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**2002 USHE Master Planning Task Force on Student Success**

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**Background Materials: Financial Access, Financial Aid, Borrowing, Work, Part time Enrollment; and Financial Counseling**

**Attachment 1** Utah State Board of Regents Student Financial Aid Line Item;  
FY 2003 Appropriation Status

**Attachment 2** News Release: UHEAA Board Extends Eligibility for Student Loan Borrower Benefits; Interest Rates at Historic Low Levels

**Attachment 3** Salt Lake Tribune Article - July 1, 2002;  
*Many College Students Bite Off Huge Debt*

**Attachment 4** McA Enterprises Inc. Memorandum;  
*The Myth of College Access in America*

**Attachment 5** Exhibit C - Adapted from UHEAA Board report for the State Board of Regents April Meeting

**Attachment 6** National Center for Education Statistics;  
*Graduates Who Work*  
*Copies are available by calling Lynda Reid at 801.321.7207*

**Attached Informational Publications**

*Please contact Lynda Reid at 801.321.7207 for copies for the publications listed below.*

Utah Higher Education Assistance Authority  
*Financial Survival 101*  
*How to go to school and **keep your grip.***

Utah Higher Education Assistance Authority Grant Workbook  
*Creating a Financial Path to Graduation*

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**July, 2002**

**Utah State Board of Regents Meeting**

**UTAH STATE BOARD OF REGENTS STUDENT FINANCIAL AID LINE ITEM--FY 2003 APPROPRIATION STATUS**  
(Exclusive of Minority Scholarships, New Century Scholarships, and UTAP)

	Fiscal Year 2002		Initial Fiscal Year 2003		Fiscal Year 2003		Fiscal Year 2003		Cumulative	
	Appropriations	Appropriations	Fiscal Year 2003	Initial Fiscal Year 2003	Initial Fiscal Year 2003	Fiscal Year 2003	Fiscal Year 2003	Fiscal Year 2003	Fiscal Yr 2003 Changes	Fiscal Yr 2003 Changes
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)		
<b>A. FY 2002 BASE/ONE-TIME APPROPRIATIONS</b>										
1. Base Appropriation	\$5,641,600	\$5,444,100	-\$197,500	-3.50%	\$5,444,100	\$5,444,100				
2. One Time Appropriation	\$400,000	\$0	-\$400,000	-100.00%	\$0	\$0				
3. Total Amount Appropriated	\$6,041,600	\$5,444,100	-\$597,500	-9.89%	\$5,444,100	\$5,444,100				
4. Carryforward from Previous Fiscal Year	\$19,156	-\$7,347	-\$26,503	-138.35%	-\$7,347	-\$7,347				
5. Total Initially Available for the Fiscal Year	\$6,060,756	\$5,436,753	-\$624,003	-10.30%	\$5,436,753	\$5,436,753				
6. Negative Supplemental Appropriation	-\$229,200	\$0	\$229,200	-100.00%	\$0	\$0				
7. <b>Additional Negative Supplemental Appropriation</b>	--	--	--	--	-\$258,595	-\$489,969				
8. Net Amount Finally Available for the Fiscal Year	\$5,831,556	\$5,436,753	-\$394,803	-6.77%	\$5,178,158	\$4,946,784	-\$653,398	-\$884,772	-11.20%	-15.17%
<b>B. UTILIZATION OF TOTAL NET FUNDS AVAILABLE</b>										
1. State Maintenance of Effort for LEAP/SLEAP	\$963,550	\$1,204,410	\$240,860	25.00%	\$1,204,410	\$1,204,410				
2. USHE Federal Perkins Loans, Matching Allocations	\$378,252	\$374,822	-\$3,430	-0.91%	\$374,822	\$374,822				
3. USHE Federal SEOG, Matching Allocations	\$1,022,662	\$1,042,106	\$19,444	1.90%	\$1,042,106	\$1,042,106				
4. USHE Federal Work Study, Matching Allocations	\$754,439	\$861,042	\$106,603	14.13%	\$861,042	\$861,042				
5. UCOPE Allocations	\$2,720,000	\$1,949,990	-\$770,010	-28.31%	\$1,695,000	\$1,463,700	-\$1,028,605	-\$1,259,979	-37.82%	-46.32%
6. Total Utilization	\$5,838,903	\$5,432,370	-\$406,533	-6.96%	\$5,177,380	\$4,946,080	-\$661,523	-\$892,823	-11.33%	-15.29%
<b>C. CONTINGENCY AMT REMAINING AFTER ALLOCATION</b>										
			\$4,383		\$778	\$704				
<b>D. UCOPE Increase Needed to Maintain Purchasing Power of Need-Based Financial Aid for Same Number of Students Receiving in Previous Year</b>										
<b>Based on 10% Estimated Average USHE Increases#</b>		\$6,994,000								
<b>E. UCOPE Decrease for Fiscal Year 2003</b>		\$770,010								
<b>F. Net FY 2003 Shortfall From Maintenance of Opportunity for Persons With Financial Need#</b>		\$6,223,990								
<b>G. Estimated Portion of Shortfall Which is Applicable to USHE Institutions Before Use of 0.5% Tuition Increases Allocated for Need-Based Aid#</b>		\$5,601,591								
<b>H. Offset Tuition Increases Allocated for Need-Based Aid.</b>		-\$937,000								
<b>I. Offset New UHEAA Scholarship Allocations*</b>		-\$225,000								
<b>J. Net Portion of Shortfall Allocable to Nine USHE Institutions#</b>		\$4,439,591								

