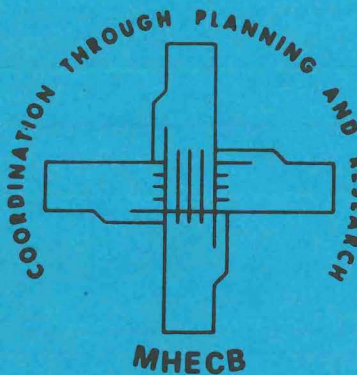




STUDENT DEPENDENCY
FOR THE STATE SCHOLARSHIP
AND GRANT PROGRAM
WITH COORDINATING BOARD RECOMMENDATIONS

STAFF TECHNICAL PAPER



LB
2337.5
.M6
S77

MINNESOTA HIGHER EDUCATION COORDINATING BOARD



MINNESOTA HIGHER EDUCATION COORDINATING BOARD

MEMBERS

CAROL KAMPER, Rochester, First Congressional District
GRETCHEN TAYLOR, Mankato, Second Congressional District
JAMES KRAUSE, Golden Valley, Third Congressional District
ARTHUR GILLEN, North Oaks, Fourth Congressional District
ROBERT HATCH, Minneapolis, Fifth Congressional District
NORMAN TEMPEL, Willmar, Sixth Congressional District
DOUGLAS SILLERS, Moorhead, Seventh Congressional District
ARCHIE CHELSETH, Cloquet, Eighth Congressional District
RICHARD DUNN, Plymouth, At-Large
ROBERT BONINE, Mendota Heights, At-Large
HUGH MADSON, Lake Elmo, At-Large

CLYDE R. INGLE, Executive Director

STUDENT DEPENDENCY
FOR THE STATE SCHOLARSHIP
AND GRANT PROGRAM
WITH COORDINATING BOARD RECOMMENDATIONS

Minnesota Higher Education
Coordinating Board

September 1983

COORDINATING BOARD ACTION

SUBJECT: RECOMMENDATIONS FOR CHANGING THE DEFINITION OF STUDENT DEPENDENCY

DATE: SEPTEMBER 22, 1983

ACTION: The Coordinating Board adopted a recommendation to change the rules pertaining to the definition of student dependency in the State Scholarship and Grant Program. The Board adopted a resolution granting its executive director, Clyde R. Ingle, the authority to call a hearing for the purpose of promulgating rules of the Board governing the definition of student dependency. Also, the Board reaffirmed its commitment to ensure access to loan capital for all students, especially those who have chosen to be self-sufficient.

The Board adopted the following language with regard to the definition.

Because traditional state policy has been to preserve the family relationship and has expected parents to contribute toward their children's cost of attending a post-secondary institution for at least four years following high school graduation, and in order to still protect those students who legitimately cannot expect to receive such parental support, for purposes of determining eligibility for the State Scholarship and Grant Program, a student shall be presumed dependent on his or her parents, and the parents' financial resources shall be considered in the need analysis unless the applicant establishes one of the following:

- a. The applicant has been involuntarily separated from parental support because one of the following exists:
 - i. The applicant is an orphan or ward of the state.
 - ii. The applicant's parents cannot be located.
 - iii. The applicant has suffered physical or mental abuse necessitating such separation.

Such fact shall be established by court document or an affidavit from a clergy, social worker, lawyer, or physician.

- b. The applicant is married or 22 years of age or older and establishes that for the year prior to applying for aid and during the time the applicant receives aid,
 - i. The parents did not and will not claim the student as an income tax exemption, and
 - ii. The student did not and will not live with his or her parents more than six weeks in any calendar year, and
 - iii. The parents did not and will not provide direct or indirect support worth \$750 or more in any calendar year.

Such facts shall be established by affidavit from the parents, if locatable, and such additional documentation as reasonably may be requested by the Higher Education Coordinating Board or its agents and employees.

OVERVIEW OF RECOMMENDATIONS FOR CHANGING THE DEFINITION OF STUDENT DEPENDENCY

Background and Rationale

Student dependency status determines whether parents are expected to contribute to their son or daughter's cost of attending a post-secondary institution.

Under the State Scholarship and Grant Program, most applicants provide financial information that is used in a need analysis to determine how much their parents can be expected to contribute to the cost of attendance. The amount that parents are required to contribute affects whether and how much state aid the student receives. If the student is independent of parental support, his or her parents' financial status is not considered.

The Minnesota Scholarship and Grant-in-Aid Program has used the federal definition since the state program began.

Currently, an unmarried applicant is defined as independent if the following conditions exist for the year prior to applying and will exist during the time the student receives grant aid:

- o Parents did (will) not claim the student as an income tax exemption.
- o Student did (will) not live with parents more than 42 days.
- o Parents did (will) provide \$750 or less of support.

While unmarried students must wait one year, married students are not required to wait. They only need to meet the three conditions while receiving a scholarship or grant. In addition, orphans and wards of a court are automatically defined as independent students.

In view of the growing number of students receiving awards as "independent students" in recent years, the Board reviewed the current definition to determine whether it should be changed. In April, 1983, the Board received a staff paper on the subject.

The staff paper concluded that the current definition allows students and their parents to arrange their financial affairs so that the student is eligible to apply as an "independent student" and in many cases qualify for a larger award than as a dependent student. This contradicts the purpose of the "independent student" category since students who have not established a prior pattern of self-supporting behavior are able to meet the three conditions in the current definition. The study found that the number of "independent students" receiving awards from the State Scholarship and Grant Program has increased dramatically. In 1981-82, 16.4 percent, or 7,030 of the 42,881 scholarship and grant awards, went to independent student applicants. This was up from 7.1 percent in 1979-80 when 1,982 of 28,032 awards went to independent students.

Preliminary results for Fiscal Year 1983 indicate that the proportion of all state scholarships and grants awarded to those who applied as "independent students" increased to nearly 18 percent of all recipients.

Another indication is that many students switch from dependent to independent student status while full-time students. For 1981-82, one third of those students who applied as "independent students" had applied as dependent students the previous year.

In April 1983 the Board's financial aid committee discussed the staff paper. The Board's Committee of the Whole discussed the paper June 1, 1983, and considered several options for determining student dependency status.

In anticipation of a federal decision on revising the definition, the Board delayed action until fall 1983. The federal Department of Education published a new, more stringent definition on May 23, 1983, for public comment. If more stringent federal requirements had been adopted, the Board may have decided to accept a new federal approach rather than adopt a separate state approach. On August 3, however, Congress passed legislation, which the President signed, to override the Department of Education's proposal and freeze the current definition through the 1985-86 academic year. Therefore, the Coordinating Board resumed consideration of the issue in September and adopted recommendations.

1. The Board adopted the following language with regard to changing the rules pertaining to student dependency in the State Scholarship and Grant Programs:

Because traditional state policy has been to preserve the family relationship and has expected parents to contribute towards their children's cost of attending a post-secondary institution for at least four years following high school graduation, and in order to still protect those students who legitimately cannot expect to receive such parental support, for purposes of determining eligibility for the State Scholarship and Grant Program, a student shall be presumed dependent on his or her parents, and the parents' financial resources shall be considered in the need analysis unless the applicant establishes one of the following:

- a. The applicant has been involuntarily separated from parental support because one of the following exist:
 - i. The applicant is an orphan or ward of the state.
 - ii. The applicant's parents cannot be located.
 - iii. The applicant has suffered physical or mental abuse necessitating such separation.

Such fact shall be established by court document or an affidavit from a clergy, social worker, lawyer, or physician.

- b. The applicant is married or 22 years of age or older and establishes that for the year prior to applying for aid and during the time the applicant receives aid,
 - i. The parents did not and will not claim the student as an income tax exemption, and
 - ii. The student did not and will not live with his or her parents more than 6 weeks in any calendar year, and
 - iii. The parents did not and will not provide direct or indirect support worth \$750 or more in any calendar year.

Such facts shall be established by affidavit from the parents, if locatable, and such additional documentation as reasonably may be requested by the Higher Education Coordinating Board or its agents and employees.

The Board also adopted a resolution authorizing Executive Director Clyde R. Ingle to call a hearing to promulgate rules of the Board governing the definition of student dependency.

Rationale:

The current definition allows students and their parents to arrange their financial affairs so that the student is eligible to apply as an "independent student". This contradicts the purpose of the "independent student" category since students who have not established a prior pattern of self supporting behavior are able to meet the three conditions in the current definition. Further, the growing number of awards going to students whose parents could and should be expected to contribute to their child's education shifts resources away from students whose parents cannot be expected to contribute.

While it would be convenient to continue using the federal definition, the need to maintain the integrity of the State Scholarship and Grant Program outweighs the disadvantages of using a definition different than used for the federal programs.

At least seven states have changed their definitions of student dependency even though a separate state definition (1) creates some confusion for students because they are in one class for federal programs and in another for state programs, (2) makes the packaging of financial aid more complex, and (3) adds administrative requirements for the processing agency. (See attachments A and B to staff paper.)

The thrust of the proposed rule change is to expand the current definition by adding age 22 as a condition for independent status and to specify situations when the student is considered involuntarily separated from parental support and eligible to be considered independent.

Using age 22 as a condition implies that parents are expected to provide financial support, if they are able, for at least four years after their son or daughter would normally complete high school. Further, age 22 is used in other definitions of presumed dependency such as group health insurance policies and the Social Security Program. (See attachment C to staff paper.) New York and Indiana use the age 22 criterion in their definition of student dependency for state grant programs and have found it workable and acceptable.

Of all the conditions implemented by other states, age is the easiest to understand, requires families to provide no additional data (the applicant's age is already collected), and is the easiest to verify. Adding age to the conditions now used would reduce the incentive for families to arrange their financial affairs so their son or daughter would be eligible for a larger scholarship or grant.

It is estimated that the rule change would affect 40 percent of those now receiving a scholarship or grant as an "independent student" (about 2,800 students in 1981-82). They receive between \$3 to \$5 million in awards annually.

Some of the affected students likely would submit financial information about their parents and continue to receive an award as a dependent student. Affected students could still apply for federal aid as independent students under the current definition. The largest federal programs are the Pell Grant Program and the Guaranteed Student Loan Program. Moreover, the Board is considering the development of a supplemental student loan program which would insure loan capital for all students, especially those who have chosen to be self sufficient.

The target date for implementing the rule change is the 1984-85 school year, pending the completion of the state rulemaking process for controversial rules. To start that process, the Board authorized its executive director to call a hearing.

2. The Board voted to reaffirm its commitment to ensure access to loan capital for all students, especially those who have chosen to be self-sufficient.

Rationale:

All students are expected by current state policy to finance at least 50 percent of the cost of attending a post-secondary institution. Many will require loan capital to meet this obligation. Self-sufficient students, by definition, have chosen to finance 100 percent of the cost of attendance; they are dependent neither on their parents nor government for direct assistance. Since self-sufficient students are more likely to

need loan capital, the eligibility restrictions and loan limits of current government loan programs will affect them most directly. A loan program that provides ensured access would enable these students to use their future incomes as a means of financing a post-secondary education without compromising their desire to be self-sufficient.

