by 1990 three out of four jobs will require specialized trade or service-oriented occupational training with this condition expected to intensify in the near future (Hudson Institute, 1987).

However, burdening those seeking or being enticed into pursuing a second chance or attempting to obtain a job skill with loans is hardly likely to (1) improve educational opportunity or (2) reduce the cost of providing aid. In the first case, several studies (Boyd and Martin, 1986; Davis, 1985) have shown that high loans are predictors of high dropouts. In the second case, there is little likelihood those students trained to earn their living at low- or modest-paying occupations will earn enough money to repay their loans.

Yet, the federal government needs to continue its long-term commitment of providing opportunity for social mobility through education and of creating a supply of labor to fill low- or modest-paying occupations. This commitment should be made by investing in education through grants, work-study, and, as a last resort, loans. The latter should be available as a supplement to other forms of student aid, primarily for upper-level, graduate and professional students who have the ability to repay these loans.

Perhaps the federal government could better serve high-risk students in proprietary and other schools by providing them with nonreturnable forms of aid such as grants and work-study. Ideally, student loans should be the last form of aid awarded to these students in their aid packages after all other sources of aid are exhausted. Although not politically popular, no other policy change would do more to curb potential defaults and to reduce the debt burden of high-risk students than substantial increases in Pell, SEOG, and other grant aid.

The CWSP program should play an even more important role than it currently does in financing a student's education. Several studies (Astin, 1975; Jensen, 1982) have shown aid packages containing work-study aid tended to increase student persistence, especially among women and blacks. Work-study programs also benefit the student by providing practical work experience and reducing the amount of debt burden. Schools also benefit from this type of aid by having work performed at relatively low costs. Perhaps recent Amendments to the Higher Education Act (1986) permitting students to work for profit-making organizations will provide an incentive for proprietary schools to increase student participation in this program.

In the long run, Congress also may find aid programs based on grants and work-study for high-risk students to be less costly to society than the current system, which is heavily subsidized by implicit grants in the form of lower interest costs as well as the costs associated with excessive defaults. For example, Simpson and Mendelson (1986) recently estimated these additional costs to the federal government for a student receiving a loan to range from more than one-third to over one-half the amount of the loan depending on the interest rate. In addition, these estimates do not include high administrative costs associated with the debt collection and management system. Another figure that does not appear in the federal student aid budget is future costs to taxpayers for supporting another generation of poorly educated and economically disadvantaged individuals through an already costly welfare program.

If the intent of student financial aid programs is to provide access and choice for poor students who could benefit from a postsecondary education, efforts must be renewed to establish a student aid program at the federal level which will allow schools to provide well-balanced aid packages to students. Only then can the default potential and risk to students with limited incomes (women,

minorities, low achievers, and those selecting low-paying careers) be reduced.

Policymakers also should consider revising federal student aid programs to include incentives for schools to improve performances. Additionally, the reputation of the federal student aid system needs to be "polished up" due to the high number of defaults and the many loopholes in the present system that have allowed some proprietary schools to take advantage of poorly-prepared and often disadvantaged students.

Presently, distribution of aid under Title IV programs is not based directly on the success of schools in retaining high-risk students and placing them in related jobs or on the quality of their training programs. Because proprietary schools can earn a profit, the caliber of their training programs should be monitored more closely and should be used as a criterion in determining whether they are allowed to distribute aid.

Policymakers could develop an incentive program with measurable criteria to encourage proprietary schools to improve the quality of training, to increase job placements, and to raise retention rates. This would encourage these schools to share the risk of training along with the student, the taxpayer, and the government. One such

incentive is to provide a bonus to proprietary schools successfully graduating high-risk students and placing them in jobs related to their training, while requiring these schools to refund a prorated share of federal government funds paid on behalf of dropouts.

They also could create an incentive program for high-risk students who must take on loans. One such incentive could be a loan forgiveness program which would allow students who complete their training to reduce the amount of debt they had to repay by a given percent (say 20%). They could even take this concept one step further by forgiving an additional portion of the debt for each year the student was gainfully employed. This could easily be documented with a tax return and/or employer validation.