\*FY 2002 UHEAA Scholarships for USHE totaled \$298,000. #Any additional tuition increases will increase this amount.

## **UHEAA Board Extends Eligibility for Student Loan Borrower Benefits; Interest Rates at Historic Low Levels**

As students plan to head back to Utah's colleges and universities this fall, their focus can be on learning and less on the cost of taking on student loan debt. By a unanimous vote at its June 20 meeting, the Utah Higher Education Assistance Authority (UHEAA<sup>1</sup>) Board of Directors extended the UHEAA Borrower Benefits program for Stafford, Parent Loans for Undergraduate Students (PLUS), and Consolidation loans for new loans originated through June, 2003 (regardless of when the loans are purchased by UHEAA's Secondary Market). The Board's action will continue one of the nation's most borrower friendly loan programs, which in combination with the availability of historically low interest rates, provides students the opportunity to invest in their education while lowering the future burden of student loan debt.

The extension of the UHEAA Borrower Benefits program allows Utah's students to continue to take advantage of the following:

**Guarantee Fee Benefit** - UHEAA will pay the one percent guarantee fee (insurance premium) for Stafford and PLUS loan borrowers. This equates to UHEAA paying, for the student, \$100 on a loan of \$10,000.

**Automatic Payment Benefit** - For a borrower who agrees to have her loan payments automatically deducted from a checking or savings account, UHEAA will lower the interest rate charged on the loan by 1.25 percentage points. For example, the rate for Stafford loans entering repayment after July 1, 2002 will be 4.06 percent. Borrowers who take advantage of this borrower benefit will reduce the interest rate on their loans to 2.81 percent (i.e.  $4.06\% - 1.25\% = 2.81\%$ ).

**Origination Fee Credit Benefit** - The federal government requires a 3 percent fee be deducted from the amount of each Stafford and PLUS loan. For loans guaranteed by UHEAA after May 1, 2001 and before June 30, 2003, UHEAA will credit the entire amount taken by the Federal government to the borrower's outstanding loan balance. An undergraduate student with a loan amount of \$5,000 would receive a \$150 credit.

**Timely Payment Benefit** - For Stafford and PLUS loans that entered repayment status after January 1, 1993, borrowers can qualify for an additional interest rate reduction of 2 percentage points if the first 48 payments are paid on time. The interest rate on the remaining balance will be reduced automatically for the rest of the repayment period, as long as the loan does not default. For borrowers who qualify for this benefit and combine it with the **Automatic Payment Benefit**, the interest rate for their Stafford loan in repayment after July 1, 2002 will be .81 percent (i.e.  $4.06\% - 1.25\% - 2.00\% = .81\%$ ). Borrowers with Consolidation Loans would qualify to have the interest rate reduced by 1 percent after making the first 48 monthly payments on time and could combine this benefit with the Automatic Payment Benefit to reduce the interest rate, which is the weighted average of the loans being consolidated, by a total of 2.25 percentage points. For example, if the weighted average of the loans included in the consolidation loan was 6 percent, UHEAA Borrower Benefits would reduce the

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<sup>1</sup>UHEAA is a subsidiary of the Utah State Board of Regents and administers Utah's student financial aid programs, including the student loan guarantee program and secondary market, state need-based financial aid, the Utah Educational Savings Plan Trust, and the Utah Engineering and Computer Sciences Loan Forgiveness Program.

interest rate to 3.75 percent after 48 on time monthly payments (i.e.  $6.00\% - 2.25\% = 3.75\%$ ).