ATTACHMENTS

- A. Alternative Definitions Used by Other States.
- B. Relationship of Student Dependency Definitions and State Support for Scholarships and Grants.
- C. How the Social Security System and Health Insurance Policies Define Dependency.

ATTACHMENT A ALTERNATIVE DEFINITIONS USED BY OTHER STATES

At least seven states have added to the federal definition or established other definitions to limit the number of applicants who can apply as independent students. Three general approaches have been used: (a) limit eligibility to those 22 years of age or older, (b) extend the wait to three years, and (c) require a proof of available resources sufficient to meet a minimum living standard. A discussion of these approaches are provided in the staff paper, The Definition and Treatment of Independent Students.

INDIANA

Beginning with the applications for the 1983-84 academic year, Indiana is requiring all students under age 22 to submit parental financial information. For those 22 years of age or older, Indiana uses the Pell Program definition. In the validation process, Indiana does not accept amended tax returns as proof of income tax exemption status. These changes have received a favorable opinion from the state attorney general, have been endorsed by the legislature, and are receiving support from the state's post-secondary institutions.

NEW YORK

New York has also added age to the list of conditions it uses to define student dependency status. Unlike Indiana, applicants to the New York program over age 35 do not need to provide proof that they have severed financial relations with their parents. Like Indiana, New York requires almost everyone under age 22 to apply as a dependent student. New York, however, allows students under age 22 to apply as financially independent students if they meet one of the following conditions: (a) the family has been involuntarily dissolved resulting in the parents' relinquishing responsibility and control, or (b) the student receives public assistance. (This is a specific welfare program in New York comparable to general assistance program in Minnesota.) For those 22 and older but less than 35, New York uses the Pell Program definition.

WASHINGTON

Washington uses the same conditions as used in the Pell Program definition but requires a three year wait between the time parents cease to provide significant financial support and the time the student can apply as a financially independent student. Washington also grants financial independence status to those with an "adverse home situation".

CALIFORNIA

California, like Washington, requires a three year wait but California exempts applicants over age 30 from proving their independent status. California also provides a means for a student from an adverse home situation to apply as an independent student.

NEW JERSEY

New Jersey uses the federal definition but also requires students to prove they have the resources to maintain a minimum standard of living during the year prior to applying. As discussed in the staff paper, The Definition and Treatment of Independent Students (p. A-4), using the minimum living standard as the base enables students who have no intention of being financially independent to apply as independent students. Since many independent student applicants fail to meet this type of condition, however, this approach would reduce the proportion of a state's financial aid resources going to independent students. For example, Wagner and Carlson conclude that such an approach would have reduced the number of independent students in the Pell Program for 1979-80 from 2.9 million to 1.8 million, a drop of 25 percent.¹

PENNSYLVANIA

Pennsylvania also has added a proof of sufficient resources condition to the federal definition. Unlike New Jersey, Pennsylvania exempts those whose high school class graduates six or more years prior to application.

OHIO

Although Ohio uses the same three conditions as used in the Pell Program definition, it does not allow the student to receive any financial support or to live at home at all. Also, Ohio requires students applying as independent students to prove that they had the resources to maintain a minimum standard of living during the year prior to application.

¹ Alan P. Wagner & Nancy Carlson, Financial Aid for Self-Supporting Students: Defining Independence, College Board, Washington, April 1983, p. 15.

ATTACHMENT B
RELATIONSHIP OF STUDENT DEPENDENCY DEFINITIONS
AND STATE SUPPORT FOR SCHOLARSHIPS AND GRANTS

While the seven states identified by staff as changing their definition of student dependency are a minority of all states, they are a majority of the states that have made a major commitment to a state grant program. Based on the reported total scholarship and grant payments in 1981-82, six of the top ten states have tightened the definition of student dependency. The top 10 states are as follows:

1. New York (\$280,280,000 in grant payments)
2. Illinois (\$89,634,000)
3. California (\$86,363,000)
4. Pennsylvania (\$77,592,000)
5. New Jersey (\$39,774,000)
6. Ohio (\$31,864,000)
7. Michigan (\$28,628,000)
8. MINNESOTA (\$28,019,000)
9. Wisconsin (\$20,829,000)
10. Indiana (\$20,576,000)

Of these 10 states, only two (Wisconsin and Michigan) are not considering any changes in their definitions. Illinois is on record calling for a change in the definition. Since Illinois has tied its grant program directly to the Pell Program, it is obligated to accept the federal definition.

The federal debate is more than a concern about defining who has established a pattern of self-supporting behavior; it is also a concern about affecting the flow of federal dollars. States that have not invested heavily in a state grant program logically will argue for a lax definition at all levels as a means of attracting additional federal dollars to the state. Also, the eligibility restrictions in the Guaranteed Student Loan Program do not apply to students who are defined as "independent students" for federal student assistance. For students whose parents earn more than \$30,000 per year, this is a powerful incentive. Given the desire to maximize the flow of federal dollars and maintain the Guaranteed Student Loan Program as an ensured source of loan capital, only those states making a significant contribution to student grants can be expected to support a more rigorous definition at the federal level.

ATTACHMENT C
HOW THE SOCIAL SECURITY SYSTEM AND HEALTH
INSURANCE POLICIES DEFINE DEPENDENCY

Social Security and employer sponsored health insurance programs provide benefits for families of enrolled or employed individuals. Family members eligible for benefits from one of these programs have been defined as dependent on the enrolled or employed individual. These definitions of dependency provide background for the Coordinating Board's decision about which parents should not be expected to support their children attending a post-secondary institution.

Social Security System

A young unmarried person can receive monthly benefits when a parent insured under Social Security dies or gets disability or retirement checks. The son or daughter is eligible if he or she is: 1) Under 18 - whether or not in school, 2) Under 19 - and attending secondary school (high school is most cases) full time; or 3) Under 22 - and attending college or other post-secondary school full time provided such attendance began before May 1982 and the student entitled to a Social Security check for August 1981; or 4) Any age - if severely disabled before age 22.¹

State Requirements for Health Insurance

State law requires all group hospital or medical expense insurance policies to include a child of a member if both of the following conditions hold: 1) child is incapable of self-sustaining employment by reason of mental retardation or physical handicap, and 2) child is chiefly dependent upon the member for support and maintenance.

State Employee Health Insurance

Unmarried children of state employees, for example, are included under the family options for the group medical expense coverage until age 23 if they are full-time students. These children are included as long as the employee maintains family coverage whether the student or parent desires coverage. This type of coverage is included in most group health insurance plans.

¹ Social Security Checks for Students, Social Security Administration, Publication No. 05-10048, January, 1983

Conclusion

Employers presume unmarried children attending post-secondary institutions are dependent on the parents until age 23, and in some cases, age 25 for purposes of determining eligibility for group health insurance benefits. Similarly, the Social Security established a precedent that children under age 22 attending a post-secondary institution are presumed to be dependent.

TABLE OF CONTENTS

EXECUTIVE SUMMARY	i
INTRODUCTION	1
BACKGROUND	4
CURRENT DEFINITION	4
CURRENT DETERMINATION OF AWARD SIZE	5
Cost of Attendance	5
Student Share.	5
Difference Between Cost and Resources (Need)	5
TRENDS AND CONDITIONS	7
ALTERNATIVE DEFINITIONS OF INDEPENDENT STUDENTS	11
SELF-DECLARATION OPTION	12
CURRENT DEFINITION	13
CURRENT DEFINITION WITH THE TIME PERIOD EXTENDED TO THREE YEARS . .	14
CURRENT DEFINITION RESTRICTED TO STUDENTS 22 YEARS OF AGE OR OLDER.	17
NO INDEPENDENT STUDENT ALTERNATIVE	19
SUMMARY	21
ALTERNATIVE MODELS FOR DETERMINING HOW MUCH FINANCIAL AID INDEPENDENT STUDENTS SHOULD RECEIVE.	22
MINIMAL FIXED CONTRIBUTION.	23
MINIMUM FIXED CONTRIBUTION PLUS A PERCENTAGE OF RESOURCES	25
LARGE FIXED CONTRIBUTION PLUS PERCENTAGE OF EXCEPTIONAL RESOURCES .	28
LARGE FIXED CONTRIBUTION PLUS PERCENTAGE OF RESOURCES	30
COMPARISON OF THE FOUR MODELS	30
CONCLUSION	35
APPENDIX A: EVALUATION OF CONDITIONS WHICH COULD BE USED AS PART OF THE INDEPENDENT STUDENT DEFINITION	37

LIST OF TABLES AND FIGURES

TABLE 1: CURRENT FORMULAS FOR DETERMINING STUDENT SHARE AND CALCULATING AN AWARD	8
TABLE 2: A COMPARISON OF THE NUMBER OF INDEPENDENT STUDENTS AND DEPENDENT STUDENTS RECEIVING AWARDS 1979-80 THROUGH 1981-82	9
TABLE 3: YEAR OF HIGH SCHOOL GRADUATION AND CALCULATED AGE OF INDEPENDENT STUDENTS WHO RECEIVED AN AWARD IN 1981-1982. .	18
TABLE 4: YEAR OF HIGH SCHOOL GRADUATION AND CALCULATED AGE OF INDEPENDENT STUDENTS WHO DID NOT RECEIVE AN AWARD IN 1981-1982.	20
TABLE 5: COMPARISON OF FOUR MODELS FOR DETERMINING STUDENT SHARE. .	34
FIGURE 1: THE FORMULA CURRENTLY USED TO CALCULATE STATE AWARD . . .	6
FIGURE 2: MINIMUM FIXED CONTRIBUTION APPROACH FOR DETERMINING STUDENT SHARE	24
FIGURE 3: MINIMUM FIXED CONTRIBUTION PLUS A PERCENTAGE OF RESOURCES APPROACH FOR DETERMINING STUDENT SHARE.	26
FIGURE 4: LARGE FIXED CONTRIBUTION PLUS PERCENTAGE OF EXCEPTIONAL RESOURCES APPROACH FOR DETERMINING STUDENT SHARE.	31
FIGURE 5: LARGE FIXED CONTRIBUTION PLUS A PERCENTAGE OF RESOURCES APPROACH FOR DETERMINING STUDENT SHARE.	32

EXECUTIVE SUMMARY

The number of independent students receiving state scholarships and grants has grown rapidly the past few years. Applying as independent allows a student to disregard his or her parents' financial position. This often enables the student to receive a larger award than would have been possible as a dependent student. As a result of this growth, more of the responsibility of financing a student's post-secondary education has been shifted from parents to taxpayers. In addition, a larger proportion of the scholarship and grant awards has been going to independent students, thus possibly denying assistance to those students with the greatest financial need.

An analysis of the growth in the number and percentage of independent students suggests that the current definition is not adequately meeting the intent of independent student status. Traditionally, the intent has been to reserve independent student status for those who have made a clear break with their parents before enrolling in post-secondary education. The current definition, however, fails to distinguish effectively between those students who have established a pattern of self-supporting behavior and those who simply have arranged their financial affairs to meet the letter of the definition.

