THE CURRENT SITUATION

Taken together, federal and state grants, work-study, and loans now aid about one of two college students and finance perhaps one-third of student expenses in postsecondary education.

The dramatic expansion of one program, Guaranteed Student Loans (GSL), has altered patterns of financing higher education, for both students and colleges. Five years ago, a million students borrowed $1 billion under GSL. For the academic year 1981-1982 three million students likely will borrow $7 billion.

As loan volume has shot up, so have federal payments that subsidize both current and past borrowing. These federal expenditures, only $700 million in fiscal year 1978, are now approaching $3 billion annually.

The escalating cost of the GSL program has squeeze funding for other federal education programs, including grants to low-income and moderate-income college students.

To stem the growth in GSL, the Reagan Administration pressed for a series of proposals, which the Congress has modified and passed as part of this year's budget-cutting Omnibus Reconciliation Act. In addition, the current administration has recently requested greater reductions in student financial aid programs. The recent budget proposals recommend the following action:

Elimination of the National Direct Student Loan Program, the Supplemental Education Opportunity Grant, and the SSIG program.

Funding for the three remaining programs is expected to be drastically reduced:
- the Pell Grant (previously known as the Basic Grant) is expected to be reduced to a figure of 1.5 billion from 2.4 billion.
- College Work Study program would be reduced from 550 million to only 400 million.
- Graduate students might be prohibited from participating in the Guaranteed Student Loan program (GSL) forcing them to file under other programs which would greatly increase the cost to them, assuming that banks will make such loans. The origination fee (now 5%) would be increased to 10% and all GSL borrowers will pay full interest costs 24 months after the grace period has expired.

Overall, the administration's recommendations would probably decrease financial aid funding by over 50%.
IMPACT ON SANTA BARBARA CITY COLLEGE

It is the opinion of the Coordinator of Student Services, that the impact of such federal student aid reductions in 1982-1983 will be most severe upon those institutions with high dependent student and low independent student recipient ratios.

At Santa Barbara City College, 69.2% of all financial aid recipients are independent students. Sixty-six point eight percent of our Pell Grant recipients are independent and 79.7% of all Guaranteed Student Loan recipients are independent. However, this is not to say that Santa Barbara City College will not be seriously affected by the change. There are two basic types of changes - regulatory and funding reduction/elimination. Regulatory changes will have a less severe impact on Santa Barbara City College than other institutions, but funding reduction/elimination will be as severe as at any other institution.

RECOMMENDATIONS:

1) Urge the Board of Trustees to adopt a resolution in opposition to such severe funding reductions in federal student aid with special emphasis on restoring funding to the Pell Grant program and retaining the Supplemental Education Opportunity Grant program.

2) Urge staff, faculty and students to write individually to area legislators critical of such severe reductions in student aid.

3) Advise our students and user agencies of proposed reductions. Review the potential impact on their future and continued level of support.

4) Realize the indirect implications of any funding reductions and recognize the potential administrative impact it will have on the operation of the student financial aid office.