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ABSTRACT

This document presents verbatim transcripts and prepared statements from the hearings on Student Financial Assistance before the Special Subcommittee on Education. The report reviews some of the financial aid programs available as they pertain to the current and projected needs and costs of students attending postsecondary educational institutions. Included are recommendations from various sources on tuition and fee levels, work-study programs, scholarships and loans. (SJL)

STUDENT FINANCIAL ASSISTANCE

(Miscellaneous)

HEARINGS

BEFORE THE

SPECIAL SUBCOMMITTEE ON EDUCATION

OF THE

COMMITTEE ON EDUCATION AND LABOR
HOUSE OF REPRESENTATIVES

NETY-THIRD CONGRESS

SECOND SESSION

PART 8

MISCELLANEOUS

HEARINGS HELD IN WASHINGTON, D.C.,
FEBRUARY 27, JUNE 24, 25, AND 28, 1974;
MIAMI, FLA., JUNE 14, 1974

Printed for the use of the Committee on Education and Labor
CARL D. PERKINS, *Chairman*

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APPENDIX FOR JUNE 28, 1974

STUDENT FINANCIAL ASSISTANCE
(Miscellaneous)

WEDNESDAY, FEBRUARY 27, 1974

House of Representatives,
Special Subcommittee on Education
of the Committee on Education and Labor,
Washington, D.C.

The subcommittee met at 9 a.m., pursuant to call in room 2257, Rayburn House Office Building, Washington, D.C., Hon. James G. O'Hara presiding.

Present: Representatives O'Hara and Dellenback.

Mr. O'Hara. The special subcommittee will come to order.

As many of you are aware, this subcommittee meeting yesterday in open markup session agreed to legislation which will, I believe, improve access to guaranteed subsidized student loans for a great many students from middle-income families.

In the course of that markup session I reiterated for the record what I have said a number of times earlier in other places. I said yesterday that as chairman of the subcommittee which has jurisdiction over student aid programs I intend to move forward rapidly and with a target date in this session to examine the operation of the existing student assistance package, title IV of the Higher Education Act, and to develop a new title IV to the extent that that appears to be necessary to put into place before the existing law expires on June 30, 1975.

It seems to me that we must move now because lead time is essential. If we are going to be able to give a thorough review to the program and make whatever changes seem to be needed we are going to have to give the student community, the educational community, and the lenders and everyone else advance notice of what it is we are trying to do so they can gear up for the new program.

It could be a tragedy if we tried to put into effect modified programs without sufficient lead time so that we would end up with students denied assistance while the agencies that deal with student assistance were trying to figure out the new law.

We want to give them ample opportunity to do that before the time comes for them to use that law. This is not, as I have said before, a new undertaking, nor is it something we are now just about to begin.

On the contrary. I think the hearings and the field studies that this subcommittee has undertaken over the past year have been an integral part of the process of review of title IV.

But we are now ready to accelerate the process, and, with your testimony today we will, hopefully, move considerably closer to the conclusion of which I have spoken.

Our witnesses today appropriately speak for those Americans for whose benefit title IV is intended, and for whom whatever we develop in these hearings must be designed, the students in postsecondary education.

The National Student Lobby is an ambitious undertaking to serve as a voice for students in all parts of the country and all walks of life. That organization is currently conducting a national legislative conference here in Washington and, at their request, I have invited the lobby to send a group of students here today to talk about their experiences with student aid programs and their proposal for new programs.

The witnesses are Peter Wong of the University of Southern California, Lee Altschuler of the University of California at Berkeley, Janet Maciejewski, who appeared before us last week as well, from the University of Wisconsin at Madison, and Bob Rodriguez from the State University of New York.

We would appreciate it if you would proceed in whatever manner you have arranged among you.

STATEMENTS OF PETER WONG, UNIVERSITY OF SOUTHERN CALIFORNIA; LEE ALTSCHULER, UNIVERSITY OF CALIFORNIA AT BERKELEY; JANET MACIEJEWSKI, UNIVERSITY OF WISCONSIN AT MADISON; BOB RODRIGUEZ, STATE UNIVERSITY OF NEW YORK; AND BEN BLOOM, FERRIS STATE COLLEGE, BIG RAPIDS, MICH.

Mr. BLOOM. Good morning, Chairman O'Hara and members of subcommittee.

My name is Ben Bloom. I am a student at Ferris State College in Big Rapids, Mich. I am also a member of the National Student Lobby.

We want to thank you very much for the opportunity for the National Student Lobby to testify before your subcommittee on the administration of financial aid programs. We are very gratified by the concern which your subcommittee has shown in this area, which is one of vital concern to all of the students of this country.

It is my pleasure to introduce the four members of the National Student Lobby who will testify before you today. They are Peter Wong from Los Angeles, Calif., Bob Rodriguez from New York City, Janet Maciejewski from Madison, Wis., and Lee Altschuler from Berkeley, Calif.

These people will be making an oral presentation and will provide the subcommittee with a much longer witness statement for inclusion in the record.

It is now my pleasure to introduce Peter Wong.

Mr. WONG. Good morning, Mr. Chairman and members of the subcommittee. I am Peter Wong, editor of the Daily Trojan at the University of Southern California. I am pleased to appear this morning.

I would like to confine my remarks to two major topics and leave the rest of my comments for the record. As you know, the basic authorizing legislation for student assistance programs, the Education Amendments of 1972, will expire next year.

In the consideration of new legislation I urge the Congress, particularly this committee, to continue all present programs. As you know, in its budget requests for fiscal 1974 and 1975, President Nixon has asked for the termination of supplemental grants and new direct loans and has placed the work-study programs under a State funding situation.

His attempt on two programs clearly violates the letter and intent of the 1972 law. Last year the Congress refused to go along with this Presidential suggestion. Mr. Chairman, I believe you put the congressional response best when you reportedly told your colleagues, "Let us obey the law the way we wrote the law, and let us turn down the request of the administration that it be granted amnesty from observing a law which it finds uncomfortable to live with."

I hope you and your colleagues will stand firm again this year, and when it comes time to draft new authorizing legislation, the programs high on his enemy list will be higher on the congressional retention list.

Such programs as supplemental grants, work-study, and direct loans should be retained because they provide the flexibility the institutions require in meeting the financial needs of students, the support students receive from such direct aid programs as basic grants and insured loans.

I would also like to speak briefly on the basic educational opportunity grant program which has had a difficult time on our campus. I have a few suggestions for the improvement of the program.

First, the subcommittee must insure that one workable application form and one workable confidential financial statement be established as part of the regular procedures for basic grants.

Students, parents, and financial aid officers will appreciate the simplification of the needlessly complex procedures which currently must be followed in preparing the basic grants.

Although a task force of the Office of Education has made this a high priority, I feel it is the subcommittee's duty to see that the appropriate officials act and make sure this problem is solved.

Second, a suggestion already made by the chairman of the subcommittee for the inclusion of a section on the application form for basic grants so that a student can judge his eligibility for the program and estimate the size of his grant before he sends his application to the national processor.

This self-computation section would help students, parents and financial aid officers tremendously.

Third, a procedure should be adopted by which students, parents and financial aid officers may calculate reductions in individual basic grants if the Congress does not approve the appropriation for the program at a full-funding level.

If the program is funded, say, at 60 percent of what are considered full-funding levels, what will be the impact on the individual students' estimated grant? The interested members of the public, as mentioned above, or, at the very least, national processing services should be able to determine the impact of appropriations at less than full funding so that students and institutions can be informed promptly of the size of the grants.

Thank you very much, and, as I say, I will file additional material for the record.

Mr. RODRIGUEZ. Mr. Chairman and members of the committee, I would like to thank you for the opportunity of testifying here today.

I appear here today on behalf of the Student Assembly of the State University of New York, an organization representing 72 campuses and 382,000 students of the State University of New York to identify some of the current problems of the administration of student financial aid programs.

The greatest problem in the administration of the basic opportunity grants program in its first year is the extremely late date at which funds for the program were appropriated. I commend the committee's efforts to create a unified program of Federal student financial aid, but such a goal is unrealistic unless BOG is funded well before the beginning of the academic year for which the awards are to be made.

Presently, the BOG program discriminates against low-tuition institutions, a feature which creates pressure for increasing college tuition. Instead of developing a separate cost schedule for students attending low- and high-tuition institutions, the BOG regulations consider students in the same sliding schedule and then add on restrictions that penalize the student attending a low-cost institution.

No grant can be awarded that exceeds 50 percent of the cost of the institution, and under the present level of funding, no grant can exceed 50 percent of the need which is defined as the difference between the cost and expected family contribution.

Because of these and other restrictions, it is unlikely even at full funding that the program would provide significant aid to middle-income students attending low-cost institutions. To alleviate this problem, we recommend a modified formula for low-tuition institutions as a supplement to the student aid programs.

The BOG definition of the cost of attendance is unrealistic. Table I in my testimony will illustrate the State University of New York, and define the cost to be about $3,000 yearly, but the BOG regulations can provide only $2,400, and even this amount is exaggerated because of the regulation cited above that the BEOG grant cannot exceed 50 percent of the cost.

The most important factor here is that the BEOG regulations only allow $350 a year for books, supplies, travel and personal and other incidental expenses. Another unrealistic regulation is that which allows only $950 a year for room and board costs for those students who live off campus, but not with their parents; many of whom have moved out of the dormitories because room and board charges have become too expensive.

Further, no consideration is given to the differences in the cost of living expenses as they vary from region to region. The difference between the cost of living in New York City and the upper areas of New York State should be taken into account when determining the award to which the student is entitled.

I wish to point out some other areas of importance with regard to this program. The amount of parental contribution demanded under present BOG regulations are far too strict. Most financial aid officers believe that the needs analysis standards used by the College Scholarship Service, CSS, and the American College Testing Service, ACTS, are also too strict. When compared to the BOG regulations promulgated by the U.S. Office of Education, they would almost appear generous.

Perhaps the committee should consider using an alternate filing system for the BOG. By allowing the already existing agencies of CSS and ACT to compute the BOG awards, the program would be one step closer to coordinating the student financial aid package.

Let me commend the committee and the chairman, especially Chairman O'Hara, in his efforts to deal with all of these problems that I have mentioned. The introduction of his bill will allow students from families with annual incomes of up to $20,000 to qualify for fully subsidized guaranteed student loans of up to $2,000 shows imagination and insight into the problems that middle-income students face in financing their post-secondary education.

Students are often compelled to submit records of parental income even though they receive no moneys from their parents toward the cost of their education. Determining whether or not a student is financially emancipated from his or her parents is difficult.

Thus far, the BEOG definition of financial emancipation is fair, but very strict. We propose two amendments to the Federal regulations governing the definition of financial emancipation.

First, the regulations should apply the three criteria for independence to the calendar year in which aid is requested, rather than to the calendar year prior to the full academic year for which aid is requested.

This proposal would still permit documentation of the student's claims by submission of the Federal income tax return. We therefore see no reason to include the additional semester.

The committee might also want to undertake a thorough study of the college work study program. Financial aid officers in New York State have often complained of the irrational fund juggling that goes on in this program.

The money available to a college for the work study program often do not match the needs of the students at that college as well as the realistic employment opportunities in that college's community.

Many institutions are left with excess or insufficient funds for the student needs. There has been very little effort to study this problem, and little information as to why the mechanics of CWS funding would vary widely from institution to institution, but would appear to be an area where funds are wasted through misdirection.

A new method of determining the institutional appropriation might closely resemble the one presently used for BEOG.

In conclusion, I would like to thank you on behalf of the students of the State University of New York for your tireless efforts on our behalf. I hope you will find our comments and recommendations helpful in your deliberations.

Mr. O'HARA. Thank you, Mr. Rodriguez.

I am going to yield very briefly to Mr. Dellenback.

Mr. DELLENBACK. I apologize that I won't be able to participate in the normal questioning. I am, unfortunately, due somewhere else already. I have already read what the next witness has to say in her statement, and I will also make it a point to read the record and talk to counsel as well.

I appreciate your input very much, and I have made some notes on it. My thanks and my apologies.

Ms. MACIEJEWSKI. Mr. Chairman, I would like to thank you for this opportunity to present the views of approximately 200,000 of Wisconsin's students on one of the Federal Government's most pervasive student financial assistance programs, the guaranteed student loan program.

Specifically, I would like to address my remarks to two facets of the guaranteed student loan program; one, the relationship between that program and the new 18-year-old age-of-majority, and two, the critical problems faced by students in regard to the repayment of student loans.

Approximately 40 States have now enacted legislation whereby 18-year-olds have all the responsibilities and almost all the prerogatives or other adults. One prerogative which students who are 18 years or older presently do not have is the ability to be viewed as adults for the purposes of obtaining student financial assistance.

Although there may be valid arguments to support the continuation of the present policy to view students as children for the purpose of awarding aid under the various Federal grant programs, these arguments lose a great deal of their validity when one speaks about loan programs.

It is the student and not the parent who has the primary responsibility to repay the loan which has been borrowed for educational purposes. Given this fact, it seems incongruous to have the amount of that loan based on parental resources.

I, as others speaking before me, support the abolition of the needs test for the GSL program. However, I would replace that needs test not with a return to the status quo ante, but with a highly simplified needs test based only on the student's individual resources.

This would serve the purpose of not only placing GSL loans in the hands of the needy lower and middle class students, but would also serve to recognize that the overwhelming majority of today's students are indeed adults.

This change alone, however, is not sufficient to solve all the problems involved in student borrowing. Statistics indicate that student default in the GSL program as well as in the other programs is increasing.

Although there are undoubtedly many reasons for this increase, it is safe to assume that one reason relates to the well-known facts that student costs are rising and that the normal undergraduate degree does not provide the same degree of economic security as it once did.

When these facts are coupled with the inflexible repayment provisions of the GSL program, default is inevitable. Expanded collection efforts and loan counseling is not the answer.

What is needed is a repayment system based on the student's ability to pay, that is, some form of income contingency. Such a system is not only highly equitable because it embodies the principle of progressivity, but it would also serve to encourage and enable students to remain within the repayment system.

Taken together, the recognition of age-of-majority and the adoption of an income contingent repayment feature serve to provide greater access to all students, for no longer will students need to depend on parental contribution which may not be forthcoming or which may not be desirable and no longer will students need fear that the amounts borrowed under the GSL program will not be able to be repaid.

Thank you, Mr. Chairman.

Mr. O'Hara. Thank you.

Mr Altschuler. Mr. Chairman, good morning. My name is Lee Altschuler and I am speaking today as student body copresident of the

University of California at Berkeley and chairman of the University of California student body presidents' council.

I would like to divide my remarks into three parts, dealing with basic opportunity grants, the traditional programs and general remarks dealing with all facets of financial aid administration.

We are pleased with the entitlement approach to the BOG program because we realize it may increase access to low- and middle-income students. We have encountered with UC the administrative difficulties which we feel might spill over into other systems and which this committee might correct.