Role of the Proprietary School Sector

If proprietary school owners want to overcome their poor image, they need to look to self-regulation as a means of achieving this goal. If student loan defaults and allegations of abuse and poor quality training threaten access to student financial aid, then proprietary schools must hold themselves accountable to the students, taxpayers and policymakers. Schools who experience high defaults and dropout problems must take the necessary steps to correct

these shortcomings. NATTS, ACCE, and AICS, the major proprietary school accreditation associations, should encourage member schools to adhere to a strong, yet firm, set of expectations. If proprietary school owners and their major accrediting associations do not take corrective action, the only alternative for federal and state officials is to take the handling of aid distribution completely out of the hands of these schools. This would limit the temptation of some schools to mislead students and to burden them with loans for the sake of a profit. Such a policy change would hurt not only many high-risk students who rely upon these schools for training but also schools that successfully train and place students.

In addition, schools should reexamine their current policies and procedures in an effort to prevent abuses and to reduce defaults in the future. Consumer information is an example of an area in need of improvement. Information on schools' performances should be given to prospective students. Students would be better served if information on graduation rates, placement rates, and earnings of graduates by program were compiled and published for all proprietary schools--not just a few of the larger schools or those schools doing a good job of training and placing students. Students would then be able to compare training records of

proprietary schools with those of public institutions for whom most states already compile and publish these data. In addition to requiring schools to publish performance records in their catalogs, they should also be required to disclose this information to students and their parents during the recruitment and application processes, a sort of truth-in-education agreement.

Finally, schools should become more concerned about the success of students at the end of their training. It is not sufficient for students to have the ability to benefit from the education or training. They must have a reasonable chance of completing their training and of improving their economic standing. One suggestion is for schools to improve availability and effectiveness of academic and career counseling for high-risk students as well as the quality of student support services, especially developmental education and tutoring.

Role of Community and Public Colleges

The ability of proprietary schools to attract high-risk students and to capture federal financial aid for these students suggests that community colleges and public less than two-year schools would serve themselves and the public by being more aggressive in recruiting these students and

helping them to cope with the system. Most community colleges and public institutions already have strong student support services such as tutoring, career counseling, and developmental education programs to help poorly prepared students complete their training and find a job. They need to intensify their efforts in the following areas (1) develop stronger recruiting and marketing programs, (2) revise course offerings and programs to provide more flexible short-term training, (3) seek out high-risk students during the application process and provide them with information on available student support services, and (4) work with high-risk students and their parents to provide attractive financial aid packages containing nonrepayable forms of aid such as grants and work-study to help cover educational costs.

Types of Further Research

Several recommendations for future research can also be derived from the results of this study. In addition to the recommendation concerning lack of income data for students suggested in the Major Conclusions section, several other research projects could provide useful information.

First, a similar study comparing aid distribution of proprietary schools with other postsecondary sectors having similar populations of students (public less than two-year

and public community colleges) would be a worthwhile undertaking. This type of study may shed additional light on the question of why low-income women and minorities choose more expensive proprietary schools when comparable lower-cost programs are offered at public schools.

Second, future research could analyze changes in federal aid policy affecting the proprietary school sector brought about by the 1986 Higher Education Amendments. Using data from this study (pre-1986 amendments) and data from the forthcoming 1990 NPSAS, a study of changes in the GSL program from a loan of convenience to middle-class students to a strictly need-based program for low-income students could be conducted to determine the extent of proprietary students' reliance on these loans. Also, the change in CWSP laws permitting proprietary students to work for profit-making organizations or proprietary schools could be observed to determine the impact on student aid packaging.

Studies such as these could lead to the development of a strong data base for time-series analysis and could lead to development of models for evaluating institutional, social, educational, and financial factors affecting the proprietary school sector and could provide policymakers with a continuous flow of valid up-to-date information upon which to base future policy decisions.