In view of these trends and their implications, the current definition and treatment of independent students need to be reassessed and alternatives considered to ensure that the traditional intent of independent status is fulfilled.

Five definitions ranging from very lax to very strict are considered and evaluated based on a set of criteria. The most lax definition is the self-declaration option. It assumes that any adult has the right to be emancipated from his or her parents and the applicant need not prove that he or she has established a pattern of self-supporting behavior. The strictest definition would limit independent student status to those who have no surviving parents or have been legally separated from their parents.

In between these two extremes are the current definition and two variations which tighten it. The current definition assumes that once a student has severed financial relations with his or her parents, it takes one year to establish a pattern of self-supporting behavior. A student can now apply as an independent student if the following conditions existed for the year prior to applying: (1) the parents did not claim the student as an income tax exemption, (2) the student lived with his or her parents no more than six weeks (42 days) during the year, and (3) the parents provided no more than \$750 worth of support for the year. Further, the applicant must promise that these conditions also will hold for the year the award is made.

One alternative would be to continue the three conditions under the current definition but require that they hold for three years before the year for which an award is made. This assumes that once a student has severed financial relations with his or her parents, it takes three years to establish a pattern of self-supporting behavior. The National Association of Student Financial Aid Administrators has proposed this alternative.

A second variation of the current definition is to restrict independent status to students 22 years of age or older. This alternative is similar to the one proposed by the U. S. Secretary of Education in July 1982. The latter two alternatives--extend the wait to three years and restrict independent

student status to those 22 or older--reduce the incentives for parents to arrange their affairs to enable their children to apply as independent students.

Minnesota, like most states, relies on the federal definition. This makes it easier for students to apply, makes it easier for aid officers to assist students, and streamlines the administration of the program. Thus, any change in the definition in Minnesota needs to occur in the context of the federal approach.

Once eligibility is determined by the definition, a method must be applied to determine how much assistance an independent student should receive. Four models are presented and evaluated. The four can be distinguished by the fixed contribution required of a student and the treatment of a student's resources.

Two models assume a minimal fixed contribution, two a large fixed contribution. In three models, a student's need is based on his or her financial position; the fourth does not consider a student's income or assets.

The definition and treatment need to be considered together. A lax definition would require either appropriating more money for financial aid or spreading available money more thinly. A more stringent definition would allow a more generous treatment and still target grants to the most needy.

INTRODUCTION

The number of independent students receiving state scholarships and grants has increased, and this growth has affected student financial aid in at least two significant ways.¹ First, it has shifted more of the responsibility for financing a student's education from parents to taxpayers as grants are awarded to students who otherwise would not have received assistance because of their parents' resources. Second, the increasing number has shifted financial aid resources from dependent to independent students, potentially denying needy dependent students the resources to attend post-secondary institutions that meet their educational needs.

These effects of the growth in the number of independent students have raised three basic questions:

1. Who are independent students?
2. What criteria should be used to define an independent student?
3. How much financial aid should independent students receive?

In theory, an independent student is an adult who has severed financial relations with his or her parents and established a pattern of self-supporting behavior. Being able to apply for financial aid as an independent student enables a student to disregard his or her parents' financial position. This often results in the student receiving a larger federal Pell Grant and/or State Scholarship or Grant than he or she would have received as a dependent student.² The financial aid community believes that this benefit is driving many students who have not previously established a pattern of self-supporting

¹ Based on the number of independent students receiving awards in 1979-80 and 1981-82, the annual rate of growth is 88 percent.

² A student receiving a large award as a dependent student has no incentive to switch and apply as an independent student.

behavior to arrange their affairs to meet the current definition. As a result, changes in the definition and treatment of independent students are being advocated.

Both the Secretary of Education and the National Association of Financial Aid Administrators have recommended tightening the definition so that fewer would be eligible to apply as independent students. In other states, similar discussions are underway. California, for example, has implemented some changes. Most states, including Minnesota, have tied their definition to the definition used in the federal Pell Grant program. As a result, many are waiting for federal action before making a final decision.

Minnesota gains by using the federal definition. First, students and their families have only one definition to meet and one set of forms to fill out. Second, it is easier for financial aid officers to advise students and package financial aid. Third, the administration of the program is streamlined because the state can use the same application form and data processing vendor.

This paper analyzes the issues related to the definition and treatment of independent students. The next section describes the current definition and treatment and summarizes current trends and conditions that suggest the need for possible changes.

The third section outlines five alternative definitions of independent students. These range from very lax to very strict. In addition, the section analyzes how well each would work in defining independent students.

The fourth section presents four models for determining students' share of the cost of attending a post-secondary institution. In addition, each is evaluated to determine how well it measures a student's financial position and the incentives it provides for students to alter their behavior.

BACKGROUND

Applicants to the Minnesota State Scholarship and Grant Program are distinguished as either dependent upon their parents for financial support or independent of such support. This section explains the current definition and treatment of independent students and documents recent trends that suggest the need to consider changes in the current approach.

CURRENT DEFINITION

Currently, a student can apply as an independent student if the financial relationship between the student and his or her parents has been severed and the student has exhibited a pattern of self-supporting behavior for one year. Specifically, for a student to apply as an independent student for a federal Pell Grant and a state scholarship or grant, the following must exist for the year prior to applying:

1. The parents did not claim the student as an income tax exemption.
2. The student lived with his or her parents no more than six weeks (42 days) during the year.
3. The parents provided no more than \$750 worth of support for the year.

Further, the applicant must promise that these conditions also will hold for the year the award is made.³

³ These general criteria have been used since 1968 in the State Scholarship and Grant Program. For 1983-1984, married students can also apply as independent students if they promise to meet the three criteria during the year an award is received; they need not verify that the conditions also applied in the preceeding year.

CURRENT DETERMINATION OF AWARD SIZE

Applicants who meet the above three criteria can apply as independent students. The award offered to an independent student depends on three factors: (1) the cost of attendance at the post-secondary institution chosen by the student, (2) the resources the student will have, and (3) the treatment of the differences between the cost of attendance and the student's expected contribution.

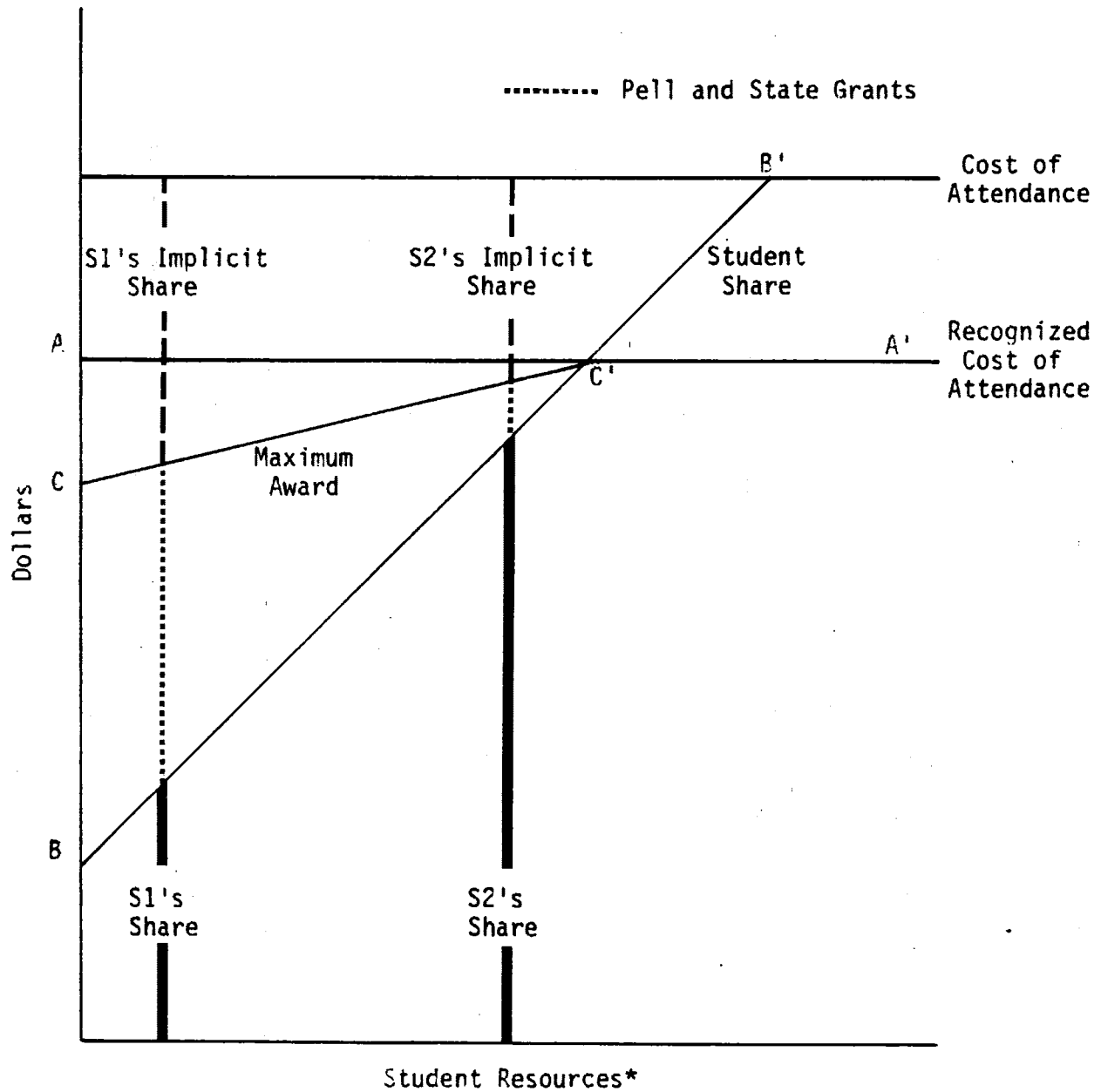
Cost of Attendance. The cost of attendance includes tuition and fees plus an allowance for living costs and miscellaneous expenses. The cost of attendance is the base used in determining the size of award. In 1982-1983, as a means of rationing limited State Scholarship and Grant Program funds, only 78 percent of the costs were recognized. (See line AA' on Figure 1.)

Student Share. The independent student's share of the cost of attendance is calculated according to the Uniform Methodology, a national model used to determine the student's contribution. It depends on three factors: (1) the student's financial position, (2) the number of dependents (size of household), and (3) an expected contribution of \$700. The net result is the independent student's available resources. Currently, the independent student is expected to use all of these resources to finance his or her current year of attendance.

The independent student's share increases with his or her available resources which is shown as line BB' on Figure 1. For example, student S2 has more available resources than S1, so S2's share is greater than S1's.

Difference Between Cost and Resources (Need). The difference between the recognized cost of attendance and the student's share defines the need and is used to determine the size of the scholarship or grant award. Currently,

FIGURE 1
THE FORMULA CURRENTLY USED
TO CALCULATE STATE AWARD



*As determined by Uniform Methodology.

state policy is to cover 75 percent of the difference with a Pell Grant first and a state scholarship or grant second. In no case can the state award exceed 50 percent of the difference. In 1982-1983, the maximum state award was \$1,050 and the minimum award was \$100.