One of these problems is the three different overlapping deadlines that students must meet to apply for financial aid. In California, for example, the State Scholarship and Loan Commission, which requires the parents confidential statement must be filed by November 20.

In addition, institutional aid, such as college work study, NDSL and SEOG, must be filed by January 15 in the year preceding enrollment, again with the parent's confidential statement. On top of that there is the BOG program.

Our solution is that if Congress and the Office of Education could agree early enough in the year on what BOG information requirements are, it would be possible for the CSS parent's confidential statement and the ACT financial statement to request the same information.

Another difficulty is the family contribution schedule which we feel creates particular hardship on lower-middle-income and middle-income students. While we realize a deliberate decision was made setting up this schedule to husband scarce resources, the galloping inflation rate and unreasonableness of the PCS, CSS and BOG schedules are forcing students with need to shoulder huge loans or request their families to suffer in their life styles.

For example, at the University of California there are 80,000 undergraduate students. Last year there were 25,000 students with a proven financial need. Of those 25,000, 7,000 were freshmen. Of those 7,000, only 577 requested and received BOG grants.

To solve this problem we would request that the amount of parental assets excluded from the family contribution schedule be increased to $15,000, if not $20,000. In California particularly, with the style of single dwelling, we feel that individuals who own homes are discriminated against because they follow the common life style.

In the area of categorical aid, when speaking of college work study, SEOG and NDSL, several thoughts come to mind regarding the efficiency of shrinking dollars and how they are distributed to a rising number of schools.

The allotment formulas of 1972, coupled with the freeze on increasing dollars mean that some States, like California, bear the brunt of fiscal dissemination. In particular, while approximately $770 million was available for the three programs, California received $77 million, or 10 percent.

At the same time, however, we enrolled over 15 percent of the nationwide student body in higher education. To us this is clearly discriminatory. We would therefore suggest that State allotment formulas be changed so they are strictly tied to the State proportion of national postsecondary enrollment.

We would also suggest that the year to year cost-of-living increase factor be built into the authorization for these programs so that no grant is lost to inflation.

Speaking now on the administrative aspects of the program, several thoughts come to mind. To us it is very ironic that while the amendments were passed in 1972 for these acts, there is still to be a promulgation of the regulations from the HEW regional offices and yet now we are considering amending these regulations.

Secondly, the lack of information from HEW, both by letter and in person, is making a tremendous hardship on campuses both to students and financial aid officers. At UC, we have had a letter into the Region 9 Office of HEW for 5 months, which has gone unanswered

The third point is in terms of counseling. We feel that while there are more Federal programs now, these programs are not known to students until they are in the 11th or 12th grade, but at this point many students have already decided what courses they are going to take and have been tracked into either vocational programs or academic programs.

For this reason we feel that information regarding financial aid programs should be available to students in the eighth and ninth grades, when they are making the decision whether to pursue a vocational or academic course.

Lastly, we would request that a greater allowance be made for the BOG and FISL programs. At the University of California, approximately $2.3 million is spent on these programs. This money does not come from the State, nor does it come from the university. It comes from the student fees; and we would request that instead of students paying for the administration of this program, the Federal Government pick up this cost. Thank you.

Mr. O'HARA. Thank you very much.

I can say, without qualification, there has been no occasion in the brief time that I have been chairman of this subcommittee when I have gotten so much food for thought in such a short period of time and in so few words.

I want to compliment all of you for the way in which you have presented your testimony. I understand Mr. Wong has been trained in these talents by a master, Senator Metcalf. Is that correct?

Mr. WONG. That is correct, Mr. Chairman.

Mr. O'HARA. Senator Metcalf, as you know, is very good at saying a lot in a few words. I can see where you have acquired that from him.

Let me review some of your suggestions. I think Mr. Wong, my own feelings before we complete these hearings—I might change my mind as we go along—is that we must have institutional-based programs for student aid officers to put flexibility into the system. Otherwise, it is too inflexible.

There must be a continuation of some form of institutional-based student aid to allow adjustments to particular problems that arise. I don't think we can go entirely to individual entitlement and direct assistance.

I think your suggestions about simplifying grant applications, providing self-computation and the quick method to compute short forms, appropriations, and the effect they have on individual student's entitlement, are certainly worth our consideration.

Mr. Rodriguez made one of the most revolutionary suggestions and I think most worthy of consideration, and that is that we give serious consideration to the value and efficacy of the one-half limitation.

To me, when the one-half provisions are operating, especially one-half of the difference between what the student can scrape up and what it is going to cost is like throwing a 15-foot line to a man that is drowning 30 feet off the dock. There is just no way it is going to help him.

I think we have to look into whether or not those 50-percent requirements are helping the program or hindering. My own suspicion is it is hindering. I will look into that.

I also enjoyed your suggestions with respect to the family contribution schedules. It is the suspicion of a number of us on the committee—Mr. Dellenback and I particularly—that the BOG family contribution schedules have been arranged, not with an eye toward the contribution in the words of the law that could "reasonably be expected," but instead, with an eye toward reducing the eligible population and cutting down the cost of the program.

Indeed, those figures are not what could reasonably be expected. They are a long way from what could reasonably be expected, and we think in this way the program has been distorted and changed from the intent that Congress had.

The statements made by Mr. Rodriguez and Mr. Altschuler about the State-by-State allocations opens up a new area of inquiry to me. I hadn't really heard much about that until now, and I will see to it that the committee looks into it.

I would like to explore, Miss Maciejewski, your suggestion about eliminating the guaranteed student loan needs test and your point that the student is the borrower, not the parent, and a similar suggestion by Mr. Altschuler that we exclude a larger portion of the parental assets on the BOG form.

There is one of the members of this subcommittee who suggests, and he can put forth a very forceful argument, that we ought to eliminate the entire assets computation; that if an asset is income producing, that shows up in the parental income. If it isn't income producing, it shouldn't have any place in the computation of the expected family contribution.

That argument can be made very effectively. Should we expect a student's family to sell the family home in order to finance the education of the child? Maybe in a perfect world where education is valued above all other activities, we ought to expect that, but unfortunately, my generation doesn't value education that highly, and I think it is unrealistic to expect one to sell the family home or car in order to finance the education. I don't think we are talking about people that are sitting there with $500,000 worth of stocks and bonds. If we are, of course, the stocks and bonds would produce income, and that shows up over on the income side.

I think there is much to be said for your suggestion that we would have to look at the parental financial situation only if the parents are going to make the repayment. If the student is going to be making the repayment, that is another matter.

I am going to have to take off for the Supreme Court. I don't know if they are deciding my reelection over there today or not, but it is a matter that is of great concern to the schools in my congressional district, and we are a party to the suit, so I do want to get over there.

I hope you will stay around when I adjourn this hearing in a few minutes. We have both the majority and minority staff members of the subcommittee present.

It may be that it is more useful talking to them than it is talking to us. I do hope that you will stay and talk to them and tell them about your concerns and discuss the points that you have brought up in more detail with them because they are going to be helping us as we go through this.

Finally, let me say that I congratulate the Student Lobby. I want to see you become an effective political force. I think you are doing just right. I was very impressed with the questions that I was presented with when representatives of the Student Lobby visited my office yesterday.

You have zeroed in on matters before the Congress that are of direct concern to students, not only the student assistance questions but questions having to do with air fares and especially minimum wage.

You are zeroing in on those matters that affect students personally and deeply, and I hope that you will continue on in that effort, that you will keep box scores on Members of Congress.

Students now, with the 18-year-old vote, can become very effective political force. You haven't been so far. I hate to have to tell you that. But there is only one district that I know of where you had a real impact in the last election, and you had a very strong one there.

Students have to be provided with a political memory. They know what Senator so-and-so is saying this week, or said last week, but they can't remember because they weren't politically oriented, what he was doing last year or the year before that.

You have got to provide the memory for them. You have got to inform them not only what Senator so-and-so is saying today, but what he was doing last year, 2 years ago, and 3 years ago; what he was doing when votes came before the Senate, and Members of this House the same way.

Students can be a very effective political force, and I think we will have a better political system when they do.

Thank you very much for coming. I am going to have to run as fast as my aged legs will carry me if I am going to get a seat at the court.

The subcommittee stands in adjournment, subject to the call of the Chair.

[Whereupon, at 9:35 a.m. the subcommittee adjourned, subject to the call of the Chair.]

PREPARED STATEMENT OF LEE ALTSCHULER, CO-PRESIDENT, UNIVERSITY OF CALIFORNIA AT BERKELEY

Mr. Chairman and members, my name is Lee Altschuler and I am Student Body Co-President at the University of California at Berkeley. I am speaking to you today in my capacity as chairman of the nine campus University of California Student Body Presidents' Council. I am very pleased that you have allowed us the opportunity to speak to you today about student financial aid. There is no issue that has been more important to our organization during the last years than securing adequate levels of student aid.

I would like to divide my testimony into three portions in order to discuss our thoughts on 1) Basic Opportunity Grants program (BOG) 2) The three traditional aid programs NDSL, CWS, and SEOG and 3) the Guaranteed Student Loan program.

BASIC OPPORTUNITY GRANTS

On the whole we have been very pleased with Congress' willingness to expand student aid and particularly with their commitment to the Basic Educational Opportunity Grants program. This program holds great promise in terms of opening higher education to many previously excluded as well as increasing students' freedom to choose among different schools. We all know, that the BOG program will be just another hollow promise unless adequate funding is provided. My purpose today, however, is not to discuss levels of funding, for, we already know what amount of money will be needed to make BOG work, it's up to Congress, with all the support student groups like ours can muster, to make sure sufficient funds are available.

I would like to speak to you briefly, however, about an administrative aspect of the BOG program that is causing some serious problems in our system and suggest to you how we think you can correct this problem.

In California, there are now three different ways to apply for student aid, each with a different set of deadlines and dates when awards are announced. For a typical UC student applying for *all* available forms of aid this means A) Applying for California State Scholarships by November 20 of the year preceeding enrollment; this also includes filing a College Scholarship Services Parents' Confidential Statement; B) Applying for institutional aid controlled by the University (CWS, SEOG, NDSL) and filing another PCS by January 15 of the school year preceding enrollment; and C) This year waiting until April 1 for BEOG applications to be available so he can fill out still another type of parent financial statement and wait for another six weeks to find out his eligibility.

Meanwhile, if he/she plans on being a first time freshman at UC he must have all applications in by March 1, long before he has an idea of the amount of aid he will be receiving (if any). The programs mentioned above in "A" and "B" announce awards in April. Since they don't know for sure what the BOG payments schedule will be they can only *estimate* BOG eligibility for students and adjust his award accordingly. All this is done *before* the student applys for BOG, receives any notification of his eligibility, or in some cases, before he even knows he was supposed to apply for some program called "BOG".

All this is very confusing and trying for students, their parents, and for our school's financial aid officers. The red tape involved here also results in less California students applying for BOG than would if there were not such a confusing array of programs with deadlines scattered throughout the year.

In order to relieve some of this confusion we would like to suggest the following change in the administration of the BOG program. If Congress and the Office of Education could agree *early enough* in the year on what information will be required on the BOG application form, it would be possible for the CSS—PCS and the ACT financial statements to request the same information. If in conjunction with this change, agreement on the payments schedule for BOG could be arrived at by November 1, of each year. It would then be possible to notify students and the schools to which they are applying of exactly how much BOG money will be available for that student at the same time as other data is developed to determine his/her eligibility for state and/or institutional aid programs. Since all students at UC applying for institutional aid are required to file a CSS—PCS form, this change would eliminate much confusion and improve the institution's resources. Similar benefits *would flow* to the other public and private institutions in California since they operate on very similar calendars.

Another aspect of the Basic Opportunity Grants program that I would like to touch on concerns the family contribution schedule. While we were pleased to see that the Office of Education agreed to modify the treatment of social security and veterans benefits in certain circumstances, we believe that still more changes must be made if the BOG program is to meet the needs of many students.

The present BOG family contribution schedule is so constructed as to almost entirely exclude students with family incomes above $12,000. While we recognize that this is a deliberate decision designed to ration the limited funds in the basic grant program, we cannot allow it to continue if we wish to see the BOG program become the real foundation of support for equal access to post-secondary education. The current family contribution schedule excludes many members of the middle class ($12,000—$20,000 yearly incomes) from receiving aid that they really need. The combination of galloping inflation and the unreasonable expected family contribution schedules of BOG program and the College Scholarship Service-PCS are causing severe financial problems for middle income families and students. The situation is forcing families into debt or drastically cutting back their life style and is forcing students to shoulder huge loan debts by the time they graduate.

Let me illustrate my point with an example from the University of California. This year there were 80,000 undergraduates in UC and approximately 25,000 received need-based institutionally controlled financial aid. Of that 25,000 roughly 7000 were freshmen. Of those 7000 eligible to apply for BOG, only 577 received BOG awards for a cumulative total of $136,000. Remember, that is 577 out of 7000 who were deemed needy enough to receive institutional assistance of some kind. Clearly there is something wrong with the parents contribution schedule.

We recommend that a fairly efficient and uncomplicated way to solve this problem can be found by examining the treatment of a family's assets, for it is here that middle income families are hit hardest. We think the solution lies in increasing to at least $15,000 and perhaps to $20,000 the amount of parental assets excluded from the family contribution schedule. This would cover the bulk of the highly non-liquid assets tied up in home ownership. California is characterized, unlike some other parts of the country, by single family, owner-occupied suburban housing. The current contribution schedule discriminates against California's common life style. A change in the treatment of non-liquid parental assets could do much to open the BOG program to the middle class, a group increasingly in need of aid. We hope you will consider these changes soon enough so they might be implemented for the 1975–76 academic year.

One final aspect of the Basic Grant program, and this could apply to all other aid programs as well, concerns the level of student and parental awareness of the existence of and amount of aid available through federal aid programs such as BOG. If BOG is to have a real impact on increasing access to postsecondary education for low-income and minority students, a great deal of work needs to be done in the early years of high school with students and their families. It is often during the 8th and 9th grade that low-income students and their families make conscious decisions that affect a student's ability to go on to postsecondary education. Students, parents, and counselors often decide that its useless to talk about or plan for college in light of the poverty of a student and his family. Thus decisions are made for non-academic high school programs high school programs which leave a student unprepared for and unqualified to be admitted to many colleges such as UC.

We believe that the Office of Education, colleges and universities, and high schools across the country should team up to develop and implement programs that would train entry-level high school counselors about financial aid and how that information can be communicated to students and their parents. The emphasis should not only lie with 12th grade counselors, for by then it may be too late to reach many low-income students. Energy should also be focused on *8th and 9th grade counselors*. Efforts should also be made to reach students and parents directly to be sure that they are not left out if counselors prove inadequate for the task.

We shope Congress would encourage this kind of activity by the Office of Education and investigate how states and school districts may be encouraged to cooperate in this effort.

CATEGORICAL AID PROGRAMS

The next portion of my remarks concern the three categorical aid programs administered by postsecondary institutions—College Work Study, Supplemental Educational Opportunity Grants, and National Direct Student Loans.