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APPENDIX A

Variable Specifications

This Appendix includes a detailed description of how the variables were derived for this study. The format used to describe each variable lists: (1) variable name, (2) variable name in (parenthesis) located on the original NPSAS.MAY12 tape file or name assigned by the researcher, (3) assigned values (if categorical), (4) operational definition(s), (5) primary and secondary sources (NCES variable, institutional abstract, or student questionnaire) of data; and, (6) any imputation procedures used or other special treatment given to a variable.

For the sake of brevity, data from the institutional abstract forms were denoted by "Q" followed by the corresponding question number. Data from the student questionnaires were denoted by "S" followed by the corresponding question number. For example, data for the variable PROGRAM FORMAT was obtained from question Q19 from the institutional abstract form.

Institutional Variables

1. TYPE OF SCHOOL (TYPE)

Categories: 1=Less than Two-year school
2=Two-year school

Definition:

Less than Two-year - School that provided postsecondary education, and all of whose programs were less than two years long. These schools offered at least one program which lasted at least 3 months and resulted in a terminal occupational award or was creditable toward a two-year or higher award.

Two-year - School that provided postsecondary education and conferred at least a two-year certificate or associate degree or had a two-year program that was creditable toward a baccalaureate or higher degree in one or more programs. These schools could not award a baccalaureate degree.

Primary Source: NCES variable TYPE.

2. CONTROL (CTRL)

Categories: 1=Public
2=Private Nonprofit
3=Proprietary

Definition:

Public - An educational institution operated by publicly elected or appointed school officials and supported primarily by public funds.

Private Nonprofit - An institution that is controlled by an individual or by an agency other than a state, a subdivision of a state, or the federal government, that is usually supported by other than public funds, and the operation of whose programs rests with other than publicly elected or appointed officials.

Proprietary - An educational institution that is under private control and whose profits, derived from revenues, are subject to taxation.

Primary Source: NCES variable CTRL.

3. STUDENT WEIGHTS (ST_FWGT)

Definition: Student weighting factors to allow for estimating the population of students enrolled in each type and control of school.

Primary Source: NCES variable ST_FWGT.

Program of Study Variables

1. PROGRAM OF STUDY (PROGRAM)

Categories: /CIP Codes	1=Business	(06, 0602, 08)
	2=Computer	(11, 1102, 1103)
	3=Cosmetology	(12)
	4=Electronics	(141001, 15)
	5=Health	(17, 170605, 18)
	6=Other	(all other valid codes)
	7=Trades	(46, 47, 48)
	8=Secretarial	(07, 0706)
	9=Missing	

Definition: Programs as classified by the Classification of Instructional Program Codes provided in questions Q20A1CDE and Q21FCDE. A list and definition of each CIP is located in Appendix C of the NPSAS codebook published by Westat Corporation (1988).

Primary Source: Q20A1CDE and Q21FCDE.

2. PROGRAM FORMAT (CLOCK)

Categories:
1=Credit-Hour
2=Clock-Hour
9=Missing

Definition:

Credit-Hour - A student is enrolled in a program of study offered in the credit-hour format.

Clock-Hour - A student is enrolled in a program offered in the clock/contact hour format.

Primary Source: Q19.

3. PROGRAM LENGTH CREDIT-HOUR PROGRAMS (PROGLNCR)

Definition: Program length in credit-hours of programs of study offered in the credit-hour format.

Primary Source: Q21B.

4. PROGRAM LENGTH CLOCK-HOUR PROGRAMS (PROGLNCK)

Definition: Program length in clock/contact hours of programs of study offered in the clock-hour format.

Primary Source: Q20B1.

Educational Costs Variables

1. TUITION AND FEES COSTS (TUITFEES)

Definition: The total tuition and fees charged to a student before any deductions or allowances were made. The tuition and fees for students enrolled in credit-hour programs were for the 1986-87 school year, while the charges for students enrolled in clock-hour programs were for the entire program.

Primary Source: NCES variable TUITFEES.

Secondary Source: Approximately 10 per cent of the students had missing tuition and fees expenses. For this group of students the tuition and fees value was imputed by taking the mean tuition and fee value for students enrolled in the same type of school, program of study and program format.