**PLUS Loan Interest Benefit** - PLUS loans first disbursed between July 1, 1999 and June 30, 2003 and sold to UHEAA's secondary market within one year of being fully disbursed qualify for the PLUS Loan Interest Benefit. If the first 12 monthly payments are made on time, UHEAA will credit to the loan balance the entire amount of interest charged during the first 12 months of repayment. This means that a parent who takes out a PLUS loan to help finance his child's higher education with a PLUS loan from UHEAA could have an interest free loan for a full year.

With the costs of higher education going up, more students and parents are turning to loans to help finance college. Chalmers Gail Norris, Executive Director of UHEAA, applauded the vote of the UHEAA Board. "Students who choose wisely in the amount of money they must borrow for college are investing in their future. The UHEAA Board demonstrated that the future fiscal well-being of students is UHEAA's main priority," Norris stated. Norris cautioned students to consider their ability to repay their loans once they finish school and enter the job market. However, Norris also noted that students should take advantage of the benefits of higher education because "with historically low interest rates available this summer in addition to UHEAA's generous Borrower Benefits program, there has never been a more advantageous time to invest in a college education."

Rates on Federal Stafford and Federal PLUS loans are reset every year on July 1 based on formulas that follow the 91-day Treasury bill. Stafford loans issued after July 1, 1998 that currently carry a 5.99 percent interest rate will automatically have the interest rate reduced to 4.06 percent, sharply below the 8.19 percent rate of just two years ago. Students still attending school who are accruing interest charges until graduating will see their interest rates drop to 3.46 percent, down from the current 5.39 percent. Parents who have taken out loans since July 1, 1998 to help pay for their children's higher education will see their PLUS loan rate drop from 6.79 percent to 4.86 percent.

With Stafford student loan interest rates at all time lows after July 1, many borrowers, including those still in school, will find it advantageous to lock in low interest rates by refinancing current loans into new Consolidation Loans. UHEAA offers exceptional potential savings on Consolidation Loans as well as the underlying Stafford loans. Consolidation Loans should be attractive to anyone who feels interest rates may rise by one percentage point or more in the future

Savings to UHEAA's borrowers in the fiscal year just ending are projected to be \$8 million. Those for next fiscal year will be substantially higher.

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# Many College Students Bite Off Huge Debt

**'They're headed for Default City,' expert warns of loan load**

BY MARK SCHWANHAUSSER

KNIGHT RIDDER NEWS SERVICE

SAN JOSE, Calif. — Students are graduating with bigger loan bills than ever, turning what should be a foundation for higher lifetime earnings into a financial straightjacket that could take years — or even decades — to escape.

A new study says seniors at public four-year universities owe an average of almost \$13,000 in student loans — a figure that runs even higher for those who earn advanced degrees. Those figures aren't the full picture, however, because students also are graduating with thousands of dollars in credit-card debt charging sharply higher interest rates.

The burden of student loans is especially onerous for

low-income students and those who attend beauty colleges, truck-driving schools and other vocational programs. It is worst for students who drop out with hefty student loans but can't cash in on the higher incomes generally associated with a college degree.

As a rule of thumb, debtors tend to struggle once their student loan payments equal 8 percent of their gross income. Students have strapped on so much debt that at least one of every six students who earns a bachelor's degree this year will owe at least 10 percent of their gross income, estimates Jerry Davis, vice president of research for the Lumina Foundation of Education in Indianapolis.

"They're headed for Default City," warned Davis, who tells students that staying below that 8 percent benchmark means they need to earn roughly \$1,700 annually for every \$1,000 they owe. "It's very difficult to handle that much of a repayment."

Karla Santamaria, 31, can only wish she had it so easy. Three years ago, she dropped out halfway through medical school at Wake Forest University owing about \$60,000 in student loans. Today, her loans gobble 20 percent of her paycheck from nonprofit El Concilio of San Mateo County (Calif.), where she oversees bilingual education programs on chronic diseases.