Our main concern in this area is the fact that the "freeze" on any increase in funding for these programs, coupled with the increasing number of institutions applying for and receiving such funds and the impact of inflation on these limited funds, is resulting in a yearly *decline* in the absolute number of dollars available under these programs for students at the University of California. We have experienced a drop of $919,000 when our 1973–74 allotment compared to our 1972–73 total. We have only received $136,000 in basic grant funds to offset this loss, so *our net loss was almost $780,000*. This situation is also occurring at the California State University system and at numerous private colleges in California.

The overall effect of the "freeze" on increasing these appropriations, the increase in eligible institutions, the allotment formulas written into the higher education amendments of 1972, and the impact of inflation is seen in the results of the regional panel allocation process operated by the Office of Education. This year California schools received only 42% of their panel approved requests for funds under these programs, while in the state of Utah, for instance, schools received 87% of their panel approved request. It seems to us that the manner of allocating these funds to the states and the freeze on increasing these funds discriminates against state's, such as California, who are working very hard to open up postsecondary education to all income groups. Of the approximately $770 million available this year for these programs, California will receive only 10% or $77 million, while enrolling 1.27 million students or 15% of national higher education enrollments.

While the language setting up allotments for SEOG and NDSL requires a distribution of funding based on a state's proportion of national enrollment, it is qualified by language prohibiting any state to fall below its fiscal year 1972 allotment. This freezes us into the results produced by the old allocation formulas since we have not seen any increase in funds available since 1972. The Work/Study program on the other hand still contains language which apportions funds on a basis other than on a strict proportional one. Again this process discriminates against states such as California that are working hard to increase access.

We should also point out that inflation has eaten up nearly 25% of the constant dollar value of the money appropriated for these three categorical aid programs. This fact, when coupled with the nearly 25% increase in the number of institutions competing for these limited funds, has seen many institutions faced with a 50% decline in aid from these programs.

We would urge Congress to do three things in the area of the three categorical aid programs during the next year as it prepares to extend the authorization granted by the Higher Education Amendments of 1972.

1. Increase the base level of appropriations for these programs by 25% to reflect the increase in eligible institutions authorized in 1972.

2. Change the state allotment formulas so they are strictly tied to the state proportion of national postsecondary enrollments.

3. Build in a permanent year to year cost of living increase factor into the appropriations for these programs so that we won't lose ground to inflation.

We think these programs are a very good *complement* to the BOG and FISL programs and we would like to see them adequately funded along with a fully funded BOG program.

WORK/STUDY

Another aspect of this area of federal student aid which I would like to touch upon is the work/study program. Work/study is one of the most popular forms of student aid. both with students and with financial aid officers. It is a form of "self-help" which does not burden the student with an excessive loan burden, while at the same time helping institutions of higher education and other non profit agencies carry on many essential tasks. We see two major problems clouding the horizon of the work/study program.

The first is the funding problems touched on above. The freeze on funding, plus the effects of inflation and increased competition for limited funds has resulted in dwindling work/study program in the UC system. We should hope that you would give first priority to the work/study program when you consider addition funding for the three categorical aid programs from limited federal resources.

The second problem deals with the question of the proportion of work/study or "self-help" in a students' aid package. We note with dismay the trend towards greater and greater reliance on loans to finance higher education. To the extent that BOG's do not grow fast enough to keep pace with inflation and rising demand and to the extent that the categorical aid program fail to grow at all. more and more students are told to rely on loans and summer earnings to fill the gap between college costs and their expected family contribution.

In normal times there is a limit to how much we can realistically expect students to earn during summer break. In times of economic difficulty, summer employment becomes an even less likely source of student support. Unless sources of school terms employment such as work/study are developed to a greater degree than currently exists, more and more students will be saddled with huge loans debts when they leave school.

To meet this problem we urge you to develop a formula that would relate the three components of an aid package (loans, grants, and work) to one another and then develop a funding formula that would allow for the future growth of the work/study program so as to maintain this ratio between loans, grants, and work/study earnings. This would help guarantee well balanced student aid packages for all students and relieve the increasing pressure towards greater and greater reliance on loans.

The urgency of this problem can be seen by examining the current situation at the University of California. In 1972 the *average* indebtedness of UC graduates who had received some kind of financial aid during their undergraduate years was $2100. It was not unusual for students to graduate with total loan debts of $7–8,000 (made up of FISL, NDSL, AND UC loans). This trend towards loans is continuing unchecked at this time. We really need to establish some realistic balance between the proportion of loans, grants, and work in student aid package.

STATE STUDENT INCENTIVE GRANTS

We are pleased that Congress has agreed to fund the State Student Incentive grant Program for 1974–75. California is ready to take advantage of all the funds offered in order to expand its already extensive student aid program. Our only concern, however, is that Congress be prepared to continue funding over a period of time and give the state's clear *advance* information about future funding possibilities. This is necessary because in California scholarship commitments are made to students for up to four years of undergraduate work, provided the student still deomonstrates financial need. A sudden withdrawal of federal matching funds could leave many students in a serious bind. We hope you will clearly state the long run future funding possibilities for this program so that states and students may plan accordingly.

GENERAL ADMINISTRATIVE PROBLEMS

Before concluding this portion of my remarks it might be helpful if I note several pure administrative problems in this area.

The first is the complete lack of HEW—Office of Education guidelines or regulations for the three categorical aid programs. It is almost two years since the Higher Education Amendments of 1972 were approved and OE has yet to issue new guidelines for the three categorical aid programs. This failure has caused confusion among campus aid officers. When they are confused it's students that suffer the consequences.

The second problem concerns the near *impossibility* of obtaining information, certain applications (especially FISL forms), or general guidance from the Region IX office of the Office of Education. For instance, a written request from one of our US Student Lobby staffers for some data on 1973–74 allocations of federal student aid to California has gone unacknowledged for over 5 months. A request for additional FISL loan applications this fall went unanswered for nearly four weeks. This is simply inexcuseable. While we understand that part of the problem might be a very high staff turnover rate (over 30%) we urged you to do something to rectify this situation.

We understand that Congress is now considering a proposal for a "National Center for Educational Statistics" designed to provide better public access to Office of Education data. We see this as a very important step in helping student groups such as ours have a bigger role in making public policy. We hope you will guarantee student groups as well as other parts of the public full access to the resources of the proposed center.

One final comment on administrative matters concerns federal allowances for administrative costs of financial aid programs. Current allowances seem to be inadequate to fund existing work loans in the categorical aid programs and non-existent when you consider BOG and FISL. It's the student, at least in California, who makes up the difference between federal allowances and real costs. At UC, students pay for this through their registration fee. Currently 110,000 US students pay $2.3 million a year to finance the administration of financial aid. This is the case in many other California schools as well. We hope you will keep this in mind as you reexamine financial aid programs during the next year.

GUARANTEED STUDENT LOAN PROGRAM

The final portion of my testimony deals with the Guaranteed Student Loan program. This program has attracted increasing attention in recent years because it is the only federally subsidized aid program for middle income families—a group that is increasingly hard hit with the rising cost of college.

The change in GLP eligibility made in 1972 has had real detrimental effects in the UC system. As you can see from our Appendix C volume has dropped off considerably in the last year. At UCLA, for instance, we have seen a drop of 27% in the number of students receiving GLP loans and a drop of 31% in the total dollars awarded to UCLA students. Similar figures could be presented from other UC campuses.

We urge you to return to the old system of not requiring students from families with adjusted incomes of $15,000 or less to file a statement proving need. The red-tape and confusion caused by this requirement has excluded many students. Furthermore, despite attempts by the chairman of this committee to clarify the intent of Congress and thus give bankers more flexibility in approving loans, many students are still turned down because on paper they lack need.

Another very serious problem in California is the fact that many banks have a blanket policy forbidding loans to first year students and persons over the age of 26 who are not veterans. They justify this because they consider these groups to be "high risk" groups likely to default on their loans. The banks' reluctance to loan here is understandable given their obligations under the program. However, we still must protest the effect this policy has on many needy students.

One solution to this problem currently being tried in California, especially at UC and many private colleges, is for the institution to become a FISL lender on its own. They then make loans to many of these "riskier" students. This is one way they attempt to aid these large groups of students currently excluded from the FISL program. However, its quite likely that, in spite of the best efforts of the institutions to ensure a low default rate, they will experience a higher default rate than banks, who in one sense, "skim off" the best risks. We know that much attention has been focused on the default rate under the GLP program. We hope that you will take into consideration the special problems that institutions are trying to solve when they enter the GLP program. Perhaps you should expect and plan for two different levels of defaults, one for banks and one for institutions.

LOANS DEFAULTS

The most critical issue facing the GLP program today is the default rate among outstanding loans. I would now like to briefly explore what we see as the factors behind defaults and how the rate might be lowered.

We see three factors that affect the default rate.

1. A simple attitude by some irresponsible students that they will never repay the money because the Federal government guarantees the loan and no one will ever make him pay.

2. Inadequate advance information and planning by the student about the size of his monthly payments and how to fit them into his personal or family budget.

3. A simple problem of too great a monthly payment compared to a person's income early in his/her working career.

As to the first problem, we can only condemn such irresponsible persons and urge you to develop a staff to pursue such persons and seek full repayment. We see them as free loaders who jeopardize the future education of thousands of needy students who are only asking a chance to *borrow* money for their education.

In regard to the second problem we see a need for your to require an "exit" interview for all students receiving GSLP loans before they leave school. This would be similar to the requirements by the NDSL program. Such an interview could be used to do several very critical tasks;

(a) Inform the student of the size of his total debt and when he must begin repayment.

(b) Inform his of his legal obligations and the consequences of default.

(c) Advise him of the size of his money payments and the impact they might have on his personal budget.

(d) Answer questions the student might have about his personal circumstances.

Such exit interviews could be conducted on a group basis and still be effective. Schools should be designated as responsible for conducting these exit interviews in conjunction with lending agencies. An administrative allowance of 1% would seem to be a reasonable way to finance these exit interviews. We think this is a very important step towards lowering the FISL default rate.

One final way the GSLP program can be adjusted to curtail defaults would be to develop a form of graduated repayment of GSLP loans. If we accept that the early years of a working career are the hardest ones in which to make extensive loan repayments, a graduated repayments program makes a great deal of sense. One way of working such a program would be to lower the payments during the first two or three years of the repayment period to the cost of interest only and then accelerate repayment during the last years of the loan period to pay off the loan within the ten year limit. Such a plan could be presented to the student as an option at the time he begins repayment as a means of helping him/her through the first and roughest years of his/her career.

We think this kind of a graduated repayment plan and perhaps several variants of it should be tried on an experimental basis as a means of curing the default problem. It would help students over the rough spots and encourage them to make repayments as they become better able to afford them.

In conclusion. I'd like to thank the chairman and the committee for the opportunity to appear before you today. I hope you will find my testimony of some value to you as you review the whole area of student aid.

I'd be glad to answer any questions.

Type of institution	Number of applications	Total enrollment	Percent of enrollment to total	Total needy	Percent of needy to total segmental enrollment	Percent of needy to total needy	Average dollar amount per needy	Average dollars per capita	Regional panel requests	Percent dollars to total	41.3 percent of regional panel approval
Community college	101	714,900	56.3	88,000	12.4	32.3	642	79	(1) $49,017,971	26.2	$20,244,422
C.S.U.C.	19	236,000	18.6	53,000	22.4	19.4	959	215	(1) 42,818,396	22.2	17,683,550
University of California	9	116,700	9.1	40,600	34.7	14.8	869	302	(1) 26,912,734		11,114,959
Independent	98	130,300	10.3	62,300	47.8	22.9	622	298	(1) 29,907,755	15.2	12,351,902
Propriety	135	51,400	4.1	26,000	50.5	10.0	1,571	793	(1) 36,964,031	19.1	15,266,144
Others	8	21,700	1.6	3,100	14.6	0.6	(1)	(1)	530,095	2.6	218,929
Total	370	1,271,000	100.0	273,000		100.0	932	337	186,150,982		[2] 77,350,000

[1] Unknown.

[2] Plus dollars to others.

APPENDIX B

INSTITUTIONAL REQUEST FOR FEDERAL AID 1971-75—UNIVERSITY OF CALIFORNIA, BERKELEY

	1971-72	1972-73	1973-74	1974-75
1. NDSL:[1]				
Amount requested - Level of lending	$2,750,000	$2,924,960	$3,781,000	$4,500,000
Panel approved	2,730,000	2,924,950	3,155,360	4,500,000
Amount requested - Federal contribution	1,838,091	1,970,849	2,885,400	3,262,222
Panel approved	1,787,105	1,934,849	2,322,324	2,139,883
Actual award	1,493,990	1,147,534	1,026,219	962,946
2. SEOG:[2]				
Amount requested	990,400	1,450,000	1,115,000	2,000,000
Panel approved	990,400	1,450,000	929,440	1,300,000
Actual award	829,148	984,646	404,632	585,000
3. CWSP:				
Amount	1,660,000	1,936,000	1,760,000	2,221,751
Panel approved	1,644,000	1,936,000	1,468,160	2,221,751
Actual award	1,099,629	829,536	644,694	999,788

[1] NDSL - formerly national defense student loan—currently national direct student loan.
[2] SEGO—formerly educational opportunity grant—currently supplemental educational opportunity grant.

APPENDIX C

TRENDS IN FISL AT SELECTED UNIVERSITY OF CALIFORNIA CAMPUSES

Year	Number of students	Total dollars
I. Berkeley:		
1971 to 1972	2,888	$3,086,524
1972 to 1973	2,664	$2,828,689
1973 to 1974	2,506	$2,605,931
Percent change	−13	−16
II. Los Angeles:		
August to November 1972	1,328	$1,650,172
August to November 1973	976	$1,133,503
Percent change	−27.5	−31

Prepared Statement of Robert L. Rodriguez, Vice-President, Student Association of the State of New York

Mr. Chairman, members of the Committee, we would like to thank you for opportunity to testify here today. I appear on behalf of the Student Association of the State University of New York (SASU, Inc.) to identify current problems in the administration of the federal student financial aid programs.

SASU, Inc., a coalition of the student governments of the State University of New York (SUNY) is the corporate arm of the newly created Student Assembly of the State University. The two organizations work together to represent and advocate the interests of State University students on a state-wide basis to the Board of Trustees and the Central Administration of SUNY, as well as to the Legislature, the Governor, and the executive agencies of the state of New York.

SASU, Inc.'s counterpart, the Student Assembly, was created by the Board of Trustees (SUNY) last spring as the official representative student governance organization of the University. An elected president, vice-president, and executive committee, as well as the sixty-six delegates who are elected by and from the students of the seventy-two campuses of SUNY, serve as an advisory body to the University by advocating the interests of the 382,000 students it represents.