2. ROOM AND BOARD COSTS (STD_ROOM)

Definition: The total room, board, rent and food costs that were directly related to the student's education for the 1986-87 school year.

Primary Source: NCES variable STD_ROOM.

Secondary Source: Approximately 8 per cent of the students had missing room and board costs. For this group of students the room and board value was imputed by taking the mean room and board value for students enrolled in the same type of school, program of study and program format.

3. MISCELLANEOUS COSTS (STD_MISC)

Definition: The total costs incurred by a student for books and supplies, commuting costs to school, other transportation costs, personal expenses, and child care that were directly related to their education for the 1986-87 school year.

Primary Source: NCES variable STD_MISC.

Secondary Source: Approximately 8 per cent of the students had missing miscellaneous costs. For this group the miscellaneous costs value was imputed by taking the mean miscellaneous value for students enrolled in the same type of school, program of study and program format.

4. TOTAL COSTS (TOT_COST)

Definition: The sum of the tuition and fees, room and board, and miscellaneous costs incurred by a students for the 1986-87 school year.

Primary Source: The adjusted NCES variables TUITFEES, STD_ROOM AND STD_MISC.

5. NET COST (NET)

Definition: The difference between the average total amount of financial aid received by a student (TOTALAID) and the total educational costs (TOT_COST) incurred for the 1986-87 school year.

Primary Source: TOT_COST and TOTALAID.

Demographic Variables

1. AGE (AGECAT)

   Categories: 1=23 year old or under
   2=24-29 year old
   3=30 year old or older
   9=Missing

   Definition: Age as of December 31, 1986

   23 year old or under - Date of birth on or after January 1, 1963.

   24-29 years old - Date of birth between January 1, 1957 and December 31, 1962.

   30 years old or older - Date of birth on or before December 31, 1986

   Primary Source: NCES variable AGECAT.

2. SEX (D_SEX)

   Categories: 1=Male
   2=Female
   9=Missing

   Primary Source: NCES variable D_SEX.

3. RACE/ETHNICITY (RACE)

   Categories: 1=American Indian
   2=Asian
   3=Black (non-Hispanic)
   4=Hispanic
   5=White (non-Hispanic)
   6=Other
   9=Missing

   Primary Source: NCES variable RACE.

4. ENROLLMENT STATUS (ATTEND)

Categories: 1=Full-time
2=Part-time
9=Missing

Definition:

Full-time - A student enrolled for 12 or more semester credits, or 12 or more quarter credits per academic term or 24 clock hours per week.

Part-time - A student enrolled for either 11 semester credits or less or 11 quarter credits or less per academic term or less than 24 clock hours per week.

Primary Source: NCES variable ATTEND

5. MARITAL STATUS (MARITAL)

Categories: 1=Married
2=Not-Married
9=Missing

Definition:

Married - A student who was married and not separated from spouse on October 15, 1986.

Not-married - A student who was single, divorced separated, or widowed on October 15, 1986.

Primary Source: NCES variable MARITAL

6. RESIDENCY STATUS (RESIDENC)

Categories: 1=School-owned Housing
2=Off Campus, not with Parents
3=With Parents
9=Missing

Definition: The living arrangements reported by the student for the fall semester of 1986 while attending school, or the housing arrangements reported by the institution.

Primary Source: S10

Secondary Source: Q17

7. DEPENDENCY STATUS (DEP_STAT)

Categories: 1=Dependent
2=Independent
9=Missing

Definition: The dependency status of a student for financial aid purposes as determined by the school or the student's responses to several questions which reflected the standard federal government financial aid definition in force during the Fall semester of 1986.

Dependent - A student who was dependent on his or her parents or guardians for financial support.

Independent - A student who was independent of his or her parents for financial support.

Primary Source: NCES variable DEP_STAT.

8. HIGH SCHOOL DEGREE STATUS (HSDIP)

Categories: 1=High School Degree
2=GED
3=Certificate of Completion
4=Dropout
9=Missing

Definition: Student-reported high school education or equivalent status.