On Figure 1, line CC' shows the size of the combined award each independent student would receive if all who were eligible received 75 percent of the difference between the recognized cost of attendance and the student share. The current method is summarized in Table 1.

TRENDS AND CONDITIONS

The number of independent students receiving awards has grown substantially in the past three years. In 1981-82, 16.4 percent, or 7,030, of the 42,881 state scholarship and grant awards went to independent student applicants. This is up from 7.1 percent in 1979-1980 when 1,982 of 28,032 awards went to independent students, as shown in Table 2. This is a growth of 255 percent over the two years, or an annual rate of 88 percent.

Much of the growth may be attributed to the large proportion of the independent student applicants who were dependent students the previous year. For example, of those who applied to the State Scholarship and Grant Program in both 1980-81 and 1981-82, 34 percent of those who applied as independent students in 1981-82 had applied as dependent students in 1980-81.⁴

Under the federal Pell Grant Program, a large percentage of the awards go to independent students. In 1981-1982, 40.1 percent of those receiving Pell

⁴ Based on a 20 percent sample of the Minnesota State Scholarship and Grant History File.

TABLE 1

CURRENT FORMULA FOR DETERMINING
STUDENT SHARE AND CALCULATING AN AWARD

Costs of Attendance:

Tuition and Fees	\$	XXXX	
Living Expenses		1750	
Books and Misc. Expenses		1000	
Subtotal	\$	XXXX	
Rationing %	x	.78	
Recognized Costs	\$	XXXX	(A)

Student Share:

Estimated Income During School Year from Work, Vets Benefits, Soc. Sec., Welfare, Etc.		\$	XXX (B)	
Assets Net of Liabilities	\$	XXX		
Less Age Allowance		(XX)		
Subtotal	\$	XXX		
Tax Rate (FY83)	x	35%		
Subtotal - Asset Supplement		\$	XX (C)	
Total Student Contribution From Income and Assets	(B) + (C) =	\$	XXX (D)	
Less Family Size Allowance		(XX)		
Subtotal (Not Less than Zero)		\$	XXX (E)	
Minimum Student Contribution		700	(F)	
Adjusted Student Resources	(E) + (F)	\$	XXX (G)	
Base for Calculating Award (A) - (G)		\$	XX (H)	

Award equals lesser of:

- (1) 75% of (H) minus expected Pell Grant
- (2) 50% of (H)
- (3) \$1,050

No awards offered if (H) minus expected Pell Grant is less than \$100.

TABLE 2
A COMPARISON OF THE NUMBER OF
INDEPENDENT STUDENTS AND DEPENDENT STUDENTS
RECEIVING AWARDS
1979-80 THROUGH 1981-82

	<u>1979-80</u>		<u>1980-81</u>		<u>1981-82</u>		<u>Growth 1979-80 to 1981-82</u>	
	<u>Number</u>	<u>%</u>	<u>Number</u>	<u>%</u>	<u>Number</u>	<u>%</u>	<u>Number</u>	<u>%</u>
Independent Students	1,982	7.1%	5,406	14.3%	7,030	16.4%	5,048	254.7%
Dependent Students	26,050	92.9	32,851	85.7	35,851	83.6	9,801	38.0
TOTAL	28,032	100.0%	38,317	100.0%	42,881	100.0%	14,859	53.0%

SOURCE: HECB

Grants were independent students. The percentage at the federal level has held relatively constant, however, only up from 38.5 percent four years earlier.⁵

Since the State Scholarship and Grant Program uses the expected Pell Grant in its award calculations, any decrease in Pell awards would increase the size of the expected state award. As a result, if the state continues its current definition while the federal government changes its, the state could experience a further increase in the proportion of independent students receiving state scholarships and grants.

Given the current definition and treatment, Minnesota has experienced considerable growth in the number of independent students receiving awards. Many of these independent students have switched from dependent student status while full-time students. This suggests that the current definition might not distinguish well whether a student has established a pattern of self-supporting behavior. If the current trends continue, one-half of those receiving awards could be independent students in a few years. To address this problem, a series of alternative definitions and treatment strategies are evaluated in the next two sections.

⁵ The Bulletin, Department of Education, Office of Financial Affairs, (December 1981), page 13.

ALTERNATIVE DEFINITIONS OF INDEPENDENT STUDENTS

In concept, an independent student has (1) severed financial relations with his or her parents and (2) established a pattern of self-supporting behavior. Ideally, the definition of independent students should measure both aspects. No good measure of self-supporting behavior exists; a review of several measures and proxies suggests that the only approach is to measure dependent behavior and define independent students as those who are no longer dependent students.⁶

While the decision to sever financial relations between a student and his or her parents can be made quickly, the process of establishing a pattern of self-supporting behavior takes time. The definition of independent students should answer two questions. First, what measures best distinguish those who have begun to establish a pattern of self-supporting behavior from those who have not? Second, should the operating definition of the independent student measure (1) all those who have begun, or (2) only those who have completed the process of establishing a pattern of self-supporting behavior?

In this section, five alternative definitions are presented and analyzed. They range from very lax to very strict. The most lax is a self-declaration option. The strictest would limit independent student status to those who have no surviving parents or have been legally separated from their parents. The current definition is presented as an example of a moderately lax option. In addition, two modifications of the current definition are presented as examples of stricter options.

⁶ See Appendix A for an evaluation of 12 measures.

The alternative definitions are evaluated according to the following five criteria:

1. Does this definition provide evidence of dependent behavior?
2. Is this definition objective and verifiable?
3. Does this definition require a minimum of personal and family information?
4. Is this definition understandable by applicants and their families?
5. Does this definition provide incentives for students and their parents to alter their behaviors to qualify for scholarships or grants?

The criteria reflect the needs of various parties. On one hand, there is the need to distinguish effectively those who have established a pattern of self-supporting behavior from those still effectively dependent on their parents for financial support. On the other hand, there is a need to maintain a simple definition to prevent overburdening students and parents, financial aid offices on campuses, and the state in the processing of applications and disbursing awards. Any definition chosen must represent a balance among the needs identified by the criteria.

SELF-DECLARATION OPTION

This definition assumes that any adult has the right to be emancipated from his or her parents and the applicant need not prove that he or she previously had established a pattern of self-supporting behavior. This definition is used in many areas of public law and for many social programs. For example, anyone age 18 or older can sign a contract in Minnesota. Also, welfare departments use this concept in determining eligibility for general assistance programs. This concept, however, never has been used to guide the

distribution of student financial aid; it always has been state and federal policy to expect parents to contribute to their son or daughter's cost of attending a post-secondary institution.

This definition provides evidence of self-supporting behavior only if it is accepted that self-declaration sufficiently distinguishes between dependent and self-supporting behavior (criterion one). This definition is objective and verifiable if a simple procedure is followed for making the declaration (criterion two). It requires no significant personal or family information (criterion three). Asserting a right of adulthood is well understood (criterion four). Finally, this definition provides no incentive for anyone to change his or her behavior since no one has to in order to be eligible to apply as an independent student (criterion five).

Implementation of this definition would result in every full-time student declaring him or herself as an independent student. If every full-time student in 1981-82 had applied, the average award would have been about \$150. Of course, not all applicants would have shown need so the average award for those receiving an award would have been a little higher.

CURRENT DEFINITION

This definition assumes that once a student has severed financial relations with his or her parents, it takes one year to establish a pattern of self-supporting behavior. Specifically, a student can now apply as an independent student for a state scholarship or grant if the following conditions existed for the year prior to applying:

1. The parents did not claim the student as an income tax exemption.
2. The student lived with his or her parents no more than six weeks (42 days) during the year.

3. The parents provided no more than \$750 worth of support for the year.

Further, the applicant must promise that these conditions will also hold for the year the award is made.

Anyone not meeting any of these measures has not severed financial relations with his or her parents. Although this definition does not measure a student's independence, this definition does measure dependent behavior (criterion one). Only the income tax exemption measure, however, is objective and verifiable. The living with parents and \$750 worth of support measures are not verifiable (criterion two). Requiring verification of these measures would be burdensome for the state and would create a onerous information gathering task for the student and his or her family (criterion three). Further, the \$750 worth of support measure is not clear (criterion four). For example, what is the value of Dad's (or Mom's) apple pie? Should Grandma's also count? Since no one is required to claim income tax exemptions, parents easily can alter their behavior to enable their child to apply as an independent student. This indicates a weakness on the fifth criterion.

CURRENT DEFINITION WITH THE TIME PERIOD EXTENDED TO THREE YEARS

This definition assumes that once a student has severed financial relations with his or her parents, it takes three years to establish a pattern of self-supporting behavior. This alternative has been proposed by the National Association of Student Financial Aid Administrators. The definition is based on income tax exemption, living with parents, and providing \$750

worth of support--the same three measures as currently used. In this case, however, the measures must hold for three years prior to the year for which an award is made.

This alternative has most of the strengths and weaknesses described for the current definition. Anyone who meets one of the conditions displays dependent behavior (criterion one). Only the income tax exemption is verifiable (criterion two). The living at home and \$750 worth of support measures cannot be verified unless excessive information is requested from the applicant and his or her parents (criterion three). While the income tax exemption measure is well understood, the living at home and \$750 worth of support measures are subject to many interpretations. As a result, this definition is weak on the understandable (fourth) criterion.

This alternative would lessen the incentive for parents to arrange their affairs to enable their child to apply as an independent student (criterion five). A dependent student desiring to become an independent student would essentially have to sacrifice three years of parental support. This is a much more significant sacrifice than required now. If parents wish to establish independent student eligibility for their son or daughter the first year after high school graduation, they would have to sever financial relations when the child started the 10th grade. Few, if any, 10th graders could survive with only \$750 worth of support and having to live away from home while in high school.

If these conditions had been in place in 1981-1982, at least 27 percent of the independent students receiving a state award would have been classified as dependent students. Further, another 63 percent might have been affected. The impact on these students is uncertain because we do not have enough information about them. It is expected, however, that many of these students

would not meet the three year wait condition. Only the 10 percent who applied as independent students both prior years definitely would have not been affected.⁷

In addition to those receiving awards, some who applied and did not receive an award also would have been affected. If the three year wait had been part of the 1981-1982 definition, at least 20 percent of these applicants would have been ineligible to apply as independent students. In addition, another 75 percent might have been affected if the wait had been three years in 1981-1982. Only the 5 percent who applied as independent students both prior years would have definitely not been affected. These applicants would only have been affected if the award determination formula were different or if the Pell Program requirements were changed.⁸

Additional evidence of the effects of this alternative has been observed in California. California adopted a definition based on a three year period between the severing of financial relations and having established a pattern of self-supporting behavior. The University of California, Santa Cruz, found that 14.5 percent of a sample of 2,000 students met the federal conditions (based on a one year wait) but failed to meet the California conditions (same questions but a three year wait). These 290 students had an average parental contribution of \$3,143.⁹ This much parental contribution, as determined by the Uniform Methodology, would have eliminated most students from receiving a state scholarship or grant in Minnesota because they would not have need.