President Nixon has pledged that "no student will be denied access to post-secondary education for financial reasons," and Congress has also authorized such a goal in the Education Amendments of 1972. To stipulate here that current funding for the new and crucial Basis Opportunity Grant Program is dramatically insufficient, would be a gross understatement. If BOG is to accomplish the goals for which it was intended, the only logical argument favors expanded funding of this program. We support, however, the position adopted by Congress that the funding of BOG should not be increased by phasing out the Supplemental Student Educational Opportunity Grant and National-Direct Student Loan Programs, as has been recommended by the administration. I realize that this argument has been exhausted, but I do seek to point out problems in the mechanics of administering these programs.

As stated in the Higher Education Amendment of 1972, BOG is an entitlement program which would maintain open-ended funding. Obviously, this objective was not met this year and until it is, the term "entitlement" is in effect meaningless.

The greatest problem in the administration of the Basic Opportunity Grants Program in this first year was the extremely late date at which the funds for the program were appropriated. I commend the committee's efforts to create a unified program of federal student financial aid, but such a goal is unrealistic unless BOG is funded well before the beginning of the academic year for which the awards are to be made. The very name of the program "Basic Opportunity Grants illustrates this point. The award schedule for student-based programs should be defined as early as possible, because it is the "base" from which state and other federal programs can be better coordinated in determining the student financial aid package. Currently, there is a new program under consideration by the New York State Legislature called the Tuition Assistance Program (TAP). One of the TAP provisions stipulates that a student applying for a TAP award must also apply for a BOG award. This provision is designed to reduce the problem of state and federal financial aid programs duplicating one another. We therefore recommend "forward funding" as early as December 1, so that by no later than March 1, the college financial aid offices will know exactly what the student's entitlement is so that the student will know how much aid to expect for the coming academic year, before he or she goes home for summer vacation.

Presently, the BOG program discriminates against low tuition institutions, a feature which creates pressure for increasing public college tuition. Instead of developing a separate cost schedule for students attending low and high tuition institutions, the BOG regulations consider students in the same sliding schedule and then add on restrictions that penalize the student attending a low-cost institution. No grant can be awarded that exceeds 50% of the cost of the institution, and under the present level of funding, no grant can exceed 50% of the "need" which is defined as the difference between the cost and expected family contribution. Because of these and other restrictions, it is unlikely even at full funding that the program would provide significant aid to middle income students attending low-cost institutions. To alleviate this problem, we recommend a modified capitation formula for low-tuition institutions as a supplement to the student aid programs.

The BOG definition of the cost of attendance is unrealistic. Table I illustrates that the State University of New York (abbreviated SUNY), financial aid officers define the cost of attendance at SUNY schools to be about $3,000 a year, but the BOG regulations only provide $2,400, and even this amount is exaggerated because of the regulation cited above that the BEOG grant cannot exceed 50% of the cost. The most important factor here is that the BEOG regulations only allow $350 a year for books, supplies, travel, personal, and all other incidental expenses. Another unrealistic regulation is that which allows only $950 a year for room and board costs for those students who live off-campus, but not with their parents; many of whom have moved out of dormitories because room and board charges have become too expensive. Further, no consideration is given to differences in "cost of living" expenses as they vary from region to region. The difference between the cost of living in New York City, and in Upper Sandusky should be taken into account when determining the award to which the student is entitled.

The amount of parental contribution demanded under present BOG regulations are far too strict. Most financial aid officers believe that the needs analysis standards used by the College Scholarship Service (CSS) and the American College Testing (ACT) are also too strict; yet when compared to the BOG regulations promulgated by the U.S. Office of Education, they would almost appear generous. Although, theoretically, needs analysis is the best system for distributing financial aid monies, it should be employed only if the program is funded at an adequate level so that the expected family contribution will be computed on the basis of how much the parent at a particular income level should really be expected to contribute to the college education of their son or daughter. It should not be awarded on the basis of how much aid the program can afford to award to the student. A needs analysis should be applied regardless of how much money is available for the program.

Perhaps the committee should consider using alternate filing systems for BOG. By allowing the already existing agencies of CSS and ACT to compute the BOG awards, the program would be one step closer to coordinating the student financial aid package.

Further, this could be accomplisheed by making application for a BOG award automatic, for any student who uses these college testing service needs analysis for other awards. It has been a common complaint that poor publicity and confusion surrounding the relatively new BOG program, the number of student applicants fell short of the program expectations. Since so many students have to use the services of CSS and ACT for other awards, the number of BOG awards would be expanded to more of those in need. It should be noted that all students who use the CSS or ACT forms should be made aware of its automatic application for the BOG awards. This last provision is mentioned as the inherent right to information that all persons should have when they submit for review and action an analysis of their financial status.

Under the present guidelines of the BOG program, the student must fill out an application form. After this form is submitted and processed, the student receives a Family Contribution Analysis Report (FCAR) which indicates the amount of money the student's parents will be expected to contribute to the cost of education. The student and parents have little or no idea how much of an award to expect with the present procedure. This is true also of all other federal student financial aid programs, both student based and campus based. At the time of application, the student has no idea how much money he or she can expect to receive. A conversion table which would allow the student and parents to at least make a reasonable approximation would be helpful in two ways. First, the students could get a better estimate of their overall financial opportunities for continuing their education. Secondly, it would eliminate the unwieldly BOG award notification process. When a student is eligible for and award, he or she will first get the "Preliminary Notification of Award" notice that will show the probable award. When the final award schedules are determined, the student gets a "Final Award" notice which will show his or her actual entitlement. If BOG awards included a conversion table with its application, similar to the conversion tables used to schedule awards under the New York State Regents Scholarships and Scholar Incentive programs, the intermediary step of preliminary award notification could be eliminated, saving time for financial aid officers who must administer them.

Another problem in the FCAR form is the wording, which if misread, could jeopardize a students' application for the BOG award. The wording is unclear, in Section 4, the notice of Final Award. This section must be signed by the student and notorized upon receipt of the fir award. Because it is not explicitly stated as such, many students forward their FCAR form signed and notorized in the initial phase of the application process, thereby invalidating the students application and forcing him or her to re-apply.

Ths year, BOG publicity in New York State was a failure. The applications did not become available until the high schools had recessed. making it difficult, if not impossible, to notify students of this new financial opportunity. With the forward funding suggested already, high school guidance counselors and financial aid officers could take advantage of the captive audience of students in every high school to publicize the BOG program. Furthermore, it would be a wise investment to appropriate a significant sum of money to finance a massive advertising campaign using television, magazines, radio, and newspapers.

With the maximum grant of $1,400 (at full funding), the BEOG program is inadequate to meet the needs of low-income students, and therefore, the SEOG program must also be continued and expanded. The SASU membership opposes any effort by the administration to cut appropriations for SEOG.

The administration has recently requested the abolition of the Guaranteed Student Loan Programs; the impact of which would be felt by hundreds of thousands of middle-income students. SASU condemns this proposal and urges congress to reaffirm its support for Guaranteed Student Loan Program (GSL). We urge Congress to eliminate or significantly readjust the needs test on GSL, which this year, as you know, has been the major reason for the 32% nationwide decrease in the number of approved loan applications.

I would like to applaud representative James O'Hara in his efforts to deal with this problem. The introduction of his bill that would allow students from families with annual incomes of up to $20,000 to qualify for fully subsidized guaranteed student loans of up to $2,000, shows imagination and insight to the problems that middle-income students face in financing their post-secondary education.

Students are often compelled to submit records of parental income even though they receive no monies from the parents towards the cost of education. Determining whether or not a student is financially emancipated from his or her parents is difficult. Thus far, the BEOG definiton of financal emancipation is fair, but very strict. We propose two amendments to the federal regulations governing the definition of financial emancipation. First, the regulations should apply the three criteria for independence to the calendar year in which aid is received and the calendar year prior to the academic semester for which aid is requested, rather than to the calendar year prior to the full academic year for which aid is requested. This proposal would still permit documentation of the student's claims by submission of the federal income tax return. We therefore see no reason to include the additional semester. Secondly, the financial aid officer should be allowed a measure of discretion in determining the independent and dependent status of a student. Therefore, I recommend that the appropriate campus financial aid administrator, in extraordinary circumstances, to waive any or all of the three criteria.

The committee might also want to undertake a thorough study of the administration of the College Work Study Program. Financial aid officers in New York state have often complained of the irrational fund juggling that goes on in this program. The monies available to a college for a work-study program often do not match the needs of the students at that college as well as the realistic employment opportunities in that college's community. Many institutions are left with excess or insufficient funds for the student needs. There has been very little effort to study this problem, and little information as to why the mechanics of CWS funding would vary widely from the institutional needs, but it would appear to be an area where funds are wasted through misdirection. A new method of determining the institutional appropriation might closely resemble the one presently used for BEOG.

In conclusion, I would like to thank you in behalf of the students of the State University of New York for your tireless efforts on our behalf. I hope you will find our comments and recommendations helpful in your deliberations.

Prepared Statement of Peter Wong, Editor, Daily Trojan, University of Southern California

Mr. Chairman and members of the subcommittee, I am pleased to appear before all of you this morning to discuss Federal student assistance programs on my campus. I should mention that I look at the impact of these programs not only from the student perspective—although that is the most important—but also from a legislative perspective, which reflects my brief service as a staff assistant in the other body.

Before I comment specifically on each program, I would like to explain why private institutions of post-secondary education, including the University of Southern California, need Federal student assistance programs.

The University is located in Los Angeles, four miles south of downtown. (It should not be confused with the University of California at Los Angeles, a state-controlled institution eleven miles to the west.) Some 20,000 students attend the university—about 10,000 full-time undergraduates, 4,000 full-time graduate and professional students, and the rest part-time students.

It has been said that access to private institutions of post-secondary education—including the one that I attend—is barred to students from low-income families. It is also said that only students from wealthy families can afford to attend private universities—and that they dominate enrollments.

If it were not for Federal student assistance programs, these statements would be correct.

The costs at a private university have increased considerably in recent years, at a rate of inflation much greater than that of the national economy. In fact, this is one of the major reasons for the recent decline in the proportion of students who enroll in private institutions, although my university has not yet suffered heavily.

At the University of Southern California, tuition by itself was $1,800 in the 1969–70 academic year. It is $2,700 this year—and it will be $2,910 in 1974–75. The increase from 1969 to 1973 was 50 percent, certainly more than the rate of inflation nationwide.

However, tuition is only one part of student expenses. This year our office of institutional studies did a survey on the costs of attendance. That is attached as an appendix. It indicates that student costs have risen to more than $5,000—and no end can be forecast to these increases.

It could be truly said that only students from wealthy families can afford to attend such private institutions as our university, but they do not dominate our enrollment.

It has been shown that our student body includes a greater proportion of those from low-income families in comparison with student bodies at other major private institutions in the United States. I would like to note that of a 1971 sample of entering freshmen, 26 percent of them said their parents' total income was $10,000 or less. This compares favorably with the findings of a 1971 national freshman sample, which indicate that 18 percent of the respondents at private universities had parents with incomes of $10,000 or less. (Data is included in appendix A to this testimony.)

Furthermore, the diversity in socioeconomic backgrounds of students is reflected in university statistics on parental occupations and levels of formal education, as well as ethnic composition of the student body. (Appendices B, E)

What accounts for this diversity?

Federal student assistance programs make the difference. Without them, private institutions such as ours would be dominated by students from one sector of society—undesirable for the nation, I think, and certainly for the institutions and students.

About 50 percent of our students receive some form of financial assistance from university, private or government sources. At our university, the student aid office controls $9.7 million of a general budget of $130 million. At least $4.6 million comes from the Federal government under four programs. (This excludes an estimated $4 million students receive under the Federal Insured Student Loan Program, administered by banks and other lending institutions.) Only $2.8 million comes from university general funds. If Federal student assistance programs were to be discontinued suddenly, the university would have no means by which it could assume the additional burdens.

You are, of course, familiar with the history of Federal student assistance programs. Though Federal aid to education is not a recent idea, student assistance programs really began with the Serviceman's Readjustment Act of 1944, the so-called GI Bill. The National Defense Education Act of 1958, the Economic Opportunity Act of 1964. the Higher Education Act of 1965, the Education Amendments of 1972—these are the laws that have authorized these programs.

You are also familiar with the three-part formula used by college financial aid officers—scholarships/grants, loans and jobs. As a 1967 university report stated:

"It is held that no student should receive total gift aid, no student should be overburdened by loan commitments against his future income, and no students should find it necessary to work beyond the point where his health or his academic survival is threatened."

When the Basic Educational Opportunity Grants Program was enacted under the Education Amendments of 1972. the congressional intent was clear. The funding of three previously established student assistance programs—the Supplemental Educational Opportunity Grants Program (1965. renamed in the 1972 act), College Work-Study Program, and National Direct Student Loan Program (1958, renamed in 1969)—was to continue at specified minimum levels before basic grants could be funded. Through this action, the Congress recognized the need to supplement basic grants and insured loans.

President Nixon's budget proposals for fiscal 1974. then, were quite disturbing. In that document, presented January 29. 1973. to the Congress. the President proposed the elimination of supplemental grants and new direct loans. He claimed that increased funding of basic grants and insured loans, together with steady-state funding of the work-study program. would provide the necessary assistance to students.

This posed a problem for the Congress. The chairman of this subcommittee [Mr. O'Hara] phrased the congressional response quite well. He was quoted as saying to another House subcommittee, "Let us obey the law the way we wrote the law, and let us turn down the request of the administration that it be granted amnesty from observing a law which it finds uncomfortable to live with."

Fortunately. the Congress appropriated student assistance funds for the 1973–74 and 1974–75 academic years in accordance with its own program priorities—not those of the President. It took this action twice in 1973—both in the Urgent Supplemental Appropriations Act, signed April 26, and in appropriations for the Departments of Labor and Health, Education and Welfare, signed December 18.

Yet in his fiscal 1975 budget submitted to the Congress February 4. Mr. Nixon persists in his own course of action. He again wants to eliminate supplemental grants and new direct loans and to maintain the work-study program at the present level of funding.

Aside from the specific provision of the 1972 law which requires funding of three programs before basic grants can receive any money, I would like to comment generally about these programs.

The university has recently had a dramatic increase in the level of funding for its Federal student assistance programs. Some statistics:

Supplemental grants.—The university received $251,182 under the former Educational Opportunity Grants Program for the 1972–73 academic year. It has received $522,420 in supplemental grants for the current academic year. This is double the previous year's grants.

Work study.—The university received $332,250 in Federal funds for the 1972–73 academic year. Combined with matching funds from the university, students earned $454,976. This academic year, the university has received $724,383 in Federal funds so that students can earn a total of more than $1 million—again, more than double the level of the previous year.

Direct loans.—The university received $1.4 million in Federal capital contributions in the 1972–73 academic year to generate loans to students totaling an estimated $2 million. This year, the university has received about $3 million in Federal capital contributions, which will generate more than $4 million in loans to students.

In all, student assistance funds at the university were increased from $2.1 million in the 1972–73 academic year to $4.6 million this year.