High School Degree - Student received a high school degree or diploma.

GED - Student passed the GED or an equivalent exam.

Certificate of Completion - Student received a certificate of high school completion.

Dropout - Student did not receive a high school degree, GED, or certificate of completion.

Primary Source: S83A

9. DEPENDENT ADJUSTED GROSS INCOME (AGICATD)

Categories: 1=$0-$10,999
2=$11,000-$19,999
3=$20,000-$29,999
4=$30,000-$39,999
5=$40,000 and over
9=Missing

Definition: Adjusted gross and untaxed income for dependent students as reported to the institution's financial aid office for 1985.

Primary Source: NCES variable AGI_CATD.

10. INDEPENDENT ADJUSTED GROSS INCOME (AGICATI)

Categories: 1=$0-$4,999
2=$5,000-$10,999
3=$11,000-$19,999
4=$20,000 and over
9=Missing

Definition: Adjusted gross and untaxed income for independent students as reported to the institution's financial aid office for 1985.

Primary Source: NCES variable AGI_CATI.

Financial Aid Variables

1. AID STATUS (AIDED1)

   Categories: 1=Aided
   2=Not-Aided

   Definition:

   Aided - A student was classified as aided when the institutional abstract reported a valid amount of aid received or if the student reported a valid amount of aid regardless of source.

   Not-Aided - A student with no reported aid or the reported aid amount was flagged as being out-of-range.

   Primary Source: Institutional Abstract questions Q35A1AMT through Q35D8AMT.

   Secondary Source: Student Questionnaire questions S65A1AMT through S65C4AMT and S65ATOTL, S65BTOTL, and S65CTOTL.

2. PACKAGE (PACKAGE)

   Categories: 1=Single-Source
   2=Two-Sources
   3=Multiple-Source

   Definition: The types of aid packages received by aid recipients and measured by the number of sources of aid received.

   Primary Source: An algorithm was developed that counted the number of sources of aid received by each aid recipient. For each recipient the amount of each aid variable was checked to determine if a value greater than 0 was present. If so, a value of one was added to a variable COUNT. This process was repeated for each type of aid. If the count was equal to 1, the recipient was assigned to the single-source category; if the count equalled 2, the two-sources category, and if count equalled 3 or more, the multiple-sources category.

3. FINANCIAL AID AMOUNTS (will vary see below)

Definition: The average amount of student financial aid received by a student from a specific source or type of aid program in the Fall of 1986.

Primary Source: The Institutional Abstract form which reflected the amount of aid reported by the financial aid office of the institution.

Secondary Source: Student Questionnaire. These amounts were used only if the institutional abstract form did not report a specific amount of aid.

Treatment: Because aid amount variables derived by NCES contained out-of-range values, the variables were reconstructed using similar algorithms. Using the appropriate flags, all observations with an out-of-range value were assigned a missing value and not included in any of the computations.

Considering the large number of aid amount sources, each variable was defined briefly along with primary and secondary source question numbers. A detailed description of each source of aid and regulations governing the programs were provided in Chapter II.

PELL GRANT (PELL_AMT) - Amount of Pell Grant aid received. Primary (Q35A1AMT).

SEOG GRANT (SEOG_AMT) - Amount of SEOG aid received. Primary (Q35A2AMT).

VA GRANT (VA_AMT) - Amount of Veterans Administration grant aid received. Primary (Q35A12B2, Q35A12C2, Q35A12A2).

SSIG GRANT (SSIG_AMT) - Amount of SSIG aid received. This was computed by multiplying the amount of state aid received by 5.2%. Primary (Q35A2AMT, Q35B22, Q35B3A2, Q35B3B2, Q35B3C2).

OTHER FEDERAL GRANTS (OFG_AMT) - Amount of federal grant aid received from sources other than Pell, SEOG, VA, and SSIG. Primary (Q35A16A2 through Q35A16C2) Secondary (S65A1_2, S65C2A_2).