⁷ Based on a 20 percent sample of the 1981-1982 Higher Education Coordinating Board's Scholarship and Grant History File.

⁸ Based on a 20 percent sample of the 1981-1982 Higher Education Coordinating Board's Scholarship and Grant History File.

⁹ The Bulletin, U.S. Department of Education, Office of Financial Affairs, December, 1981, page 8.

CURRENT DEFINITION RESTRICTED TO
STUDENTS 22 YEARS OF AGE OR OLDER

This definition assumes that no student can establish a pattern of self-supporting behavior until age 22. For those 22 years of age or older, this definition assumes it takes only one year to establish a pattern of self-supporting behavior. This alternative is similar to the one proposed by the Secretary of Education in July 1982. For those 22 years of age or older, the measures based on income tax exemption, living with parents, and receiving \$750 worth of support still would be used.

This definition has characteristics similar to those discussed for the previous two alternatives. By assumption, for those under 22 years of age, it measures dependent behavior. For those 22 years of age or older, it measures dependent behavior in the same manner as currently used for all applicants (criterion one). Only the income tax exemption measure is easily verifiable (criterion two). To make the living at home and \$750 worth of support measures verifiable, excessive personal and family information would be required (criterion three). Further, these two measures are not well understood (criterion four). One advantage of this alternative, however, is that only one year's worth of information needs to be provided and verified.

As with the three year wait requirement, this alternative limits the incentive for parents or students to change their behaviors to become eligible to apply as an independent student (criterion five). Only applicants 22 years of age or older would benefit from such action.

If the age condition had been included in the 1981-1982 definition, at least 40 percent of those who had received an award as an independent student would not have been eligible, as shown in Table 3. If the age condition had

TABLE 3

YEAR OF HIGH SCHOOL GRADUATION AND CALCULATED AGE OF
INDEPENDENT STUDENTS WHO RECEIVED AN AWARD
IN 1981-1982

<u>Year of High School Graduation</u>	<u>Cases</u>	<u>Percentage</u>
1981 (age 18)	64	4.0%
1980 (age 19)	63	3.9
1979 (age 20)	247	15.4
1978 (age 21)	277	17.2
1977 (age 22)	195	12.1
1976 (age 23)	125	7.8
1975 (age 24)	127	7.9
1974 (age 25)	82	5.1
1973 (age 26)	69	4.3
1972 (age 27)	47	2.9
1971 (age 28)	52	3.2
1970 (age 29)	46	2.9
1969 (age 30)	35	2.2
Before 1969 (over age 30)	180	11.2
TOTAL	1,609	100.0%

SOURCE: A 20 percent sample of the Higher Education
Coordinating Board's Scholarship and Grant History File.

been included in the 1981-82 definition, at least 32 percent of those applying as an independent student and not receiving an award would have been affected as well, as shown in Table 4.

NO INDEPENDENT STUDENT ALTERNATIVE

This definition assumes that a nuclear family is intact throughout a person's life and that anyone who applies to the state for financial aid has forfeited his or her claim to self-supporting status. All applicants for financial aid, therefore, would be required to apply as dependent students, submit financial information about their parents, and compete fairly for assistance.

This definition assumes that applying for financial aid is evidence of dependent behavior. As a result, the first criterion is moot. This definition is objective, requires a minimum of information, is understood, and does not provide incentives for parents or children to change their behavior.

This definition needs a set of criteria for exempting individuals from submitting parental financial information. In general, these criteria would need to identify those who do not have parents (in a legal sense), and as a result, could not provide this information. Included among those on this list are orphans, wards of the state, and refugees who emigrated without their parents. These individuals would apply as dependent students but would automatically get a zero parental contribution expectation in the needs analysis.

TABLE 4
YEAR OF HIGH SCHOOL GRADUATION AND CALCULATED AGE OF
INDEPENDENT STUDENTS WHO DID NOT RECEIVE AN AWARD
IN 1981-1982

<u>Year of High School Graduation</u>	<u>Cases</u>	<u>Percentage</u>
1981 (age 18)	97	3.8%
1980 (age 19)	130	5.1
1979 (age 20)	252	9.9
1978 (age 21)	338	13.3
1977 (age 22)	348	13.7
1976 (age 23)	242	9.5
1975 (age 24)	204	8.0
1974 (age 25)	150	5.9
1973 (age 26)	121	4.8
1972 (age 27)	97	3.8
1971 (age 28)	105	4.1
1970 (age 29)	68	2.7
1969 (age 30)	64	2.5
Before 1969 (over age 30)	325	12.8
TOTAL	2,541	100.0%

SOURCE: A 20 percent sample of the Higher Education
Coordinating Board's Scholarship and Grant History File.

This definition would affect almost all independent student applicants. Since this information is not now collected, it is not possible to make a precise estimate of the proportion affected. No more than two or three percent of all applicants likely would be exempt from supplying parental financial information, however.

SUMMARY

This section describes five alternative definitions of independent students. No good way exists for measuring patterns of self-supporting behavior. The self-declaration option avoids the measurement problem by defining all applicants as independent students. Similarly, the no independent student option avoids the problem by eliminating the distinction. The existing definition uses the best measures available if some other alternative is desired. Two alternatives--extending the wait to three years and restricting independent student status to those age 22 or older--correct a weakness in the current definition. They both reduce the incentives for parents to arrange their affairs to enable their children to apply as independent students.

**ALTERNATIVE MODELS FOR DETERMINING HOW MUCH
FINANCIAL AID INDEPENDENT STUDENTS SHOULD RECEIVE**

If an independent student, by definition, is self-supporting, why should he or she need financial assistance? Such assistance traditionally has been justified for two reasons.

First, educational costs put increased pressure on the student's financial resources. Second, being a student takes time and energy which reduces the student's capacity to maintain his or her self-supporting behavior. It is difficult for a full-time student to continue full-time employment; part-time work generally pays less per hour and provides fewer hours of work per month. Therefore, while a student may have established a pattern of self-supporting behavior before enrolling, it is quite possible that such a student might not be able to continue this pattern of self-supporting behavior while attending a post-secondary institution.

Four general models for determining the independent student's share of the cost of attendance are examined in this section. The least demanding on students is the **minimal fixed contribution** alternative. The current approach, **minimum fixed contribution plus a percentage of resources**, provides a more demanding alternative. The third approach is based on a **large fixed contribution plus percentage of exceptional resources**. The most demanding alternative is the **large fixed contribution plus percentage of resources**.

These models are evaluated according to the following criteria:

1. Does the model measure the student's financial position?
2. Is the model objective and verifiable?
3. Does the model require a minimum amount of personal and family information?

4. Is the model understandable?
5. Does the model create any disincentives for the student or members of his or her household to work and save?

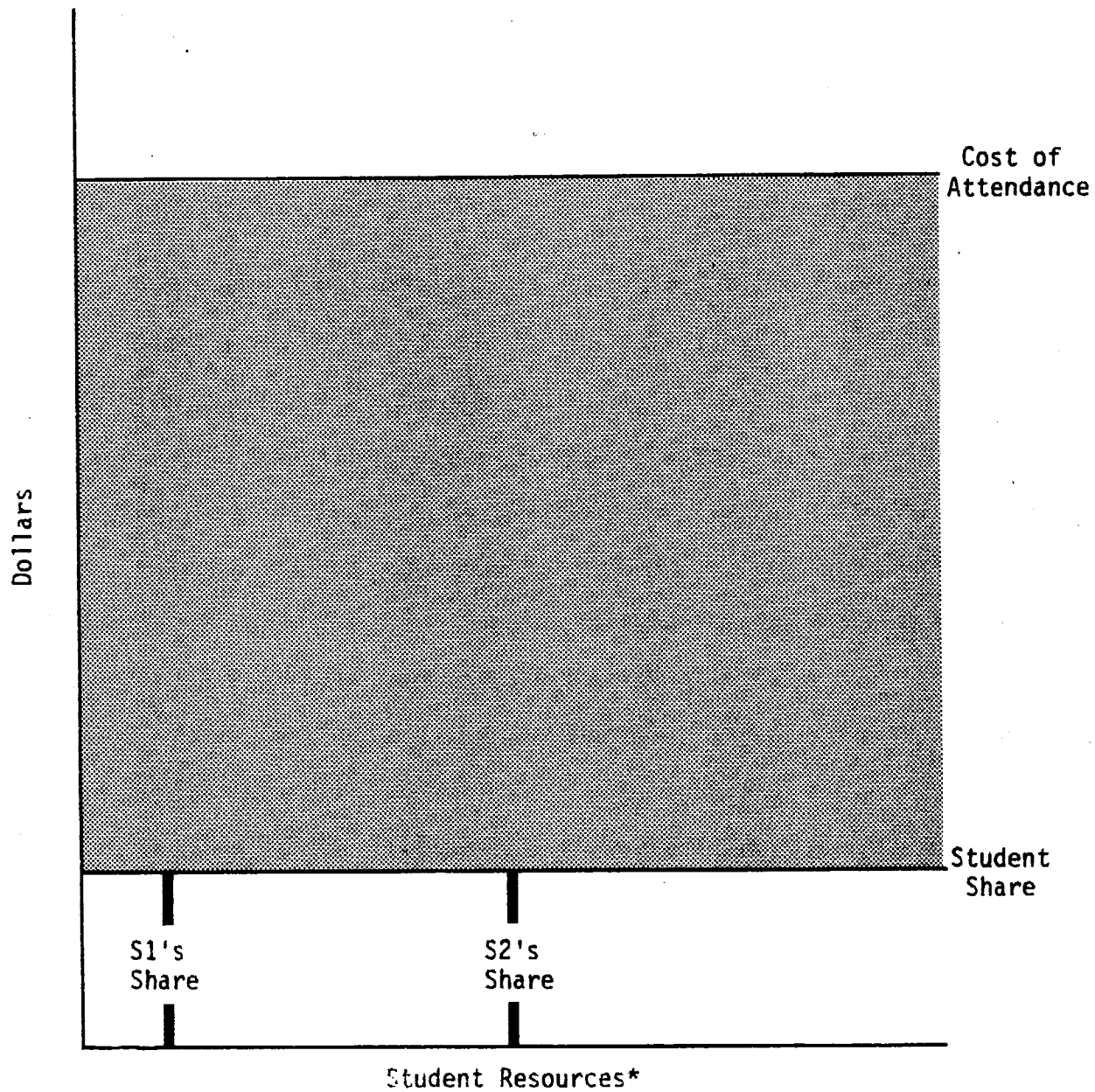
These criteria reflect a diverse set of needs. On one hand, they reflect the need to base the student share on a student's ability to contribute. On the other hand, the student share determination cannot put an excessive burden on the applicant, the financial aid office on campus, or the state in the processing of applications or in the disbursement of awards.