Why such a phenomenal increase—especially in a year in which other institutions of post-secondary education had their allocations reduced?

This increase cannot obviously be attributed to the rate of inflation, although it may have been a minor factor in the allocations by HEW's regional panels. Rather, a more vigorous presentation by university administrators—with a more thorough documentation of student needs as a justification for increased funding of assistance programs—caused our situation to improve drastically.

Universities have been forced to make better, more detailed presentations for funds these days. More institutions have prepared their applications for Federal student assistance funds much more carefully—and since appropriations by the Congress have not been increased recently, the funds for various programs must be divided among a growing number of institutions. Consequently, individual shares are smaller than they used to be.

A chart included as an appendix shows that funding nationally for supplemental grants, work-study and the direct loan program has remained constant since at least the 1972–73 academic year.

Although this subcommittee is not a substitute for the Committee on Appropriations and therefore cannot act on this problem, it can take the matter into account when it considers the authorization levels for new legislation in 1975, when the present law is scheduled for extension.

I would urge the subcommittee to reauthorize all present student assistance programs—including supplemental grants, work-study and direct loans, which the Nixon administration is determined to eliminate or maintain at a minimum level, in the case of work-study. The additional programs provide the flexibility that institutions require in meeting the needs of students, although I fully support the concept of direct aid to students—if this is reflected in the effective administration of basic grants and insured loans.

I would like to make one further observation before I comment on each program. I and others share a growing concern that students from families of middle-level incomes, say, $12,000 to $15,000, are caught between two extremes. On the one hand, students from low-income families qualify readily for most Federal and state student assistance programs, because they are based almost solely on need. On the other hand, students from wealthy families can continue to afford higher education—particularly in private universities.

A report of our student aid committee in June, 1972, phrased this dilemma quite well:

"The consequences threaten polarization of the student body into high- and low-income groups, with students from middle-income families depending more on the Office of Student Aid to remain in school."

Federal and state student assistance programs should be based on need. After all, they have helped—and are helping—many enter institutions of higher education (or post-secondary education, if you prefer) who would not have been able to do so otherwise. However, students from middle-income families should not be denied access to post-secondary education, either.

Let me turn my attention to specific programs.

Basic grants—In a special message March 19, 1970, President Nixon told Congress, "No qualified student who wants to go to college should be barred by lack of money. That has long been a great American goal; I propose that we achieve it now." This is a sentiment, I think, on which we all can agree.

Yet since its enactment in 1972 and its initial appropriation in 1973, the basic grants program has disappointed many on our campus. Our student aid director has said the program could not be fully operative for many years to come. Another university official—not of the office—has said the program will fail in its attempts to provide direct assistance to students from low-income families.

I am not quite so pessimistic about the basic grants program. Like our vice-president for student affairs, I believe the program can become just as valuable to students as the programs enacted in the 1960s.

Part of the problem, of course, is the relatively low level of funding for this program—the remedy for which, of course, lies beyond the jurisdiction of this subcommittee.

For the 1973–74 academic year, the Congress appropriated $122.1 million for basic grants, well below President Nixon's request of $622 million. I am aware that this particular appropriation was so low because additional funds were channeled into the older, established student assistance programs—those President Nixon wanted to eliminate.

It is perhaps fortunate that the basic grants are being distributed to first-time, full-time students only, so that fewer students can benefit a great deal more from the limited appropriation.

Still, however, much of the appropriation—about half—is unspent, and the Department of Health, Education and Welfare has extended the deadline for applications from February 1 to April 1. Despite growing publicity, students have not applied for this program in any great numbers. One problem is that more than half the academic year has passed already. Another is that the maximum available grant under this limited national appropriation is $452—which would barely pay for one four-unit class at the university. So far, students on our campus have received only $45,000 from the basic grants program, although this is expected to increase somewhat.

I am encouraged by the Congressional appropriation for the 1974–75 academic year and by the Nixon budget proposals for the 1975–76 academic year. The $500 million in the 1974–75 academic year ($475 million if the 5-percent impoundment provision of the Labor-HEW appropriations act is invoked) will provide 1.1 million freshmen and sophomores with average grants of $430 and maximum grants of $945. The $1.3 billion full funding proposed for the 1975–76 academic year would provide assistance to 1.7 million students at all class levels. The average grant would be $760; the maximum, $1,400, minus, of course, the family's expected contribution to the educational expenses of the student.

However, the level of funding for basic grants is not the only problem the program faces.

The family contribution schedule for basic grants, submitted by the Office of Education to both houses of Congress, is somewhat improved from that submitted February 1, 1973. This subcommittee and its counterpart in the other body have, I trust, examined the schedule carefully before approval was given—or in this case, disapproval withheld—December 20, 1973.

I particularly would caution the subcommittee as to the amounts of expected family contributions to a student's educational expenses during times of great uncertainty and anxiety over the national economy.

I would like to make two further suggestions for the improvement of this program.

One has already been suggested by the chairman of this subcommittee. It would provide for a section on the basic grants application form for the self-computation of grants. This would allow a student to judge his eligibility for the program and estimate the size of his grant before he sends application to the processor.

The other suggestion relates to the size of the grants if the program is not fully funded. If the basic grants program does not receive a full-funding appropriation from the Congress, students, parents and financial aid officers should have a way to calculate what reductions in individual grants would occur. If the program is funded, say, at 60 percent of what are considered full-funding levels, what will be the impact on the individual student's estimated grant? The interested members of the public—or at the very least, the national processors—should be able to determine the impact of appropriatons at less than full funding so that students and institutions can be informed promptly of the size of grants.

I will have more to say about the need analyses and program applications under the topic of general administration.

Supplemental grants.—This program was first authorized in the Higher Education Act of 1965 as the Educational Opportunity Grants Program. It was renamed in the 1972 legislation. Although more money should be appropriated by the Congress for this program—given the increasing number of students who qualify and the increasing number of institutions that apply for the funds—no real problems exist in the supplemental grants program, as administered on my campus. The average recipient at USC gets $800 from this program.

Work-study.—This program originally was authorized by the Economic Opportunity Act of 1964 and included in subsequent legislation for postsecondary education. Again, more money should be appropriated by the Congress for this program, up to the authorized level of $420 million for the 1975–76 academic year.

Our record under the work-study program has been a good one, I think. Through the spring of 1973, the university and off-campus nonprofit agencies were able to hire some 300 students per year to work part time and earn money for their educational expenses, as well as to gain some vocational experience. The average earnings per student have been about $1,000. This academic year, with vastly increased funding, close to 1,000 students have been able to secure jobs under the program. Undergraduates have been able this year to earn as much as $2.75 per hour; graduate students, as much as $3.50.

As the years have passed, the money for the program has probably been used more wisely than ever before. Students have been matched more readily with suitable jobs—those relevant to their planned careers. If there were any doubts as to student's reliability, they do not exist on my campus. Undergraduates have been found to be just as reliable as any others in the performance of assigned tasks.

The program helps institutions as well as students. University offices and nonprofit agencies are able to secure additional help—reliable help—at a fairly low cost. Were they forced to hire more part-time employees instead of students, major problems would probably occur.

Although not part of the scope of this hearing, the cooperative education program should be mentioned at this point. The university is interested in developing programs that combine periods of full-time academic study and full-time work in selected business and industries.

The Congress should view the work-study program and the cooperative education program as forms of vocational education adapted to higher education.

Direct and insured loans—The direct loan program was first authorized under the National Defense Education Act of 1958 and renamed in 1969. The insured loan program was authorized under the Higher Education Act of 1965 and extended since then.

Direct loans are made by educational institutions at 3% interest; insured loans, primarily by banks and other authorized lending institutions, at 7% interest. At our university, about 4,000 students hold a direct loan that averages $1,000; 4,000 students also hold insured loans, the average also $1,000. The Federal government may subsidize the interest on certain insured loans throughout a student's years in college.

Some of the current problems with loan programs are similar, and that is why I have placed them in one category for discussion.

A most highly publicized problem has been defaults on loans, particularly insured loans. Let me say that I do not condone such actions—students should repay loans just as anyone else is required to do.

On my campus, I have found that student defaults on insured loans have run between 6 percent and 10 percent. This information was taken from a survey by United California Bank in Los Angeles. Although this bank does not arrange for all the insured loans to students on our campus, it does make many of them.

However, the rate of default on direct loans has been about 3 percent on our campus—about half that of insured loans. This statistic is nothing to rejoice about, though, since that rate a few years ago would have been less than 1 percent.

Why the difference in default rates?

Our student aid director believes that colleges and universities are able to maintain a current listing of students' addresses better than the banks. Bank officials in Los Angeles say it takes them about one year to discover that a student's address is no longer valid—and by that time, the student may have left Southern California altogether.

A more important reason for the lower default rate on direct loans, though, is that the incentives are stronger for educational institutions to collect such loans. Because institutions can relend the collected money in new loans under a revolving fund, our student loan collectors have good reason to be aggressive. On the other hand, banks and other lending institutions can merely choose to ask the Federal government to pick up the defaulted loans—although this is changing. Students have now been told more fully at the time insured loans are granted about their repayment obligations.

I would like to point out some other problems with loan programs.

A great burden may be placed on students' futures because of the relative scarcity of grants and jobs—and the availability, no matter how little, of loans. Some graduate students have been told by banks and other lenders that because they have had direct loans as undergraduates, they cannot qualify for insured loans. Because assistance programs for graduate students have been cut drastically in recent years, these people have no other sources of aid, except that which their institutions may provide.

What may be more disturbing is that students in professional schools—I am particularly referring to those in medicine and dentistry, although there are undobutedly others—have had to borrow up to $20,000 and $30,000 by the time they earn their advanced degrees. On top of all this debt, these students are expected to set up a practice somewhere upon graduation.

If this is the prospect for those who are expected to be among the nation's highest-paid professionals, it is no wonder that students have found ways to declare bankruptcy at an early age—an action that, incidentally, I do not and cannot condone. But can teachers, for example, with the salaries they will most likely earn, hope to repay $5,000 to $10,000 in a reasonable time?

I will comment on the means test for insured loans under the topic if general administration.

General administration—This section is devoted to comments about the problems in the process of administering Federal student assistance programs.

First, and briefly, the money authorized and appropriated to educational institutions for the administration of certain Federal student assistance programs could be increased slightly.

At the University of Southern California, for example, 17 staff members in the student aid office process more than $17 million in university, private and government funds. Although much of this work is routine, the allocation of the controllable $9.7 million—including $4.6 million in four Federal programs—is anything but routine. The office is supposed to have a minimal role in the administration of basic grants and insured loans, but staff members say they spend more time on these than on most other programs combined.

The basic financial aid forms—College Scholarship Service, American College Testing Program, HEW's Basic Grants and Insured loan forms—must be standardized in such a manner so as to permit the use of one application and one confidential financial statement for all Federal student assistance programs. This is a high riority of a task force in the Office of Education. The subcommittee should help ensure the adoption of a workable form.

At the same time, the role of need analysis and the determination of the expected family contribution to a student's educational expenses must be studied by the subcommittee A university report indicates that students are falling $400 to $500 short—that actual need is still greater than what the national processing expect in family contributions to a student's educational expenses. The maximum average difference between the expected contribution and the actual amount provided by a family is $800 to $1,000. This is adjusted downward about $100 to $150 after a student's earnings are taken into account. Nevertheless, the report's findings are similar to one that was done recently in Michigan. How accurate are the need analyses of the two major national processors? The answer to this question might well improve Federal student assistance programs.

The need analysis for the determination of insured-loan subsidies ought to be modified or done away with altogether, as provided in H.R. 12523. While such loans should not be made to those who clearly do not need them, the imposition of the means test has effectively barred students from families with incomes of more than $15,000 from getting insured loans at all. This was not the intent of the law—it was merely meant to help determine which students were eligible for the Federal interest subsidy. So I urge a change to ensure better access to this program by middle-income families.

The national services' tables for expected family contributions to a student's educational expenses are not realistic. Far too much is expected of a family—

and with today's uncertain economic conditions, the estimates of the national services may be far off base.

Finally, I would like to say that the forward-funding provisions for most Federal student assistance programs have not worked too well—particularly in this administration. Although this problem cannot be resolved by this subcommittee, I want to say that it is a disservice to students, parents and financial aid officers to get such late notification of specific aid amounts. Students would like notification as early as March—not in late May or even during the summer. This uncertainty must come to an end.

Mr. Chairman and members of the subcommittee, this concludes my testimony. Thank you once again for the opportunity to testify this morning. I will be pleased to answer any questions you may have.

APPENDIX A

1971 NATIONAL FRESHMAN SAMPLES

[In percent]

Parents' income	USC freshman samples	Private universities	All universities
$10,000 or less	26	18	25
$10,000 to $15,000	17	24	32
$15,001 to $20,000	16	16	17
$20,001 to $25,000	11	13	11
$25,001 to $30,000	6	8	6
$30,000 and over	23	21	10

Sources: Entering Freshmen, Fall 1971. Office of Institutional Studies, University of Southern California. The American Freshmen: National Norms for Fall 1971. American Council on Education.