Santamaria figures she could have repaid her student loans in about 10 years with a medical degree. By following her heart into the nonprofit sector, however, she fears she might still be repaying her student loans when she is nearly 50.

The idea that college is expensive is hardly new. But recent studies indicate that how Americans pay those bills is changing dramatically — and the long-term implications worry experts.

"We may be building . . . an overreliance on loans," said Patrick Callan, president of the

National Center for Public Policy and Higher Education, a San Jose-based education think tank that released a study last month titled "Losing Ground." "A lot of kids will be paying their own loans when their kids are starting college. This thing has all kinds of down-the-road implications."

Among the findings in "Losing Ground" and a November study by the American Council on Education:

- The number of students taking out loans and the amount they have borrowed more than doubled from 1990 to 2000. Loan volume spiked 50 percent in just the two years after Congress raised loan limits and opened up unsubsidized loans to all students regardless of income in 1992

- The majority of students graduated with student loan debt in 1999-2000, including more than 60 percent of those who earned a bachelor's degree.

- The average loan debt has climbed to nearly \$13,000 for

seniors at four-year public schools, according to "Losing Ground." But debts are higher for students chasing advanced degrees, the American Council says. Those who earned a master's degree accumulated \$17,341 at public universities and \$24,409 at private schools in 1999-2000.

- The biggest burden is on low-income students and their parents, even though they tend to borrow less and attend less

expensive colleges and vocational schools.

Seniors from the poorest one-fourth of families owe an average of \$12,888, up from \$7,629 in 1990 — up 69 percent.

For the poorest one-fifth of students, tuition would gobble 12 percent of family income for community college, 25 percent at a four-year public school and more than 110 percent for a four-year private school.

## Tips for Keeping College Debt to a Minimum

- Don't charge educational expenses on a credit card if you can take out a cheaper student loan. Interest rates on student loans could drop to about 4 percent when rates are recalculated July 1. Most credit cards charge more than 13 percent.

- Don't rule out a private school just because it charges higher tuition. Many students take five years to graduate because they can't get into prerequisite courses at clogged public schools. Many private

schools guarantee students can graduate in four years.

- Don't defer paying interest on student loans for more than a year. That can double the cost of borrowing.

- Don't be afraid of student loans. College graduates tend to earn higher salaries over their lifetime. "To me, it's an investment loan, not a consumption loan," said Jacqueline King, the director of policy analysis for the American Council on Education.

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June 26, 2002

**MEMORANDUM**

TO: Clients  
FROM: Elizabeth Latwin  
SUBJECT: The Myth of College Access in America

The Advisory Committee on Student Financial Assistance held a press conference this morning to unveil the findings of their report "Empty Promises: The Myth of College Access in America." In the report, the committee warns that this year, because of financial barriers, over 400,000 college-qualified high school graduates will not attend a four-year college, and over 170,000 will not attend any college. By the end of the decade, 4.4 million college-qualified high school graduates cumulatively will not be able to afford a four-year college, and two million cumulative will not be able to attend any college at all.

According to Dr. Juliet Garcia, Chairperson of the Advisory Committee, the committee wrote the report to dispel the myth that a college education is accessible to everyone who is qualified to attend. Financial barriers preclude many college-qualified high school graduates from pursuing post-secondary education opportunities. Garcia defined college-qualified students as high school graduates who have completed all the necessary prerequisites to continuing on for a college degree, including completion of a college-prep curriculum with a B- average or better, in the upper half of their class, and SAT scores above 900. The report distinguished between academically prepared students and students who would not be able to achieve success in college for academic reasons to isolate solely the effects that finances have on determining whether or not students pursued post-secondary degrees.

The report emphasized the tremendous financial burden placed on low and some middle income families trying to put a child through college. The committee estimated that 50 percent of American families are now facing the problem of unmet need in paying for college. For a low-income family, annual college tuition can be as much as one-third of the family's

budget. For families earning \$25,000 or less, that means they would have to come up with \$8,000 for their child to attend even a relatively low-cost four-year institution. Further, families of low-income students face an unmet need of \$3,800 for attending two-year colleges not covered by student aid, including work-study and student loans. Even with loans and financial aid, many students are forced to work multiple jobs, detracting time and energy from their schoolwork, with dire consequences for their academic performance.