MINIMAL FIXED CONTRIBUTION

This model assumes that attending a post-secondary institution is a full-time job, and no student should be expected to work while attending. This argument implies that the student's share should be some minimal amount reflecting summer earnings. This model is depicted in Figure 2.

The model does not measure effectively the student's financial situation (criterion one). All independent students would have the same share regardless of their financial situation. For example, student S2 in Figure 2 would have the same share as student S1 even though student S2 had considerably more resources. This model, however, fulfills the other four criteria. It is objective and does not present any verification problems (criterion two). It requires no data (criterion three). This is an advantage to the student, the financial aid office, and the state. It is understandable (criterion four). In addition, this model creates no disincentives to work or incentives to shelter assets (criterion five).

FIGURE 2
MINIMUM FIXED CONTRIBUTION APPROACH
FOR DETERMINING STUDENT SHARE



*As determined by Uniform Methodology.

This model would create a relatively large difference between the costs of attendance and the share the independent student would be expected to contribute. The total area which the state would need to consider as the base of need for awards to independent students is shaded in Figure 2. While the state may choose not to fund all of the difference, this approach does not provide a method for discriminating among independent students according to their financial situation.

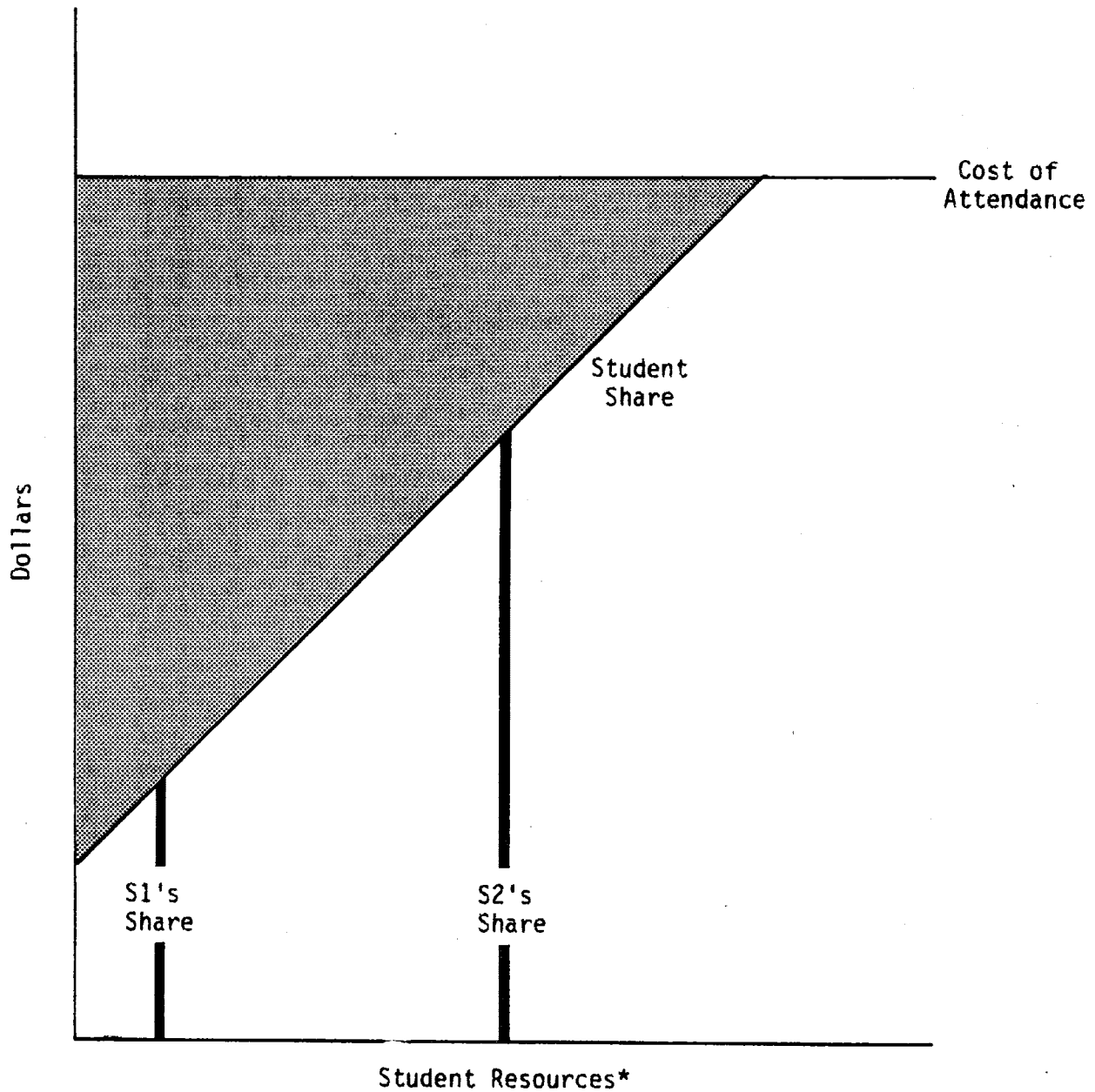
MINIMUM FIXED CONTRIBUTION PLUS A PERCENTAGE OF RESOURCES

This model assumes that the student share should reflect the student's current financial position. This is the model embodied in the Uniform Methodology currently being used. While this model does not add an absolute expectation of additional responsibility, it does require that the student who has earnings or assets accept responsibility for a larger share of the cost of attendance. Since the student resources are adjusted for the costs of maintaining a multiple person household by the Uniform Methodology, income of other household members also is counted as a student resource. Independent students with expected earnings and assets would have a larger share, and as a result, be expected to contribute more. This model is depicted in Figure 3. While student S1's share has increased a bit from S1's share in Figure 2, S2's share is now almost the full cost of attendance.

This model corrects the basic fault of the previous model because it is based on the applicant's actual financial position (criterion one). The model is objective and, following usual accounting standards, it is verifiable (criterion two). If this model were implemented completely, it would require collecting and processing considerable data (criterion three). This model

FIGURE 3

MINIMUM FIXED CONTRIBUTIONS
PLUS A PERCENTAGE OF RESOURCES APPROACH
FOR DETERMINING STUDENT SHARE



*As determined by Uniform Methodology.

meets the fourth criterion, since the concept of income and assets is well understood. The major weakness of this model is that it provides a disincentive to work while attending a post-secondary institution and a disincentive to save before enrolling because all earnings above the living allowance are taxed by the Uniform Methodology (criterion five).

One problem with this approach is that it relies on the student's estimate of resources he or she expects to have during the year. While certain components are known at the time of application, major components are unknown. Not only are independent students and other household members asked to project if they will have a job or not, they also are asked to project the hours they will work and their respective wage rates.

One solution is to use the prior year's earnings as a measure of the financial position of an independent student's household. Using prior income levels, however, unfairly represents the current financial situation for many independent student applicants. Many independent student applicants have taken a leave of absence or even quit a job to pursue a post-secondary education. The prior year's earnings would not be a good indicator of their current financial position.

A compromise would be to recalculate an independent student's award each month based on the earnings of all household members in the previous month. This, however, would create additional administrative burdens because the applicant would need to make nine applications each year. Further, this would make program planning more difficult. To the extent that independent students did not all receive maximum awards, reserves would accumulate which could have been used to extend awards to others. Even if an experience factor could be

used to predict the actual monthly awards, the significant reserves required to ensure against the state being unable to deliver on its contracts with independent students would hamper the effective delivery of financial aid.

This model decreases the portion of the total cost of attendance that the state needs to consider in determining award formulas. In the previous model, the distribution of students with respect to their level of resources made no difference. For this, and the following two models, it does make a difference. Since most independent students have relatively low levels of available resources, relatively few independent students are eliminated by imposing this model, but award sizes vary with the student's level of available resources. The shaded area on Figure 3 is much smaller than the shaded area on Figure 2. Not only is the area smaller, it is bounded so that students with significant available resources would not receive a grant under any formula. This approach would eliminate awards only for the independent student who has (1) a large asset base, acquired either by saving from previous earnings or from endowments, (2) other household members who earn more than minimum wage salaries or incomes, or (3) a substantial personal income which he or she continues to receive while attending a post-secondary institution.

**LARGE FIXED CONTRIBUTION PLUS
PERCENTAGE OF EXCEPTIONAL RESOURCES**

This model assumes that students should be expected to contribute a significant amount toward their cost of attendance at the post-secondary institution chosen by the student. The Higher Education Coordinating Board has recommended that all students should contribute at least 50 percent of the cost of attendance as their share.¹⁰ While all students would contribute at

¹⁰ For a complete description of the Design for Shared Responsibility, see The Coordinating Board's report, An Overview of the Design for Shared Responsibility in Minnesota's Financial Aid System, (December, 1982).

least 50 percent, for independent students with the capability to contribute more, that is, students with exceptional resources, the student share would be greater than 50 percent.

This model measures well the student's financial situation (criterion one). It is objective and, following usual accounting standards, it is verifiable (criterion two). If implemented completely, however, this approach would require collecting and processing considerable data (criterion three). The concept of income and assets is well understood (criterion four). All students (and other members of the household) have an incentive to work which is an improvement over the model previously discussed (criterion five). The work disincentive does not enter until the student reaches a point where he or she has exceptional resources.

This model is based on the student's financial position with the expectation that all students can make the fixed contribution through earnings (current income), savings (past incomes), and loans (future incomes). The typical independent student, under this approach, would contribute only the fixed amount. Only those independent students who have access to significant resources as defined by the Uniform Methodology would be expected to contribute more than 50 percent. The students in the latter group would probably not be expected to contribute more than they would under the model currently used and described in the previous sections. This is shown on Figure 4; S1's share has increased from the previous model while S2's is affected very little.

LARGE FIXED CONTRIBUTION PLUS PERCENTAGE OF RESOURCES

This model assumes that an independent student can meet a 50 percent share plus contribute from his or her available resources (according to the Uniform Methodology) toward the cost of attendance. As shown in Figure 5, student S1's share is larger than in the previous model while S2's share is now 100 percent of the cost of attendance.

This model, though based in part on the applicant's financial position criterion, could end up expecting more from a student than he or she can reasonably finance from current resources. This model is objective and, following usual accounting standards, it is verifiable (criterion two). If this model were implemented completely, it would require collecting and processing considerable data (criterion three). It meets the fourth criterion since the concept of income and assets is well understood.