APPENDIX B

PARENT'S OCCUPATION

	Percent
Professional 1 (physician, lawyer, professor)	16
Professional 2, managerial and executive (business executive, banker, store manager, teacher, accountant)	35
Semi-professional, technical, small business, firm owner (programmer, lab technician)	23
Public official or supervisor (office manager, policeman)	4
Sales trades and clerical (auto salesman, secretary, department store clerk)	6
Skilled, semi-skilled, general labor (electrician, machine operator, construction worker)	16

[In percent]

Parent's education (highest attained)	Father	Mother
Grade school, some high school	12	10
High school graduate	15	29
Technical, business or vocational school beyond grade 12	7	10
Some college	21	26
College graduate	21	18
Some graduate/professional work	10	4
Higher graduate degree	2	1
Higher professional degree	12	2

Source: A Profile of USC Undergraduate Students. Office of Institutional Studies, University of Southern California, 1972

APPENDIX C

BASIC EDUCATIONAL OPPORTUNITY GRANTS PROGRAM

Academic year 1972–73
Authorization: None
Appropriation: None

Academic year 1973–74
- Authorization: Indefinite
- Nixon request: $622 million
- Appropriation: $122.1 million
- USC's share: $45,000 (to date)

Academic year 1974–75
- Authorization: Indefinite
- Nixon request: $959 million
- Appropriation: $500 million ($475 million with 5% impoundment provision)
- USC's share: Undetermined

Academic year 1975–76
- Authorization: Indefinite
- Nixon request: $1.3 billion

SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS PROGRAM

Academic year 1972–73
- Authorization: $170 million
- Appropriation: $210.3 million
- USC's share: $251,182

Academic year 1973–74
- Authorization: $200 million.
- Nixon request: None
- Appropriation: $210.3 million
- USC's share: $522,420

Academic year 1974–75
- Authorization: $200 million
- Nixon request: None
- Appropriation: $210.3 million
- USC's share: Undetermined

Academic year 1975–76
- Authorization: $200 million
- Nixon request: None

COLLEGE WORK-STUDY PROGRAM

Academic year 1972–73
- Authorization: $330 million
- Appropriation: $426.6 million, of which $156.4 million was for fiscal 1971 to convert program to a forward-funding basis
- USC's share: $332,250 (without matching funds)

Academic year 1973–74
- Authorization: $360 million
- Nixon requests: $250 million
- Appropriation: $270.2 million
- USC's share: $724,382 (without matching funds)

Academic year 1974–75
- Authorization: $390 million
- Nixon request: $250 million
- Appropriation: $270.2 million
- USC's share: Undetermined

Academic year 1975–76
- Authorization: $420 million
- Nixon request: $250 million

FEDERAL INSURED STUDENT LOAN PROGRAM

Academic year 1972–73
- Authorization: Indefinite
- Appropriation: $197.4 million
- USC's share: $4 million (estimated)

Academic year 1973–74
Authorization: Indefinite
Nixon request: $245 million ($30 million in supplemental)
Appropriation: $245 million
USC's share: $4 million (estimate)
Academic year 1974–75
Authorization: Indefinite
Nixon request: $310 million
Appropriation: $310 million
USC's share: Undetermined
Academic year 1975–76
Authorization: Indefinite
Nixon request: $315 million

NATIONAL DIRECT STUDENT LOAN PROGRAM

Academic year 1972–73
Authorization: $375 million
Appropriation: $286 million
USC's share: $1.4 million
Academic year 1973–74
Authorization: $400 million
Nixon request: No new funds/carryover of $23.6 million
Appropriation: $269.4 million plus carryover of $23.6 million
USC's share: $3 million
Academic year 1974–75
Authorization: $400 million
Nixon request: $5 million
Appropriation: $293 million
USC's share: Undetermined
Academic year 1975–76
Authorization: $400 million
Nixon request: $6 million

APPENDIX D

Costs of Attendance—The University of Southern California

The increasing cost of college education is a matter of considerable concern to students, parents, educators and public officials. Factual information on the total cost of attendance is urgently needed to guide federal and state agencies in developing eligibility guidelines for student financial assistance and for verifying to these agencies the estimated budgets used by the USC student aid office.

Rapid cost increases are a major reason for the decline in the proportion of college students enrolling in private institutions. During 1972–73, the average total cost of attendance for a USC undergraduate woman living in the residence halls was $5,230. This same student will need approximately $5,910 to attend USC during the nine month 1974–75 academic year. A graduate man sharing an apartment and commuting 20 miles a day spends about $5,280 during 1972–73 and will spend approximately $6,550 during the 1974–75 year.

These estimates are based on a survey on the cost of attending USC conducted by the office of institutional studies. The USC student aid office requested the study at the end of the spring, 1973 semester. Because of the short time available, the survey was conducted with a small stratified sample of undergraduate and graduate in-session classes and questionnaires were distributed to students during their class meetings.

This procedure does not provide information that can be confidently generalized to the total population of students, but the data do correlate well with other existing information on student costs and can be regarded as suggestive of the expenses which most students do incur. There were a total of 234 respondents: 57% (133) were men, and 43% (101) were women; 40% (94) were undergraduates, 16% (38) were graduate students, and 44% (102) were professional stu-

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dents. (A special effort was made to obtain information from professional students majoring in law, dentistry and library science.)

In order to estimate total expenses for a student over the 9 month academic year, information was requested on the following possible expenditures:

1. Housing, food and related expenditures:
   Room and board to parents or guardians
   Room and/or board for residence hall
   Aparatment or house rent (total and student's share):
      Non-refundable fees
      Utilities
   Phone
   Food costs (excluding board contract)
2. Medical/Dental
3. Books
4. Equipment, supplies (e.g., art or lab materials, notebook, slide rules)
5. Laundry and cleaning
6. Clothing
7. Entertainment (including weekend trips)
8. Travel (including holidays, and beginning and end of academic year)
9. Expenses related to sorority or fraternity membership not previously reported
10. Household goods and/or personal expenses (e.g., cigarettes, shampoo, paper products, etc.)
11. Babysitting and/or child care
12. Other expenses
13. Transportation:
    Car payments
    Car insurance
    Gasoline and oil
    Car repairs
    Miscellaneous transportation expenses (e.g., bus fare)

Married students were asked to estimate costs for the above items for themselves and their families. If they had children, they were also requested to estimate the dollar amount of their reported expenses that was attributable to each child.

As appropriate cost information was analyzed by student residence, year in college, sex, marital status, commuting distance to USC and by whether or not the student was a dependent. For each expense category (e.g., rent, food, books), an estimate of the cost was made based on the median, mean and standard deviation of the reported costs and on the proportion of students who had incurred that expense. These estimated cost items were then put together in the form of a sample basic budget for each different type of student (Table 1). These basic budgets do not include car and commuting costs. Estimates of transportation expenses are shown in Table 2 and must be added to the basic budgets of those students requiring transportation.

For the 1974–75 academic year the 1972–73 non-tuition expenses were increased by 8.4%, and a tuition of $2910 plus $54 in fees was assumed.[1]

[1] The estimate of an 8.4% increase in non-tuition costs was based on consumer price index forecasts from May 1973 through December 1974 as stated in the "UCLA Business Forecast for 1973 and 1974," UCLA Graduate School of Management, September 1973.

TABLE 1.—ESTIMATED COST OF ATTENDANCE AT USC FOR SEVERAL STUDENT GROUPS (EXCLUDING CAR AND COMMUTING COSTS)

Group	1972-73 academic year				1974-75 academic year			
	Nontuition expenses [1]		Total expenses [2]		Nontuition expenses [1]		Total expenses [2]	
	Men	Women	Men	Women	Men	Women	Men	Women
UNDERGRADUATES								
Residence hall:								
Room and board	$2,517	$2,715	$5,031	$5,229	$2,728	$2,943	$5,692	$5,907
Room only	2,351	2,549	4,865	5,063	2,548	2,763	5,512	5,727
Sorority house		3,099		5,613		3,359		6,323
Undergraduates at home:								
Pay parents something	2,143	2,195	4,657	4,709	2,323	2,379	5,287	5,343
Do not pay parent anything	1,693	1,745	4,207	4,259	1,835	1,892	4,799	4,856
Undergraduates in apartments:								
No roommates	3,101	3,249	5,615	5,763	3,361	3,522	6,325	6,486
With roommates	2,643	2,791	5,157	5,305	2,865	3,025	5,829	5,989
GRADUATES/PROFESSIONALS								
Graduates/professionals at home:								
Pay parents something	1,886	1,702	4,400	4,216	2,044	1,845	5,008	4,809
Do not pay parents anything	1,660	1,476	4,174	3,990	1,799	1,600	4,763	4,564
Graduates/professionals in apartments:								
No roommates	3,102	3,068	5,616	5,582	3,363	3,325	6,327	6,289
With roommates	2,644	2,614	5,158	5,128	2,866	2,834	5,830	5,798

TABLE 2.—ESTIMATES OF CAR AND COMMUTING COSTS FOR USC STUDENTS

Expense/group	1972-73		1973-74	
	Men	Women	Men	Women
Car:				
Undergraduates:				
Car insurance	$380	$280	$412	$304
Gasoline-oil	240	240	260	260
Repairs	160	200	173	217
If commute over 20 mi a day, add	80	100	87	108
Graduates/professionals:				
Car insurance	320	180	347	195
Gasoline-oil	210	290	228	314
Repairs	130	140	141	152
If commute over 20 mi a day, add	80	100	87	108
Other transportation (do not drive to USC)	100	100	108	108

Note: Some students make car payments and this expense should be included when appropriate.

MARRIED STUDENTS

Group	1972-73 academic year		1974-75 academic year	
	Nontuition expenses [1]	Total expenses [2]	Nontutioin expenses [1]	Total expenses [2]
No children	$4,146	$6,660	$4,494	$7,458
With children	5,696	8,210	6,174	9,138

[1] See table 2 for estimates of car and commuting costs.
[2] Total expenses include nontuition (except car and commuting) and tuition and fees (1972-73=$2,514; 1974-75 estimate=$2,964). Laboratory fees are not included.

Note: Add approximate $1,000 more per year for dental students. For married students with more than 2 children, add $1,000 per child.

APPENDIX E

REPORT TO THE MINORITY AFFAIRS COMMISSION—REVISED DRAFT: ANN I. MOREY OFFICE OF INSTITUTIONAL STUDIES

An estimated 3,800 USC undergraduates (38%) are employed on a parttime basis during the academic year, and an additional 1,500 undergraduates will or are seeking occasional employment. A larger proportion of USC students who have applied for financial aid are employed than are non-applicants. As we know, many minority students are financial aid applicants. Some basic statistics are given below.

STUDENTS ATTENDING USC

Fall 1972 group	Percent employed students in group	Percent minority students in group
Continuing USC students denied aid	70	23
Continuing USC students awarded aid	62	30
Firts time USC students awarded aid	53	47
First time USC students denied aid	(1)	24
All USC undergraduates	38	17

[1] Unknown.

The student aid office offers two types of assistance to students seeking employment.

1. *The Work-Study Program* was greatly expanded during 1973/74. Funded by the Department of Health, Education, and Welfare, eligible students are placed in jobs which allow them to maintain their academic responsibilities while paying for the portion of their educational expenses not met by scholarship, loans, or grants. Funds underwrite 70% of the student's wages, while the on-campus or off-campus (being a non-profit, public service organization) employer is responsible for the remaining 30%, thus providing an incentive for such employers to hire students.

Eligible students are those who demonstrate financial need as determined by the student aid office. Students are allowed to earn up to the amount of determined need during the course of the year. Maximum wages for an undergraduate is $2.75 per hour, and for a graduate student $3.50 per hour. Students may not gain academic credit for their employment.

This year, 375 students are already employed with projected earnings of $750,000. With total potential earnings of $1,034,000 under the program, an additional 250-300 students will be placed on the program for the spring.

The program has been highly successful in putting minority students in work-study jobs. In a report filed August 1, 1973 (see attachment) the proportion of work-study student from minority groups (American Indian, Oriental, Spanish surname, and American Negro) constituted nearly half of all students on the program during the academic year 1972-73.

The inclusion of off-campus employers in the work-study program has greatly increased the quality of employment offered. An examination of the current off-campus employers (see attachment) reveals positions available with various government and philanthropic agencies. Such position as research aids, administrative assistance, and teachers' aides are offered. Admittedly, the greater proportion of jobs remain clerical, particularly those on campus, but manual labor positions under the program are practically non-existent.

2. *Regular student employment* (non-work study). While the work-study program has assisted students who are eligible under the program to obtain employment, the majority of employed USC students are ineligible for the program. These students must seek employment through other means. Primarily because the students aid office has offered a limited employment service, few students use the service and are helped by it.

A major deficiency is the identification and recruitment of off-campus jobs. The student aid office presently only lists jobs where the employer has taken the initiative to call the office. Little recruitment of employers is currently being done. A proposal that a full-time staff person be added to carry on this function was not implemented in June, 1973. As a result, there are few job openings listed for students who do not qualify for Work Study. Effective communication between private employers and the university could greatly improve this situation. The lack of available and suitable job opportunities is equally detrimental to all students, regardless of background.

The office of institutional studies conducted an extensive study on student employment. Among the recommendations made on the basis of the results were:

1. The student aid office should greatly expand its employment service for non-work study students. One staff person should have as his/her major responsibilities (a) locating existing part-time job vacancies and (b) generating new employment opportunities through contacts with business and industry, and (c) assisting in the establishment of cooperative educational programs.

2. When the expanded employment service is operational, a "guaranteed student employment" program should be instituted as a possible source of aid for students who are ineligible for work study.

3. All departmental and other university requests for student employees should be channelled through the student aid office.

Current staff. The current staff for the work-study program consists of one supervisor, two counselors, and two secretaries. The myraid of paperwork required to meet Federal guidelines and smooth functioning with the Payroll and Accounting offices, precludes efforts for effective job recruitment with private employers. This is unfortunate, particularly for a student who might find such an experience a springboard into a future career.

Job placement. Students are still expected to do their own follow-up after this office has provided job leads. This experience is valuable in that it acquaints the student with interviewing procedures. It also encourages the student to consider his own qualification and interests in pursuing employment, an essential step in career planning.

RACIAL COMPOSITION [1]

[Student body, fall 1972]

	American Indian		Black		Oriental		Spanish surname	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Undergraduate:								
FT (8,649)	29	0.3	401	5.0	819	9.5	254	3.0
PT (1,107)	2	.2	53	4.8	61	5.5	18	1.6
Total undergrad (9,756)	31	.3	454	4.7	880	9.0	272	2.8
Graduate:								
FT (2,419)	7	.3	176	.3	132	5.5	97	4.0
PT (4,836)	13	.3	213	4.4	153	3.2	113	2.3
Total graduates (7,255)	20	.3	389	5.3	285	3.8	210	2.9
Professional:								
FT (2,053)	2	.1	64	3.1	224	10.9	69	3.4
PT (65)	0		2	3.1	4	6.2	0	
Total professional (2,118)	2	.1	66	3.1	228	10.8	69	3.3
Totals	53		909		1,393		551	
Minorities as percentage of total enrollment of 19,896		0.3		4.6		7.0		2.8

[1] Oata taken from fall 1972 HEW compliance report.

Note: Total foreign student enrollment of 1,474 represents 7.4 percent of total enrollment. Total minority enrollment of 2,906 (excluding foreign students) represents 14.6 percent of total student body (including foreign students). Minority (excluding foreign students) represents 15.8 percent of the total student body (excluding foreign students).

APPENDIX F

[From the Daily Trojan, Feb. 21, 1973]

PRESIDENT NIXON'S NEW BUDGET FUTURE COURSE OF FEDERAL FINANCIAL-AID PROGRAMS FOR STUDENTS

WASHINGTON.—Federal financial-aid programs for college students may be cut back sharply—or increased greatly—if President Nixon's budget proposals are enacted by Congress.

Why the highly contrasting prospects offered for such programs?

The $268.7-billion budget submitted Jan. 29 to Congress does request $622 million for the establishment of the Basic Opportunity Grants Program, a major new financial-aid program.

But, the budget does not include additional funds for the Supplemental Educational Opportunity Grants Program, the National Direct Student Loan Program. It requests $250 million for the College Work-Study Program and $310 million for the Federally Insured Student Loan Program.

If this isn't enough to confuse students, parents and college officials, spending on financial-aid programs for 1974-75 (and also for the current academic year and perhaps years to come) may denpend on the outcome of the impending showdown between the President and Congress over the budget and national priorities.

What does this battle mean for USC? Because of the $240 increase in tuition for 1973-74, making an annual rate of $2,700, large increases or decreases in funds for financial-aid programs may determine whether many students will continue to attend USC—or leave because of the high educational costs.