TOTAL FEDERAL GRANT AID (TFG_AMT) - Total amount of grant aid received from federal government sources. The sum of PELL_AMT, SEOG_AMT, SSIG_AMT, VA_AMT, and OFG_AMT.

NDSL (NDSL_AMT) - Amount of NDSL (Perkins) aid received. Primary (Q35A3AMT).

GSL (GSL_AMT) - Amount of GSL aid received. Primary (Q35A5AMT), Secondary (S65B1).

PLUS (PLUS_AMT) - Amount of PLUS aid received. Primary (Q35A6AMT).

ALAS (ALAS_AMT) - Amount of ALAS/SLS aid received. Primary (Q35A7AMT).

OTHER FEDERAL LOANS (OFL_AMT) - Amount of federal loans received from sources other than NDSL, GSL, PLUS, ALAS. Primary (Q35A9AAT through Q35A9CAT, Q35A11AT, Q35A16D2), Secondary (S65B2_2).

TOTAL FEDERAL LOANS (TGL_AMT) - Total amount of loan aid received from federal government sources. Primary (Sum of NDSL_AMT, GSL_AMT PLUS_AMT, ALAS_AMT, and OFL_AMT).

CWSP (CWSP_AMT) - Amount of CWSP funds awarded as of October 15, 1986. Primary (Q35A4AMT), Secondary (S65C1_2).

OTHER FEDERAL (OFED_AMT) - Amount of federal aid received from any other federal sources, which had not been categorized. Primary (S65C4_2).

TOTAL FEDERAL AID (TOT_FED) - Total amount of aid received from federal government sources. Primary (Sum of TFG_AMT, TFL_AMT, CWSP_AMT, and OFED_AMT.

STATE GRANT (SGRT_AID) - Total amount of grant aid received from state government sources. NCES variable.

STATE LOAN (SLOANAID) - Total amount of loan aid received from state government sources. NCES variable.

STATE WORK (SWORKAID) - Total amount of work aid received from state government sources. NCES variable.

STATE TOTAL (STAT_AID) - Total amount of aid received from state government sources. NCES variable.

INST. GRANT (IGRT_AID) - Total amount of grant aid received from the school attended. NCES variable.

INST. LOAN (ILOANAID) - Total amount of loan aid received from the school attended. NCES variable.

INST. WORK (IWORKAID) - Total amount of work aid received from the school attended. NCES variable.

INST. TOTAL (INST_AID) - Total amount of aid received from the school attended. NCES variable.

OTHER AID (OTHS_AID) - Total amount of aid received from sources other than the federal government, state government or the institution. This includes aid provided by employers, unions, foundations, fraternal organizations, community organizations, corporations, and any other sources. NCES variable.

TOTAL AID (TOTALAID) - The total amount of aid received from all sources in the fall of 1986. Primary (Sum of TOT_FED, STAT_AID, INST_AID and OTHS_AID).

APPENDIX B

Distribution of Aid and Cost by Type of Package by Type of Proprietary School

This Appendix includes a detailed description of the distribution of financial aid and educational costs by type of aid package and type of proprietary school. Information for these analyses was derived from Tables 35, 36, and 37 in Chapter IV.

Single-Source Package by Type of School

Total Costs. Total costs, which included tuition and fees, room/board, and miscellaneous costs (books, supplies, transportation, child care) were $5990 for an average single-source package recipient in a two-year school. This was approximately 24% higher than total costs of a single-source package recipient in a less than two-year school ($4,564). Over three-fourths (77%) of this difference was the result of higher tuition and fees costs ($4046 compared to $2947) (Table 35).

After taking all aid into account, an average single-source recipient in a less than two-year school paid almost one-half (46%) of total costs, while a recipient in a two-year school paid approximately three-fifths (59%) of total costs.

Distribution of Aid. The federal government was the major source of funds for a single-source package recipient. Funds from this source covered a majority of total costs, while other non-federal sources covered less than 7 percent of total costs. An average single-source recipient in a less than two-year school had 46% of total costs covered by federal sources compared to 36% of total costs for a single-source recipient in a two-year school. Conversely, a single-source recipient in a two-year school had 5 percent of total costs covered by non-federal sources compared to 8 percent for a single-source recipient in a less than two-year school.