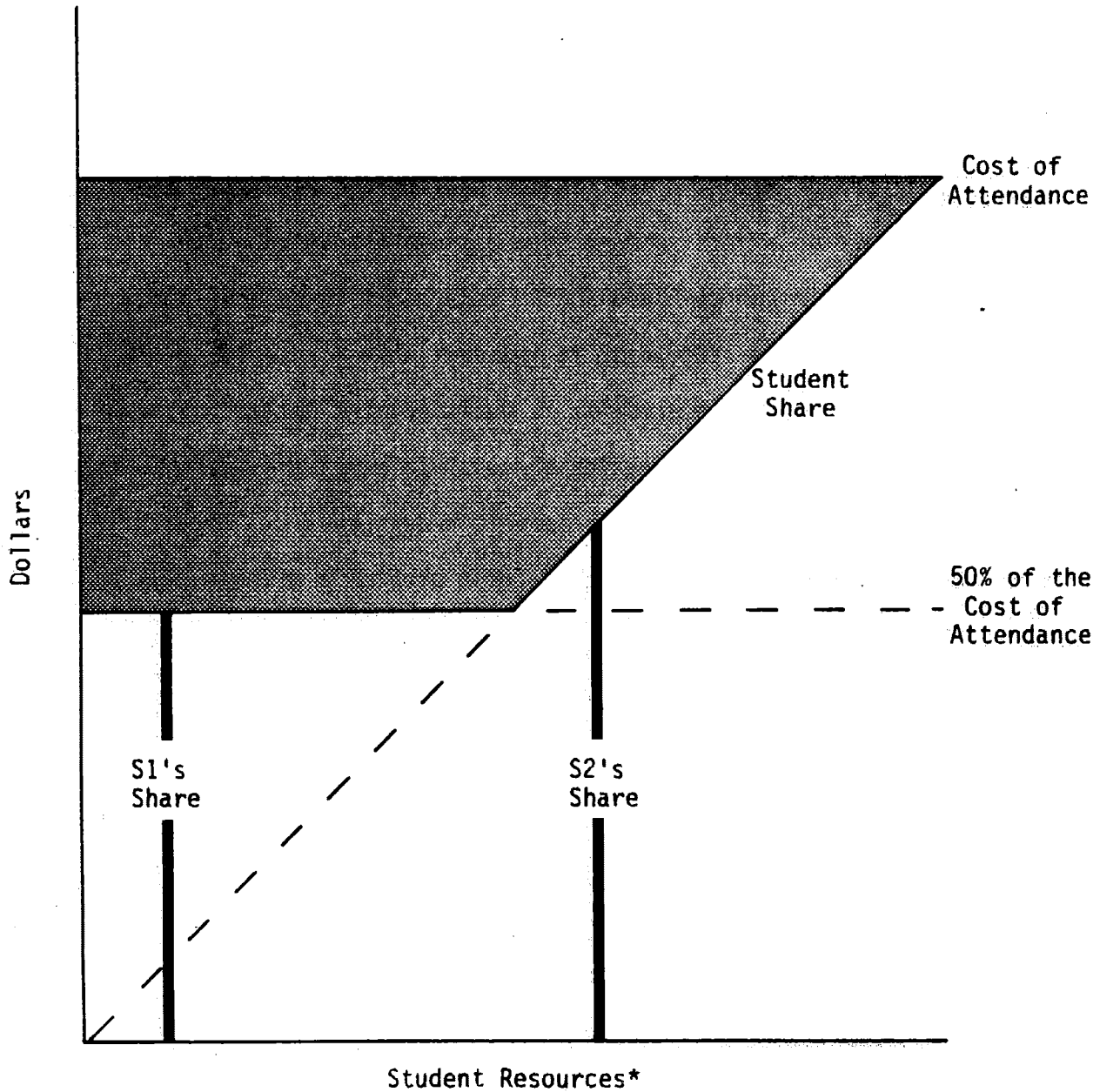
One weakness might be that the model could provide a disincentive to work and save (criterion five). This is not likely to be a serious disincentive because of the large fixed contribution each independent student would be expected to make.

COMPARISON OF THE FOUR MODELS

Two characteristics distinguish the four models described: (1) the fixed contribution, and (2) the treatment of student resources. Each model has a fixed contribution included in the student's share. In the first two models, the fixed contribution is a minimal expectation. For the other two, it is substantial. The second, third, and fourth models each make an adjustment in the student's share to reflect the financial position of the independent student's household. In the second and fourth models, the independent student

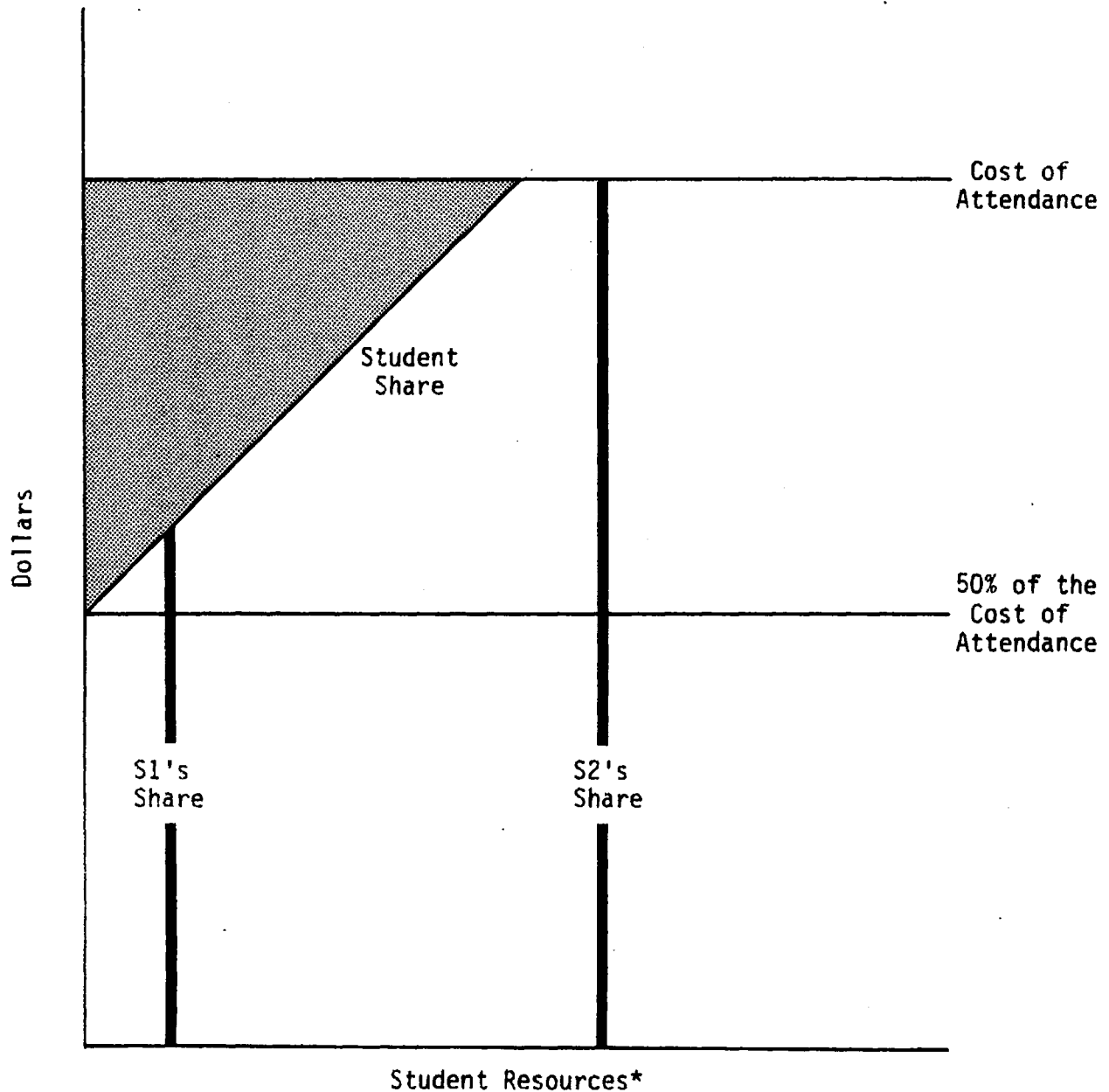
FIGURE 4

LARGE FIXED CONTRIBUTION
PLUS PERCENTAGE OF EXCEPTIONAL RESOURCES APPROACH
FOR DETERMINING STUDENT SHARE



*As determined by Uniform Methodology.

FIGURE 5
LARGE FIXED CONTRIBUTION
PLUS A PERCENTAGE OF RESOURCES APPROACH
FOR DETERMINING STUDENT SHARE



*As determined by Uniform Methodology

is expected to contribute all of his or her available resources to the cost of attendance. In the third model, only those independent students with exceptional resources would have to contribute more than 50 percent.

The determination of the student's share under each model is shown in Table 5. The first block shows the costs of attendance which includes tuition and fees, living allowance, and miscellaneous expenses. The second block shows the main parts of the Uniform Methodology. The net result, shown in the bottom block is the calculation of the student share.

TABLE 5
COMPARISON OF FOUR MODELS
FOR DETERMINING STUDENT SHARE

	Model (a)			
	<u>1</u>	<u>2 (b)</u>	<u>3</u>	<u>4</u>
Cost of Attendance	A	A	A	A
Student Resources as Calculated by the Uniform Methodology				
Student Income and Asset Contribution	--	B	B	B
Allowance for Dependents	--	C	C	C
Adjusted Student Resources	--	D = B-C	D = B-C	D = B-C
Fixed Contribution	E	E	0.5(A)	0.5(A)
Student Share	E	D+E	D or 0.5(A)	D+0.5(A)

Notes

- (a) Model 1: Minimal Fixed Contribution
 Model 2: Minimal Fixed Contribution Plus Percentage of Resources
 Model 3: Large Fixed Contribution Plus Percentage of Exceptional Resources
 Model 4: Large Fixed Contribution Plus Percentage of Resources
- (b) See Table 1 for a detailed description of this model.

CONCLUSION

The independent student issue is really an issue of how the responsibility for financing post-secondary education should be divided among students, parents, and government. Traditionally, parents have been expected to contribute what they reasonably can, except for those students who have established a pattern of self-supporting behavior. The clear intent has been to reserve independent student status for those students who make a clear break with their parents before enrolling in a post-secondary institution. It is equally clear, however, that the current definition fails to distinguish effectively between students who have established a pattern of self-supporting behavior, and thus, met the intent of the independent student definition, from students who have simply arranged their financial affairs to meet the letter of the definition.

Because the current definition fails to measure the intent of independent student status, the state needs to reconsider this definition to make it more consistent with the intent of the independent student concept. Alternatively, the state could, at one extreme, move toward a more lax definition such as discussed in the self-declaration option. Or, at the other extreme, it could move toward a more restrictive definition such as discussed in the no independent student option. Within this range exist several more moderate options, many based on the current definition.

Decisions about the definition of independent students, the treatment of independent students, and the calculation of awards will affect government's ability to target financial aid resources. A lax definition would require either that resources for financial aid be increased significantly or that the

resources be spread very thinly. A rigorous definition of eligibility, however, would allow a more generous treatment and still target state scholarships and grants to the most needy students.

APPENDIX A.

EVALUATION OF CONDITIONS WHICH COULD BE USED AS PART OF THE INDEPENDENT STUDENT DEFINITION

In evaluating the current definition, several conditions that could be included in the definition were reviewed. In general, none of these conditions provide a clear measure of self-supporting behavior. The best measures are of dependent status. As a result, the definition of independent students is based on the time it takes for a dependent student to sever financial relations with his or her parents and establish a pattern of self-supporting behavior.