In December, the Student Aid Office reported that 190 undergraduates were receiving $159,332 in Educational Opportunity Grants for 1972-73, an average of $839 per student, well above the national program average of $600.

Under the National Defense Student Loan Program, 481 undergraduates were receiving $401,099, an average of $834 per student; 185 graduate students were receiving $128,550, or $695 per student. Both figures were above the national program average of $670.

If money for the four major federal financial-aid programs—Supplemental Opportunity Grants Program, College Work-Study Program, National Direct Student Loan Program, and Federally Insured Student Loan Program—were to be suddenly reduced, the university would have no means of providing enough aid to make up for this loss, let alone the necessary extra money to alleviate an increase in student tuition.

Therefore, students in serious financial trouble would probably not be able to stay at USC.

On the other hand, if additional federal money were made available, perhaps students would be able to continue—or start at the university.

Two different situations concerning federal education programs are involved here, one affecting the current year's spending and the other affecting the 1973-74 programs and possibly beyond.

No one here really knows whether the budget proposals for 1973-74 will represent an increase or a decrease in spending on financial-aid programs, because it is not yet known how much will be available for 1973-74.

Ordinarily, the Office of Education, the agency of the U.S. Department of Health, Education and Welfare that administers these programs, would have known by June 30, 1972, how much money would be available for these programs in 1973-74.

Congress twice appropriated money for the department's operations, but President Nixon twice vetoed the bills, saying more money was allocated than he originally recommended. Congress is expected to try again with another money bill.

The spending figures projected for the Office of Education are based on revised 1973 expenditures, one supplemental money bill already enacted and another the administration hopes Congress will consider soon, and the budget proposals for 1973–74.

Congress may again try to appropriate more money for financial aid than the President would like to spend, if only because the total of requests from colleges for more money are simply more than the actual funds available in the current budget.

Will the budget, then, increase or decrease money for financial-aid programs?

It can be argued it will increase greatly funds for such programs, because the administration has asked Congress for $622 million for 1973–74 to establish the Basic Opportunity Grants Program, authorized in the Education Amendments of 1972.

Under this program, anyone who wants to attend college may get up to $1,400 from the federal government, minus the contributions he and his family can make toward his college education.

Congress is considering the regulations under which grants may be made.

On the other hand, it can be argued the budget will substantially decrease student financial aid, because the administration failed to ask for additional funds for the Supplemental Educational Opportunity Grants Program and Direct Student Loan Program.

This action, it is claimed, violates the provisions of the Education Amendments of 1972, because the law says that before any money can be allocated for the Basic Opportunity Grants Program, current programs must be funded at previous levels or better.

At least $130.1 million must be allocated for the Supplemental Educational Opportunity Grants Program, the law says; $237.4 million for the College Work-Study Program; $286 million for the National Defense Student Loan Program.

Figures of the President's Office of Management and Budget show that for 1971–72, these programs were funded well above these limits.

In fact, Congress authorized $18.5 billion over a three-year period for aid to higher education in the 1972 act, though not all of this was allocated for student aid. However, Congress did not appropriate any of this money.

Congress authorized $170 million for the Supplemental Educational Opportunity Grants Program for 1971–72, and $200 million in each of the next three years. It authorized $330 million for the College Work-Study Program, and increases of $30 million annually for the next three years.

Large sums were also authorized for the National Direct Student Loan Program. $375 million in 1971-72, and $400 million in each of the next three years, and the Federally Insured Student Loan Program, $1.4 billion for 1971–72, and increases of $200 million annually for the next three years.

In addition to the large increases in current programs and the establishment of the Basic Opportunity Grants Programs, the 1972 act also authorized funds for student-incentive grants by states that do not have such programs. California, however, already has such a program, and would not be eligible for the $150 million Congress has authorized for such grants over a three-year period.

Furthermore, the 1972 act establishes the Student Loan Marketing Association, a government-sponsored private corporation that will serve as a secondary market for student loans. It will be financed by private funds, but Congress has authorized $5 million for the secretary of health, education and welfare to help establish the organization.

Perhaps the Nixon administration, in its efforts to control federal spending, hopes the funds provided under the Basic Opportunity Grants Program will replace those under the Supplemental Educational Opportunity Grants Program, established by the Higher Education Act of 1965.

In addition, perhaps the administration hopes that once the Student Loan Marketing Association is in full operation, the association's resources, together with those of the Federally Insured Student Loan Program, will meet the needs now partly served by the National Direct Student Loan Program.

The Federally Insured Student Loan Program, established by the Higher Education Act of 1965, is administered by private and state lending agencies, while the National Direct Student Loan Program, created by the National Defense Education Act of 1958, is administered by educational institutions.

Congress may try to appropriate more money for financial-aid programs than the President wants to spend.

If the president's planned cuts in two programs stand, Congress will be accepting presidential priorities in the budget—an action it will probably not take, at least judging from early indications from both Democratic and Republican congressional leaders.

But if Congress increases student aid funds, the President may veto money bills or impound the funds, no matter what Congress does.

Whether Congress will accept President Nixon's budget recommendations is a question of where federal money should be spent.

The outcome of that struggle will have an immediate impact on student aid as well as other programs—and on USC students.

[From the Daily Trojan, Apr. 10, 1973]

FATE OF STUDENT AID HINGES ON BUDGET BATTLE

WASHINGTON—The amount of money for federal student aid programs in 1973–74 will depend largely on the outcome of the battle between President Nixon and Congress over budget priorities.

In this case, at least, it appears that President Nixon holds the upper hand, much to the dismay of those in Congress who support full funding for all education programs.

If Congress approves the amounts required by the Education Amendments of 1972, well above the administration's budget requests, the President may veto the appropriations bill for the Department of Health, Education and Welfare, in which student aid money would be included.

President Nixon has vetoed education appropriations bills before, so he will no doubt veto any bill he believes will allocate more money than he originally recommended in his budget.

Even if Congress overrides a Presidential veto of education money—and it has done this before, by margins far above the required two-thirds majority—Nixon could impound the money he does not want spent by orders to Roy L. Ash, director of the Office of Management and Budget.

If the Nixon administration's impoundment procedures do not work—since the executive's power to impound money is not absolutely clear under the Constitution, the President could lose this fight, too—it can always rely on Caspar W. Weinberger, the HEW secretary.

Weinberger, nicknamed "Cap the Knife" because of his budget-cutting reputation as Gov. Ronald Reagan's finance director and later as Nixon's director of the Office of Management and Budget, has pledged to hold down expenditures in his department.

Any money the Nixon administration did not ask for in the 1973–74 budget would presumably be considered excessive under Weinberger's pledge, including extra student aid money.

However, Congress does have one strong argument against the Nixon administration it can use in the battle over student aid programs: The President's budget request in this category for 1973–74 and his request for a supplemental appropriations bill for 1972–73 violate the law.

Senators and Representatives will not let the Nixon administration forget, either.

President Nixon asked for $622 million to establish the Basic Opportunity Grants Program, authorized by the Education Amendments of 1972. The money was requested in the 1972–73 supplemental appropriations bill, but it will not be spent until the 1973–74 academic year.

However, before any money can be allocated for that program, the Education Amendments of 1972 say three current programs must be funded at minimum levels.

On these minimum standards, the Nixon administration's budget requests fail in two of three instances.

At least $130.1 million must be allocated for the current Educational Opportunity Grants Program, the law says. However, this program, which is renamed the Supplemental Opportunity Grants Program, would receive nothing in 1973–74 under Nixon's budget requests.

At least $286 million must be allocated for the National Direct Student Loan Program, which is administered by educational institutions. This program was created by the National Defense Education Act of 1958 and was renamed in 1969.

Here again, the Nixon budget fails to meet the law, for it requests nothing for this program in 1973–74.

Only the College Work-Study Program request for 1973–74 meets the standard of the Education Amendments of 1972, for President Nixon asks for $250 million, just above the minimum of $237.4 million.

The Nixon administration did ask for a $95-million increase in the Federally Insured Student Loan Program, to $310 million in 1973–74. However, the Education Amendments of 1972 do not require any minimum allocation of funds for this program.

Members of Congress have sharply criticized the Nixon administration for ignoring the 1972 law and failing to include money for the Supplemental Opportunity Grants Program and the National Direct Student Loan Program.

"The budget submission violates the law, and we cannot allow this to stand," Rep. Carl D. Perkins (D-Ky.), chairman of the House Education and Labor Committee, said.

Rep. John Brademas (D-Ind.), chairman of the House education subcommittee on special programs, agreed, describing Nixon's student aid budget request as "one more willful expression of contempt for the Congressional intent."

HEW officials have defended the administration's budget request. Acting Commissioner of Education John R. Ottina said the budget request includes an appeal to Congress to reconsider the provisions of the Education Amendments of 1972 that require funding of current programs at minimum levels.

This could be done, he said, by inserting language in the supplemental appropriations bill for 1972–73 that would allow the Basic Opportunity Grants Program to be funded at $622 million despite the requirements of 1972 law.

Rep. James G. O'Hara (D–Mich.), chairman of the House subcommittee on higher education, urged Congress to ignore the Nixon administration's request to bypass the 1972 law.

"Let us obey the law the way we wrote the law, and let us turn down the request of the administration that it be granted amnesty from observing a law which it finds uncomfortable to live with." O'Hara told the House HEW-Labor appropriations subcommittee.

HEW Secretary Weinberger, however, told the same subcommittee the Nixon student-aid budget proposals "will strengthen individual choice."

With the proposed special revenue-sharing program for elementary and secondary education, he said it is "a significant part of our effort to move power and decision-making away from the federal government in Washington."

Sen. Warren G. Magnuson (D-Wash.) and Sen. Clifford P. Case (R-N.J.), the second-ranking minority member on the Senate Appropriations subcommittee for Labor-HEW programs have urged the Nixon administration to provide the supplemental opportunity grants program with $130 million to meet the requirements of the education amendments of 1972.

Since he asked for the supplemental bill, Nixon is not likely to veto it or impound the money.

The Nixon administration's student aid programs for 1973–74 total $1.2 billion, without money for the Supplemental Opportunity Grants Program and the National Direct Student Loan Program Congress would like to appropriate at least $1.6 billion. including money for the two programs above.

But which side will prevail in this part of the budget battle has yet to be known. The opportunities for millions of college students, though, are in the balance.

[From the Daily Trojan, Apr. 25, 1973]

Congress Approves Supplemental Bill for Federal Student Aid Funds

Washington.—Congress has approved a supplemental appropriations bill that will provide $872 million in federal student aid funds for 1973–74.

The measure also provides for an extra $468 million in veterans' education and training benefits.

Although the student aid money is allocated in a different manner than he originally asked, President Nixon is expected, with some reluctance, to sign the bill into law, or at least let it become law without his signature.

He is not expected to veto the bill because it would further delay money for federal student aid programs.

Colleges and universities across the nation, including USC, have started to accept students for the coming academic year and must know how much money will be available from the federal government, so that their financial aid officers can tell new as well as current students how much money they can expect.

Furthermore, the President will probably not veto the bill because it includes veterans' benefits, and because the student aid money he asked for in the supplemental appropriations bill is the total he originally requested—and not a higher one.

The $872 million as approved by Congress is allocated mostly for a current programs and not for the new Basic Opportunity Grants Program, for which Mr. Nixon had sought most of the money.

The bill provides $210.3 million for the Supplemental Opportunity Grants Program (formerly the Educational Opportunity Grants Program), $270.2 million for the College Work-Study Program, $269.4 million for the National Direct Student Loan Program. With carryover funds, the direct loan program will have a total of $293 million for 1973–74.

Only $122.1 million is allocated for the basic grants program, authorized by the Education Amendments of 1972.

President Nixon, in his request Jan. 29 to Congress for a supplemental appropriations bill, had asked $622 million for the basic grants program, $250 million for the work-study program, but no money for the other programs.

The student-aid money bill was to have been reported out of the House Appropriations Committee in May, but in a surprise move April 12, the $872 million was added to an urgent supplemental appropriations bill containing $468 million for veterans' benefits and $26.8 million for airline mail subsidies.

The appropriations bill is technically for the fiscal year ending July 1, but the money will not be spent until 1973–74, because student aid programs are put on a forward-funding basis.

That is, money for student aid is allocated long before it is actually spent, so that financial aid officers will know what they can expect from the federal government.

However, Congress has delayed action on these programs until the last minute, and sometimes beyond that, so that financial officers, students and parents are left waiting for months before they can make their plans for the next academic year.

The bill this year came late, though, because President Nixon has twice vetoed appropriations bills for HEW that contained student aid money. Congress passed appropriations that were well above Mr. Nixon's original request.

Congress was forced to pass supplemental appropriations bills to keep HEW programs operating.

Yet to come is the battle over the President's student aid budget for the fiscal year starting July 1 or fiscal year 1974. The money in this budget, although allocated in 1973–74, will be spent by the colleges and universities in 1974–75.

President Nixon has asked for $959 million for the basic grants program, $250 million for the work-study program, $5 million for direct loans, and $310 million for the Federally Insured Student Loan Program, or the guaranteed loan program.

He asked for nothing for the supplemental grants program.

Again, Congress will challenge the presidential proposal on the basis of the Education Amendments of 1972 and the requirement for financing current programs.

[From the Daily Trojan, Apr. 27, 1973]

STUDENT GRANT PROGRAM CAUGHT IN CONGRESS, WHITE HOUSE CONFLICT

WASHINGTON.—The Basic Opportunity Grants program may be dead for the 1973–74 academic year, or at least it is off to a slow start.

President Nixon requested $622 million to start the program, but Congress provided only $122.1 million for the 1973–74 school year.

Congress has yet to approve regulations for the program as authorized by the Education Amendment of 1972.

The regulations were submitted Feb. 1 by the Department of Health, Education and Welfare. Several members of Congress have criticized the regulations on the grounds that they would discriminate against students whose parents are small-business owners or farmers.

Neither the House nor the Senate has adopted a resolution disapproving the proposed regulations, even though such a resolution had been proposed April 3 by the House Special Subcommittee on Education.

Subcommittee Chairman, James G. O'Hara (D-Mich.) instead sent a letter to John R. Ottina, acting U.S. commissioner of education, asking him to revise the regulations to solve this problem in time for next year.

O'Hara also asked Ottina to submit next year's proposed regulations earlier than the legal deadline, which is Feb. 1, 1974.

The Senate Subcommittee on Education held a hearing on the regulations Feb. 22, but has taken no further action.

Under the 1972 law, Congress has until May 1 each year to disapprove the regulations offered by the department for the program, which provides for grants of up to $1,400 minus the student's expected family contribution.

Sen. Claiborne Pell (D-R.I.), chairman of the Senate Subcommittee on Education and originator of the basic grants program, proposed an amendment to limit grants of 1973–74 to first-time, full-time students, because of the low funding.

Pell suggested the amendment because he said that if the $122.1 million were distributed to all students, the average grants would be $80.