With the job market growing increasingly competitive and demands for a college degree for most jobs, it is imperative that all qualified students have access to a college education. The Advisory Committee stated that stagnant Pell Grants (in terms of buying power), rising state tuitions, and merit-based aid impede access opportunities. The upcoming reauthorization of the Higher Education Act serves as a prime opportunity to improve programs to reduce financial barriers.

In the question and answer segment of the press conference, a question was asked about the impact that financial barriers have on minority students. Garcia stated that because of the "baby boom echo," more students than ever would be pursuing a college education. For example, in California alone, one million new seats will be needed to meet the demand for higher education. Many more of these students will be minorities, than there are today. With more students in need of Pell Grants, the individual grant awards will decrease, as more students are demanding aid from the same pool of money. Further, these programs are problematic because many students most in need of financial assistance are penalized for taking extra time to complete their degree because they have to work while in school in order to pay for college. When they are working, the amount they earn reduces their eligibility for aid.

Another question concerned how many students were interested in going to college but were denied as opposed to students who just opted not to pursue a higher education degree. Studies have found that most students plan to go to college; however, financial strains lead to the drop off in numbers more than any other factor. In answer to a question about the reception of the report in Congress, Garcia stated that the numbers shocked many staff members in Congress and in the administration.

The issue of using tax credits to ameliorate the problem was addressed as well. The committee said that tax credits do not serve as an incentive for those who have no tax liability.

FY 2003 TUITION AND STUDENT FINANCIAL AID SITUATION

May 12, 2002

(Adapted from UHEAA Board Report for April Board Meeting)

Several years ago, a Regents' four-point strategy for financial access to higher education was informally put forth as part of master planning reviews. Although not formally adopted, this strategy has represented an informal target for policy and budget deliberations. The strategy was included as part of the USHE data book for several years, but dropped from the 2002 edition, ostensibly because recent tuition increases and limited state-funded need-based financial aid rendered the first two of its four parts obsolete. The four parts (paraphrased) were: (1) Maintain moderate tuition; (2) Expand state-funded need-based financial aid; (3) Encourage college savings; and (4) Maintain local control of student loans. The rationale for the first three strategy goals seem fairly self-evident. The rationale for the fourth goal is that local control and operation of the student loan programs allows the programs to give back appropriate portions of their net cash flows in the form of cost reductions for student and parent borrowers. Until Fiscal Year 2002, USHE in recent years had been achieving some small gains on strategy parts (1) and (2).<sup>1</sup>

Utah's college savings program<sup>2</sup> has been growing rapidly as part of a national trend fostered by favorable federal legislation, representing reasonable progress on strategy part (3), and the percentage of participation in the Utah Student Loan Programs by Utah institutions has remained stable at a near universal level (strategy part (4)). Investment in college savings accounts, however, both nationally and in Utah, appears to be mostly by upper middle and higher income families, and only marginally by those from income groups experiencing difficulty financing postsecondary education enrollment costs.

Trends beginning with FY 2002 increased markedly for FY 2003 due to the national and state-level revenue shortfalls and ensuing serious budget problems. Average USHE tuition increases in FY 2002 were approximately 7.8% (greater on an enrollment-weighted basis) and the policy ideal of maintaining the purchasing power of need-based financial aid through UCOPE funding increases was eroded further, as it had been in the two preceding fiscal years. Funding for need-based aid in the Regents' Student Financial Aid Line Item in FY 2003 is \$416,000 below the funding finally available in FY 2002, and \$645,000 below the amount available at the start of the fiscal year. And tuition

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<sup>1</sup>Through modest growth in funds available through the Utah Centennial Opportunity Program for Education (UCOPE).

<sup>2</sup>Utah Educational Savings Plan Trust (UESP).

increases finally approved for USHE institutions represent an estimated ten percent average increase for FY 2003.

## FY 2003 TUITION AND STUDENT FINANCIAL AID SITUATION

May 12, 2002–Page 2

For the nine USHE institutions (exclusive of UCAT), the combined effect of the student aid appropriation reduction and the tuition increases is a reduced purchasing power for current numbers of aid recipients calculated at about \$6.9 million. These trends will be offset to a small degree (less than a million dollars) by the Regents’ decision to allocate one-half a percentage point of the approved tuition increases in each institution to be used for student financial aid within the institution’s budget . And Salt Lake Community College apparently is adding another half a percent for student financial aid from its approved “tier two” increase. Still a shortfall of about six million dollars will remain.