This appendix evaluates 12 proposed conditions according to 5 criteria.

CONDITION: Student provides own support through personal assets and savings.

Rationale

The purpose of the independent student definition is to identify those who have established a pattern of self-supporting behavior.

Evaluation

Criteria: Provides evidence of self-supporting behavior or evidence of dependent behavior.

This condition does not distinguish between those who have established a resource base for financial attendance at a post-secondary institution and those who are hiding parental support.

Criteria: Is objective and verifiable.

While a student could prove the existence of assets and savings and their use for providing resources for meeting his or her material needs quite easily, it is difficult to trace the origins of assets and savings.

Criteria: Requires a minimum of personal and family information.

This condition would not require excessive amounts of personal or family data.

Criteria: Is understood by applicants and their families.

This concept of savings and assets are widely understood.

Criteria: Does not provide an incentive for students and their parents to alter their behavior to qualify for scholarships or grants.

Using this condition as part of the definition of independent students would encourage parents to channel some financial resources into assets and savings for the student so the parents' income and assets would not be considered in the needs analysis.

CONDITION: Student provides own support through loans.

Rationale

As with the previous condition, any means available for the student to provide his or her own support should be considered as a potential condition in the independent student definition.

Evaluation

Criteria: Provides evidence of self-supporting behavior or evidence of dependent behavior.

This condition does not provide evidence of self-supporting behavior. A student's willingness to mortgage future income does not provide any indication of current patterns of self-supporting or dependent behavior.

Criteria: Is objective and verifiable.

The existence of a loan is objective and can be verified.

Criteria: Requires a minimum of personal and family information.

This condition does not require excessive information from either the student or the parents.

Criteria: Is understood by applicants and their families.

Loans are understood.

Criteria: Does not provide an incentive for students and their parents to alter their behaviors to qualify for scholarships or grants.

This condition provides an incentive to have parental support disguised as a loan for the purposes of enabling the student to apply for financial aid without the parents' incomes and assets being considered in the needs analysis.

CONDITION: Student supported through public assistance.

Rationale

Any student receiving public assistance is clearly receiving financial support, from other than his or her family, that could be used to defray education related expenses. Furthermore, eligibility for public assistance represents the assessment by another public agency, which has reviewed the applicant's financial condition, of the student's need for assistance.

Evaluation

Criteria: Provides evidence of self-supporting behavior or evidence of dependent behavior.

Since anyone over 18 years of age can self-declare him or herself an adult for purposes of receiving income assistance, the receipt of public assistance does not necessarily provide evidence of self-supporting behavior.

Criteria: Is objective and verifiable.

The receipt of public assistance (welfare) is objective and verifiable information.

Criteria: Requires a minimum of personal and family information.

Since these data are already in the public domain, this condition would not create any strain on the parent or the student in terms of providing data.

Criteria: Is understood by applicants and their families.

The concept of public assistance is well understood.

Criteria: Does not provide an incentive for students and their parents to alter their behaviors to qualify for scholarships or grants.

This condition could provide an incentive for potential applicants to be declared eligible for public assistance before applying for student financial aid.

CONDITION: Student provides own support through his or her own salary.

Rationale

The purpose of defining independent students is to distinguish between those who have established a pattern of self-supporting behavior and those who have not. Having provided one's own material needs is the basic concept the definition must measure.

Evaluation

Criteria: Provides evidence of self-supporting behavior or evidence of dependent behavior.

A salary large enough to provide one's own material needs does not distinguish between those who have severed financial relations with their parents from those who have not. Some students earn relatively large salaries working on construction jobs where much overtime work is available, for example. These students have no intention of establishing a pattern of self-supporting behavior or of severing their financial relations with their parents. On the other hand, some people have established a pattern of self-supporting behavior on relatively low levels of income. Any salary level selected to measure this condition would fail to separate these two groups.

Criteria: Is objective and verifiable.

Earned income is objective and usually verifiable, especially if the income tax definitions are used.

Criteria: Requires a minimum of personal and family information.

This condition, if included, would require no more information than is required to file an income tax return.

Criteria: Is understood by applicants and their families.

The concept of earned income is well understood.

Criteria: Does not provide an incentive for students and their parents to alter their behaviors to qualify for scholarships or grants.

This condition would provide an incentive to find a job which could provide a large short-term salary so the student could apply for financial aid and not have to have his other parents' income and assets considered.

CONDITION: The applicant is married.

Rationale

Marriage usually signals a break in the financial relation between parents and children.

Evaluation

Criteria: Provides evidence of self-supporting behavior or evidence of dependent behavior.

Marital status, especially for students, does not distinguish those who have previously established a pattern of self-supporting behavior from those who have not.

Criteria: Is objective and verifiable.

This condition meets this criteria.

Criteria: Requires a minimum of personal and family information.

Since these data are in the public domain, no family or personal information would be required.

Criteria: Is understood by applicants and their families.

This condition is well understood.

Criteria: Does not provide an incentive for students and their parents to alter their behaviors to qualify for scholarships or grants.

This condition in the definition may encourage students to get married as a means of eliminating the need to report financial information about their parents.

CONDITION: Student has minor dependents

Rationale

Having minor dependent children also usually signals a financial break between parents and children.

Evaluation

Criteria: Provides evidence of self-supporting behavior or evidence of dependent behavior.

Having minor dependents does not establish a pattern of self-supporting behavior. It is possible for an individual to have a child and still be financially dependent on his or her parents.

Criteria: Is objective and verifiable.

This condition is objective and verifiable, especially if the definition used for income tax reporting is used.

Criteria: Requires a minimum of personal and family information.

This condition would not require the family or the student to maintain any more data than is now required for filing income tax returns.

Criteria: Is understood by applicants and their families.

This concept is well understood.

Criteria: Does not provide an incentive for students and their parents to alter their behaviors to qualify for scholarships or grants.

The incentive, if this condition were included in the definition, would be for students to have or take responsibility for minor dependents. While it is unlikely that anyone would have a child for the sole purpose of being able to apply as an independent student, it still does provide an incentive to those considering the decision.

CONDITION: Student claims him or herself as an income tax exemption.

Rationale

Except for students, only one taxpayer can claim an individual as an exemption. As a result, if someone claims him or herself, they have indicated that he or she has begun to establish a pattern of self-supporting behavior.

Evaluation

Criteria: Provides evidence of self-supporting behavior or evidence of dependent behavior.

Since students can claim themselves while parents also claim them as exemptions, this condition does not provide any evidence of self-supporting behavior. This is a special case for students.

Criteria: Is objective and verifiable.

This condition is objective and verifiable.

Criteria: Requires a minimum of personal and family information.

This condition would not require any additional personal or family information beyond that required to file taxes.

Criteria: Is understood by applicants and their families.

This concept is understood by all.

Criteria: Does not provide an incentive for students and their parents to alter their behaviors to qualify for scholarships or grants.

Since a student can claim him or herself an an income tax exemption and his or her parents can as well, this condition does not alter anyone's behavior.

CONDITION: Parents claim the applicant as an income tax exemption.

Rationale

This is an indication that the parents consider themselves as supporting the applicant.

Evaluation

Criteria: Provides evidence of self-supporting behavior or evidence of dependent behavior.

This condition provides evidence of a lack of self-supporting behavior.

Criteria: Is objective and verifiable.

This condition is objective and verifiable.

Criteria: Requires a minimum of personal and family information.

This condition would not require any more data than is now required.

Criteria: Is understood by applicants and their families.

This concept is well understood by all who file income tax returns.

Criteria: Does not provide an incentive for students and their parents to alter their behaviors to qualify for scholarships or grants.

This condition enables parents to alter their behavior by not claiming a child as an exemption, even though the child has not established a pattern of self-supporting behavior.

CONDITION: Parents provide material support for the applicant.

Rationale

This is an indication that the parents consider themselves as supporting the applicant.

Evaluation

Criteria: Provides evidence of self-supporting behavior or evidence of dependent behavior.

This is the ultimate of dependent behavior.

Criteria: Is objective and verifiable.

This is difficult to measure and is extremely difficult to verify.

Criteria: Requires a minimum of personal and family information.

This condition requires significant amounts of data to be kept by parents.

Criteria: Is understood by applicants and their families.

This condition is not easily understood. For example, what is the value of Mom's apple pie?

Criteria: Does not provide an incentive for students and their parents to alter their behaviors to qualify for scholarships or grants.

This condition does not provide an incentive since the student would need to set up separate living arrangements.

CONDITION: Define all applicants less than some age as dependent students.

Rationale

This assumes that it takes a number of years to establish a pattern of self-supporting behavior, so by default, no applicant less than the specified age can have completed the process of establishing this pattern.

Evaluation

Criteria: Provides evidence of self-supporting behavior or evidence of dependent behavior.

This provides a means of eliminating all those who could not have established a pattern of self-supporting behavior.

Criteria: Is objective and verifiable.

This condition is easy to measure and verify.

Criteria: Requires a minimum of personal and family information.

This condition requires little personal or family information.

Criteria: Is understood by applicants and their families.

Age is a concept that is well understood.

Criteria: Does not provide an incentive for students and their parents to alter their behaviors to qualify for scholarships or grants.

This condition provides no incentive to alter behavior.

CONDITION: Define all applicants over some age as independent students.

Rationale

This assumes that at some point all individuals sever financial relations with their parents.

Evaluation

Criteria: Provides evidence of self-supporting behavior or evidence of dependent behavior.

This condition depends entirely on the assumption that anyone over the critical age is self-supporting.

Criteria: Is objective and verifiable.

This condition is objective and easy to verify.

Criteria: Requires a minimum of personal and family information.

This condition would require very little personal information.

Criteria: Is understood by applicants and their families.

This condition is well understood.

Criteria: Does not provide an incentive for students and their parents to alter their behaviors to qualify for scholarships or grants.

The only incentive is for individuals approaching the critical age to defer attendance until they reach the critical age.

CONDITION: Student has previously been enrolled at a post-secondary institution.

Rationale

One cannot establish a pattern of self-supporting behavior while attending a post-secondary institution.

Evaluation

Criteria: Provides evidence of self-supporting behavior or evidence of dependent behavior.

There is no relationship between attendance and self-supporting behavior.

Criteria: Is objective and verifiable.

This would be easy to verify by a third party.

Criteria: Requires a minimum of personal and family information.

This would require no personal or family information.

Criteria: Is understood by applicants and their families.

This condition is fairly well understood; the difficulty would be with part-time students.

Criteria: Does not provide an incentive for students and their parents to alter their behaviors to qualify for scholarships or grants.

If the condition were specified in terms of not attending for a period of time, then there would be an incentive to drop out to fulfill the period of non-attendance.

While each of the 12 conditions meets one or more of the criteria, none meets all the criteria. Further, those conditions designed to measure self-supporting behavior are quite weak. The stronger conditions measure dependent behavior. As a result, the alternative independent student definitions presented in the paper describe what a self-supporting student is not.