Federal loan programs covered the majority (35%) of an average single-source package recipient's total costs. Almost all of these loan funds came from the GSL program (33%). Federal grant programs covered less than seven percent of an average single-source recipient's total costs.

Consistent with being more heavily dependent upon federal aid, a single-source recipient in a less than two-year school used more federal loan and grant funds to cover total costs than a single-source recipient in a two-year school. Although single-source recipients in both types of schools were heavily dependent upon the GSL

program to cover total costs, an average recipient in a less than two-year school was more dependent upon aid from this program to cover total costs than a recipient in a two-year school (36% compared to 30%).

Two-Source Package by Type of School

Total Costs. The average total costs for a two-source recipient in a two-year school were $5806. This was approximately 18% higher than total costs ($4741) of a two-source recipient in a less than two-year school. Over three-fourths (78%) of this difference was the result of higher tuition and fees costs ($3872 compared to $3034) (Table 36).

After taking all aid into account, an average two-source recipient in a less than two-year school paid 16% of total costs, while a recipient in a two-year school paid approximately one-third (35%) of the total costs.

Distribution of Aid. Federal sources were also the major origins of financing for a two-source package recipient. Funds from these sources covered 73% of an average two-source recipient's total costs, while other non-federal sources covered less than 6 percent of total costs. An average two-source recipient in a less than two-year school had a higher percent of total costs covered by federal sources (80% compared to 58%) than a two-source

recipient in a two-year school. However, a two-source recipient in a two-year school had a slightly higher percent of total costs covered by non-federal sources (8% compared to 5%).

Federal loan programs covered 44% and federal grant programs 28% of total costs of an average two-source recipient. The majority of these loan funds came from the GSL program (41%), while the majority of the grant funds came from the Pell Grant program (27%).

Consistent with being more heavily dependent upon federal aid, a two-source recipient in a less than two-year school utilized more federal loan and grant funds to cover total costs than a two-source recipient in a two-year school. An average two-source recipient in both types of schools was heavily reliant upon the GSL and Pell Grants to cover total costs, although an average recipient in a less than two-year school was more reliant on aid from these programs to cover total costs than a recipient in a two-year school (75% compared to 51%).

Multiple-Source Package by Type of School

Total Costs. The average total costs for a multiple-source recipient in a two-year school were $5865. This was approximately 6 percent higher than a multiple-source recipient in a less than two-year school.

Over 85% of this difference was the result of higher tuition and fees costs (Table 37).

After taking all aid into account, an average multiple-source package recipient paid 17% of total costs. An average multiple-source recipient in a less than two-year school paid only 15% of total costs, while a recipient in a two-year school paid 19% of the total costs.

Distribution of Aid. Federal sources were also the major origins of funding for a multiple-source recipient. Funds from these sources covered 67% of an average multiple-source recipient's total costs, while other non-federal sources covered almost 16% of total costs. An average multiple-source recipient in a less than two-year school had a higher percent of total costs covered by federal sources (74% compared to 60%) than a multiple-source recipient in a two-year school. However, a multiple-source recipient in a two-year school had a higher percent of total costs covered by non-federal sources (21% compared to 11%).

Federal loan programs covered 42% of total costs of an average multiple-source recipient. The majority (34%) of these loan funds came from the GSL program.

Federal grant programs covered 25% of an average multiple-source recipient's total costs. Pell Grants were the major source of grant aid covering 20% of total costs.

Consistent with being more heavily dependent upon federal aid, a multiple-source recipient in a less than two-year school utilized more federal loan and grant funds to cover total costs than a multiple-source recipient in a two-year school (74% compared to 59%). An average multiple-source recipient in both types of schools was heavily reliant upon the GSL and Pell Grants to cover total costs although an average recipient in a less than two-year school was more reliant on aid from these programs to cover total costs than a recipient in a two-year school (59% compared to 49%).

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