How will students with substantial financial need cope with these further changes? Probable coping mechanisms will include borrowing more, further reducing course loads and increasing numbers of hours worked at low-wage jobs (if available), dropping out, or never enrolling in the case of some prospective new students from lower income families. Nevertheless preliminary reports from institutions suggest that enrollment demand for the next academic year appears to be remaining strong. The unanswered question is the extent to which students from lower-middle and lower income categories are being affected, and whether all qualified students from the lower income levels will be able to plan to enroll or to continue to enroll.

### Attachments–

1. Utah SBR Student Financial Aid Line Item, FY 2003 Appropriation Status      Page 3
2. Notes Regarding Student Financial Aid Issues      Page 7
3. Excerpt from Minutes of State Board of Regents Meeting, March 2002      Page 9
4. Resolution adopted by UHEAA Board of Directors, April 30, 2002      Page 10
5. One Way Institutional Funds Can Effectively Be Used for Need-Based Aid      Page 11
6. “Study: For Undergrads Who Work, Achievement Suffers” (Ed Daily, 5-6-02)      Page 12
7. UHEAA Average Debt Burden by Highest Grade Level & Out-of-School Date      Page 13
8. Utah Student Financial Aid Allotments for Fiscal Year 2002      Page 14

NOTES REGARDING STUDENT FINANCIAL AID ISSUES

May 12, 2002

(Adapted from Notes Originally Prepared for Regents Discussion Group in March)

A. Background

1. Utah families have close to average family income, but well below average per capita.
2. Utah families tend to have multiple children in postsecondary education at the same time.
3. Utah institutions have substantially more independent students than national averages.
4. Coming from an earlier tradition of low tuitions, Utah tends to be toward the lower end among states in provision of state-funded need-based student financial aid for its residents.
5. A study several years ago identified a substantial unmet need for student financial aid for Utah residents and institutions. The study was followed by enactment of UCOPE.
6. The exact amount of true unmet need is rather difficult to identify—by a range of tens of millions of dollars. This is especially true because of “entitlement” availability of Federally-backed guaranteed student loans (Federal Family Education Loan Program).
7. Regarding Utah’s need-based aid ranking in national comparisons: When statutory tuition waivers (only partly used for “impecunious” awards) and institutionally-funded grants and scholarships are taken into account, they appear to move Utah’s rank among the states up a few notches, but Utah still ranks in the lowest decile. While somewhat reduced, a material gap in need-based resources remains.

B. Current SBR Policy Statement (*Intent to consider, not a mandate!*)

**“3.8. Student Financial Aid Appropriation Requests Related to Tuition Increases** - For any fiscal year after 1999-2000, when the Board’s higher education appropriation recommendations contemplate tuition rate increases, the Board will *consider* [emphasis supplied] including a request for a related appropriation increase for the Utah Centennial Opportunity Program for Education (UCOPE). The amount considered for such a request will be calculated to offset, in conjunction with any anticipated increases in federal need-based grant and work-study programs, the costs of tuition and fee increases for resident students receiving need-based financial aid from both federal and state sources, in eligible institutions in the preceding year.”

NOTES REGARDING STUDENT FINANCIAL AID ISSUES

May 12, 2002–Page 2

The Board has, since adoption of the policy, included material increases for UCOPE as part of its annual appropriation requests. In two of the four years so far (before FY 2003), the legislature was able to respond in part to the requests. Net effect, however, has been further loss of student aid purchasing power for tuition and other cost-of-attendance increases.

C. Efficiency Considerations–Both for Students and for Institutions

1. One very visible result of students and families major difficulties in financing higher education is a widespread pattern of less than full-time enrollment together with substantial hours worked by students in low-wage jobs.

2. This is a major contribution to substantial delays in graduation, and possibly to higher dropout and incompleteness rates as well. Individuals experience substantial delays in entering the workforce at higher wage or salary rates. Institutions incur operating cost inefficiencies due to higher head count to FTE ratios.

3. The effectiveness of the educational experience also is compromised when students work excessive numbers of hours during periods of enrollment.

\*A 1995-96 study of undergraduate students seeking degrees who work more than 15 hours per week reported that working creates a number of complications.

\*The frequency of these problems increases as the number of hours worked goes up. Limited class schedules was the most widespread problem although the percentage reporting work had an adverse impact on grades doubles among those working 16 to 20 hours instead of 1 to 15 hours per week.

\*Fifty to sixty percent of the students working full-time (35 or more hours per week) encountered all of these problems.

4. A minority of students may take out larger loan amounts than really needed, in order to enjoy greater than necessary life-style or consumption of goods and services. However, this appears to be a quite small minority.

5. Much more common—especially in Utah—seems to be a degree of aversion to borrowing, which leads to an excessive reliance on the economically inefficient part-time attendance pattern described above. It seems possible that financial counseling for families and students may need to place greater emphasis on the value of loans used for effective investment in education in addition to the important service of advising on the need to limit borrowing by consideration of future earnings related to planned fields of employment.

**Excerpt from Minutes of March 2002 Board of Regents Meeting–  
Reports of Study Groups–Study Group 1–Student-centered Issues\***

“Regent Grant reported that the group spent most of their time on two of the issues.

\* \* \* \* \*

Financial Aid – As tuition and fees increase, it will have a relative financial impact on a greater number of students. If tuition were raised ten percent, it would cost \$7 million more to meet the needs of those students who are currently receiving financial aid. The Legislature effectively placed a tax on the students, given the Regents’ desire to protect access and quality. The Regents want to maintain access and the level of quality; however, when our budget is cut, all the Regents can do is pass those increased costs on to the students. The group’s conclusion was that this was a complex situation but financial aid does need to be addressed as tuition is increased. Financial aid increases should be a state response. If institutions fund aid increases [from] general tuition revenues, it is a cost transfer to those not receiving financial aid. It was noted that sometimes scholarship recipients are already able to afford a college education.

\* \* \* \* \*

The group’s recommendation on financial aid was that it was important and should be considered, but they would like to see an economic model following the various complexities with the consequences of non-state funding, keeping in mind the Regents’ goals and objectives.”

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\*Study Group 1 was assigned and reported on several issues. One of the questions assigned to the Group was “How do we address student financial aid issues?” Only the portions of the Group’s report that dealt with financial aid are excerpted here.

**Resolution Adopted by UHEAA Board of Directors**

**April 30, 2002**

Resolved, that the UHEAA Board of Directors recognizes and is deeply concerned about the continuing and growing gap between students' costs of attendance in Utah higher education and need-based financial aid available for students with substantial demonstrated need. While student loan borrowing in Utah is below many other states and national averages, the student loan balances carried by graduates can be a serious problem if not kept to manageable levels. The UHEAA Board therefore charges the Executive Director to continue to present to Utah's Congressional Delegation the strong need to support and increase federal need-based aid programs. The UHEAA Board also supports recommendations to the State Board of Regents to continue to request state funds for UCOPE sufficient to avoid future deterioration in financial opportunity for students as tuition and fees are increased.

### **One Way Institutional Funds Can Effectively Be Used for Need-Based Aid**

If an institution were to simply offset tuition charged to selected students, the application of the half a percent of tuition increase for need-based financial aid apparently would be questioned as use of tuition waivers in excess of the statutory authorization. However, there are strong precedents in other states (and probably some in Utah) for : (1) collecting tuition from all students and accounting for the collected tuition as revenue; and (2) budgeting a portion of revenues for expenditure in the form of student aid grants or scholarships. In such cases the revenue is not offset or reduced in the form of waivers, but expended as grants-in-aid (which may be applied toward costs of attendance including living expenses and other costs, in addition to crediting toward actually-assessed tuition charges).

Each institution has in place a strong administrative process and capability for determining costs of attendance and offsetting against the cost of attendance expected family contributions based on federal need analysis (using the FAFSA), federal Pell grants, and other scholarships and institutional aid such as waivers. Institutional financial aid offices are equipped to base the packaging of need-based financial aid from a combination of sources on these initial calculations. Existing sources for need-based aid packaging include the federal campus-based matching programs (Perkins Loans, SEOG and Work-Study), state allocations for LEAP and UCOPE, and in limited instances already-budgeted institutional funds for need-based scholarships or grants-in-aid.

Additional funds, based on the amount of revenue raised by a half a percent increase in tuition charges, might simply be budgeted for use as institutional opportunity grants (e.g., SLCC Educational Opportunity Grants), and made available for use in need-based aid packaging by the student financial aid office.

## Study: For Undergrads Who Work, Achievement Suffers

Nearly half of all full-time students who work more than 25 hours a week say working hurts their grades and the quality of their education, according to a report released April 16 by the state Public Interest Research Groups (PIRGs).

According to the PIRGs Higher Education Project study—sponsored by the U.S. Department of Education's National Center for Education Statistics—80 percent of undergraduates work while enrolled, while 60 percent attend school either part time or for only part of the school year.

The report is based on data from ED's 1999-2000 National Postsecondary Student Aid Survey.

### Balancing Act For Poorer Students

The report found that students from low-income families are frequently hit the hardest by having to balance school and work.

Sixty-two percent of working students from families with a yearly income of less than \$20,000 cite paying for school expenses as their main reason for working, compared to 35 percent of students from families with incomes of higher than \$100,000.

Other findings include:

- 46 percent of all full-time working students work 25 or more hours per week;
- 42 percent of those students reported that working hurt their grades. In fact, the more hours that students worked, the more likely they were to report negative effects on their grades and the quality of their education;
- Those working between 16 and 34 hours per week were more likely to interrupt their enrollment than were those working less than 15 hours per week. However, these students had similar persistence rates to students who did not work at all.

- Only 14 percent of students who work 36 or more hours per week also attend school full time; and
- As the amount that students work increases, the likelihood they attend school full time for the entire school year drops.

"College is a time when students engage in a broad set of educational opportunities ranging from academics to civic engagement and community service," said Ellynnne Bannon, state PIRGs higher education advocate.

"However, all too often the very education students are working to pay for is being compromised by the number of hours that they spend on the job."

### Working Becomes 'A Barrier'

Students are left in a Catch-22: Of those who work more than 25 hours a week, 63 percent of students reported that they would not be able to afford college if they did not work, according to the report.

"For too many students, working has become a barrier rather than a help to advancing their education," Bannon added. "The typical full time student spends 36 to 45 hours a week on their course work. Students who work 25 or more hours a week are spending 60 to 80 hours [combined] on academics or paid work."

Bannon called for an increase in federal spending on student aid to help the one in five working students who struggles with full-time employment.

"Congress should make college more affordable by increasing grant aid so that students are not sacrificing a quality college experience," she concluded.

*"At What Cost?: The Price That Working Students Are Paying For A College Education" is at [www.pirg.org/highered/atwhatcost.html](http://www.pirg.org/highered/atwhatcost.html).*

—Elizabeth B. Guerard



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Utah Higher Education Assistance Authority  
Average Debt Burden by Highest Grade Reported and Year Left School

Fiscal Year	First Year	Second Year	Third Year	Fourth Year	Fifth Year	Grad One	Grad Two	Grad Three	Grad Over 3
1992	\$2,720	\$4,286	\$5,605	\$7,222	\$8,382	\$11,119	\$15,244	\$20,642	\$24,396
1993	\$2,798	\$4,633	\$5,789	\$7,760	\$8,642	\$11,858	\$16,919	\$21,159	\$28,916
1994	\$2,925	\$5,095	\$6,756	\$8,931	\$10,015	\$13,129	\$18,316	\$23,156	\$30,974
1995	\$3,070	\$5,377	\$7,281	\$10,208	\$11,191	\$13,154	\$18,242	\$26,435	\$34,400
1996	\$3,079	\$5,222	\$7,387	\$10,704	\$11,413	\$14,907	\$19,881	\$31,166	\$40,847
1997	\$2,926	\$5,450	\$8,000	\$11,386	\$12,267	\$15,932	\$22,195	\$35,101	\$45,978
1998	\$3,006	\$5,252	\$7,817	\$11,698	\$12,451	\$17,211	\$22,443	\$36,761	\$51,914
1999	\$3,027	\$5,531	\$7,701	\$11,476	\$12,496	\$16,514	\$24,240	\$34,277	\$56,011
2000	\$3,097	\$5,908	\$7,356	\$11,002	\$12,254	\$16,430	\$26,794	\$36,104	\$60,220
2001	\$3,179	\$6,116	\$8,189	\$12,554	\$13,091	\$20,271	\$31,874	\$42,415	\$65,888