Limiting the funds to first-time, full-time students, he said, would provide substantial help to fewer students.

Pell's amendment to House Joint Resolution 393, approved April 18 by the Senate, extends the life of the National Commission on Financing of Postsecondary Education to mid-1974. Under present law, the commission is scheduled to disband April 30.

The resolution was sent to a House-Senate conference committee, which will meet after Congress returns from its Easter recess.

[From the Daily Trojan, Oct. 5, 1973]

Cut in Federal Aid Feared by Director

Although university-controlled student aid funds are at their highest level ever—nearly double that of last year—the director of the Student Aid Office fears that changes in federal programs may cause USC to lose such funds next year.

About $9.7 million is controlled by the university for student aid this year, compared with $5.7 million last year.

But Pamela Walbom, director of the Student Aid Office, said most of the $4 million increase came from federal student-aid programs—and that if the Nixon administration were successful in its proposed changes, USC stands to lose a great deal of that increase.

"We are greatly concerned about the Nixon administration's proposed changes," she said. "We would have no resources to help those affected by the elimination of federal student-aid programs."

The Nixon Administration's fiscal 1974 budget proposes the elimination of two programs, the Supplementary Educational Opportunity Grants Program for low-income students, and the National Direct Student Loan Program.

In January, the Nixon administration asked Congress to end the programs as of July 1, which would have meant that no more new money would have been available after this academic year.

However, the administration's move failed in Congress "because of congressional anger after Watergate," Walbom said.

Congress voted out a bill, reluctantly signed by President Nixon, that largely continued current programs and under-funded the administration's new program, during the spring. The total appropriation was $872 million.

The university received more than $250.000 from the former Educational Opportunity Grants Program. It now receives more than $500,000 from the successor program of supplemental grants.

National Direct Student Loans more than doubled, from $1.4 million last year to $3 million.

The college Work-Study Program, under which students may work part-time with federal support, had a similar increase, from $450,000 to $1 million.

But the Basic Opportunity Grants Program, established under the Education Amendments of 1972, offered only $45,000 to the university.

"That program can't possibly be fully operative, at least for another few years," Walbom said.

Congress allocated only $122 million nationwide to the basic grants program.

Why such large increases in federal funds? "We applied for more funds than we did last year—and we were able to document to the government our need for such funds," the director said.

Walbom was assisted by James R. Appleton, vice-president for student affairs, in obtaining additional federal aid.

[From the Daily Trojan, Oct. 9, 1973]

Financial Aid Is Linked With Admissions Policy

Because the admission of the brightest, most talented students was one of USC's major concerns under its Master Plan of the 1960's, the availability of financial aid was also a top priority, too.

Although tuition in 1961 was only $900 a year, compared with $2,700 currently, most officials recognized that if USC students were to represent a wide range of economic, geographical, and racial backgrounds, the university would have to assist those most in need of financial aid—no matter what tuition was.

A report to the University Planning Commission, the group appointed by President Norman Topping in 1958 to develop the Master Plan, described the need for student financial aid as it related to admissions policies.

The report, Student Life and Student Services, 1966–80, issued in March, 1967, said:

"For a university to assure itself of a student body which is capable of profiting from its program, it must find ways to enable students from many walks of life to enroll, as ability and potential in young people are not distributed according to the socioeconomic level of their families.

"The provision of a financial aid program for students whose financial resources fall short of meeting the costs of private higher education affirms the belief that qualities sought in students are to be found in every social, racial and economic level of society.

"When possible. students should be accepted for college-level study on the quality of their achievement, their future promise. and their character.

"Financial assistance to those who have problems in meeting educational costs should be a next consideration."

However, until 1961, USC did not even have an office to administer financial assistance.

Scholarships—the few that existed—were handled by the Admissions Office and the Business Office. Loans were made by the Business Office.

Part-time jobs were arranged by the Vocational Placement Bureau (predecessor of the Career Planning and Placement Center), which sought full-time jobs for graduates.

But the demand for more student financial aid and the increased availability of money for it led to the establishment of the Student Aid Office in 1961.

The demand for aid came from the growing numbers of students from low and middle-income families at USC and other universities across the nation. Once, college was merely for those who could afford it without help—but no more.

"On the undergraduate level, a vastly increasing proportion of the population looks upon a college education as essential to personal development and advancement." the 1967 report said. describing the trends of the 1960s.

"As society grows more complex and the responsibility of its individual members increases, a broader base of access to higher education is indicated for those who demonstrate the motivation to achieve it and the capacity to benefit from it."

The increased availability of such aid was caused in part by the generosity of donors and by the university's own efforts, but mainly by the state and federal governments.

After World War II. the federal government helped finance the college education of millions of veterans—including many at USC—through what became known as the GI Bill of Rights. Such benefits were later extended to other veterans.

This was actually the Serviceman's Readjustment Act of 1944.

But not until the Soviet Union launched Sputnik I in October, 1957. did the federal government identify higher education as a national priority.

Under the National Defense Education Act of 1958. the first of the federal financial-aid programs—the National Defense Student Loan Program—was established. Others soon followed.

Nevertheless, when Florence Scruggs was named as the first director of the Student Aid Office in 1961, USC had less than $500,000 to administer in financial aid—and no guidelines.

"When we established the Office of Student Aid at USC, there were virtually no precedents. We had to make our own rules and regulations," she said in an interview in June, 1970, shortly after her retirement.

By the time she retired. the office was administering about $11 million. (It is $17 million today.)

Because the availability of financial aid is tied so closely with admissions policies, the university made the acquisition of additional aid one of its five fund-raising goals in A Priority for the 70s.

When the Board of Trustees considered the statement of goals for A Priority for the 70s, the program of academic improvements in this decade, financial aid was mentioned.

The board's Academic Affairs Committee, in a preliminary resolution issued Feb. 19, 1970, said, "Such (undergraduate) programs must be supported by expanded scholarship funds, both restricted and unrestricted."

Although this sentence was deleted from the final statement approved by the board April 30, 1970, the fund-raising goal of an additional $1.5 million for scholarships, fellowships, loans and work-study programs was confirmed.

What has happened since 1970?

President John R. Hubbard said in an interview in fall, 1972, that A Priority for the 70s, approved under Topping's administration, was an interim step toward a comprehensive fund-raising plan for the 100th anniversary of the university in 1980.

Such a fund-raising plan is still under development by planning committees. It is not known whether student financial aid will remain one of the top goals.

However, at least two university panels have called on the administration to take such action.

"We believe that both the quality and quantity of financial aid plays an important role in recruitment and retention of students, and that the efficient administration of existing resources and the generation of new resources should be one of the major goals of the university," the Student Aid Committee said in a special report in June, 1972.

Hubbard's Commission on Student Life, in its report of September, 1972, endorsed the committee's report:

"We recommend that the university exert every possible effort to implement immediately the recommendations . . . because we feel there is no more critical priority than adequate student aid funds and the most efficient administrative offices to counsel students and process these funds."

[From the Daily Trojan, Oct. 9, 1973]

Study Shows Student Body Not Dominated by Wealthy

USC is dominated by students from wealthy families, it has been said, but this does not appear to be so, if a university survey is an accurate indicator.

In a sample of 1971 entering freshmen, polled by the Office of Institutional Studies, 26% have parents with total income under $10,000.

This percentage is higher than the average in this group (18%) for private universities throughout the nation, as determined by the American Council on Education in fall, 1971.

On the other hand, USC attracts more freshmen with parental income over $30,000 (23%) than the average private university (21%) or any university (10%).

Furthermore, only 17% of the entering freshmen had parents with total income between $10.000 and $15,000, as compared with 25% in private universities and 32% in all American universities.

More evidence of socioeconomy diversity in the student body can be found when the occupations of students' fathers are classified.

A slight majority of the student sample (51%) had fathers in professional managerial occupations ;other fathers (23%) are in such semi-professional occupations as small business.

But 16% of the students had fathers as skilled, semi-skilled or general laborers.

Still more evidence of student diversity can be indicated in parents' educational background.

Nearly half the fathers (45%) and 25% of the mothers hold at least a bachelor's degree. On the other hand, 12% of the fathers and 10% of the mothers did not graduate from high school.

Because economic backgrounds of students differ so much, the cost of attending USC is high for many students and parents.

"For almost all of these students there are numerous less expensive, less difficult, alternative universities or colleges to attend," Rosemary Cliff of the Office of Institutional Studies wrote in a survey of sophomores in spring, 1971.

"Their attendance at USC represents a definite commitment worthy of some degree of personal and family sacrifice."

In a survey of student employment in 1972, 38% of the sample held part-time jobs—and 15% sought them.

The cost of USC was cited as the most important single factor in the departure of some freshmen in the 1970 entering class.

In a study of freshman attitudes issued by the Office of Institutional Studies in April, 1972:

"This (cost) . . . ranged from absolute inability to provide the finances to an evaluation that value received was not worth the price—especially at the lower-division level."

President John R. Hubbard's Commission on Student Life, in its report of September, 1972, recognized the financial problem for many families.

"The high cost of education has made it increasingly difficult for all students to afford to attend a private university such as USC," the report said.

"Because the increasing tuition costs work a special hardship on students from a more modest socioeconomic background, the commission is much concerned with the university's capacity to provide adequate financial aid to students who need it.

"We are aware that there are difficult implications of an admissions policy which, by default, is determined primarily by a student's ability to pay for the entire cost of his education."

[From the Daily Trojan, Oct. 16, 1973]

STUDENT AID BECAME A FEDERAL PRIORITY

Federal financial aid has made it possible for many students to attend USC and other universities, and therein lies a dilemma for the university.

Although such funds help to diversify its student body by allowing students from many economic and racial backgrounds to attend USC, such funds also require the university to comply with numerous federal regulations, depriving it of some of its autonomy.

A chapter of *Student Life and Student Services, 1966–80*, a report to the University Planning Commission in March, 1967, summarized the impact of such programs.

"The impact of recent federal programs on the whole field of financial assistance to students in colleges and universities has been revolutionary," the report said.

"The relative independence formerly enjoyed by institutions in administering their own aid programs has shifted to a kind of junior partnership with the government, which controls the use of large sums of money.

"Previously most private institutions selected recipients of undergraduate scholarships from exceptionally bright applicants . . . The new government programs focus on able students who are eligible for admission to a college and whose family resources are inadequate for their education."

Federal aid to education is not new—it dates back to 1787, when the Northwest Ordinance required land grants in support of public education.

But in the wake of the Soviet Union's launch of Sputnik I in October, 1957, the United States government declared higher education a top national priority.

In his State of the Union message of Jan. 9, 1958, President Dwight D. Eisenhower asked for what was to become the National Defense Education Act.

"In the area of education and research, I recommend a balanced program to improve our resources, involving an investment of about a billion dollars over a four-year period." Eisenhower told Congress.

"This involves new activities by the Department of Health, Education and Welfare designed principally to encourage improved teaching quality and student opportunities in the interests of national security."

Eisenhower and the nation perceived a Soviet threat, and in a special message on education Jan. 27, 1958, he explained the role of higher education in meeting the crisis.

"But if we are to maintain a position of leadership, we must see to it that today's young people are prepared to contribute the maximum to our future progress." he told Congress.

"Because of the growing importance of science and technology, we must necessarily give special—but by no means exclusive—attention in science and engineering."

Eisenhower proposed a program of federal scholarships for high school graduates who lacked financial means to go to college—10,000 per year, reaching 40,000 by the fourth year.

However, the bill, as passed by Congress, did not provide for any scholarships. Instead, it provided for a loan fund—the National Defense Student Loan Program. The name of the program was changed to the National Direct Student Loan Program in 1969.

Nonetheless, Eisenhower signed the bill into law Sept. 2, 1958, seven months after its introduction.

The next major federal student-aid program actually was proposed under President Lyndon B. Johnson's War on Poverty in 1964.

In asking for what was to become the Economic Opportunity Act of 1964, LBJ included the College Work-Study Program.

"There is no more senseless waste than the waste of the brainpower and skill of those who are kept from college by economic circumstance," Johnson said March 16, 1964, in a special message to Congress.

"Under this program they will, in a great American tradition, be able to work their way through school. They and the country will be richer for it."

Johnson proposed to provide full-time and part-time students workers for such nonprofit organizations as hospitals, playgrounds, libraries and settlement houses.

In January, 1965, LBJ proposed not only an expansion of the work-study program, but also a college scholarship program for needy high school graduates and guaranteed low-interest loans for college students.

"Higher education is no longer a luxury, but a necessity," he said Jan. 12, 1965, in a special message to Congress.

He proposed what was to become the Educational Opportunity Grants Program.

"For many young people from poor families, loans are not enough to open the way to higher education," he said.

"Under this program, a special effort will be made to identify needy students of promise early in their high school careers. The scholarship will serve as a building block . . . so that the needy student can chart his own course in higher studies."

He also proposed what was to become the Federally Insured Student Loan Program.

"We should assure greater availability of private credit on reasonable terms and conditions," he said.

"This can best be done by paying part of the interest cost of guaranteed loans made by private lenders—a more effective, fairer and less costly way of providing assistance than the various tax-credit devices which have been proposed."

Both programs were enacted under the Higher Education Act of 1965, which LBJ signed Nov. 8, 1965, at Southwest Texas State College, his alma mater.

Besides such general programs, the federal government established student-aid programs in the 1960s to fill needs in what it considered to be two critical areas—health care and law enforcement.

On Sept. 24, 1963, President John F. Kennedy signed into law the Health Professions Educational Assistance Act, which, among other things, provided loans to students in medicine, dentistry, nursing, and other related fields.

In 1965, JFK's successor asked for a scholarship program in health-care training.

"Traditionally, our medical profession has attracted outstanding young talent and we must be certain that this tradition is not compromised," LBJ said Jan. 7, 1965, in a special message to Congress.

"The high costs of medical school must not deny access to the medical profession for able youths from low- and middle-income families."

On Oct. 22, 1965, LBJ signed the Health Professions Educational Assistance Amendments into law.

As for law enforcement needs, Johnson proposed a grants program in February, 1967, as part of his recommendations to Congress based on the report of his Commission on Law Enforcement and the Administration of Justice.

The Law Enforcement Education Program was part of the Omnibus Crime Control and Safe Streets Act that LBJ signed June 19, 1968.

However, even the federal student-aid programs of the 1960s were not enough to achieve what President Nixon desired.

"No qualified student who wants to go to college should be barred by lack of money. That has long been a great American goal; I propose that we achieve it now," Nixon declared March 19. 1970, in a special message to Congress.

He proposed measures to increase federal aid to the neediest students and the establishment of a national student loan association to make more money available for college loans.

On Feb. 22, 1971, he prodded Congress to act on his proposals, for "existing legislative authority for the basic federal higher education programs expires at the current fiscal year."

It was not until June 23. 1972, however, that President Nixon signed the Education Amendments of 1972, which extended all current programs and established the Basic Opportunity Grants Program and the Student Loan Marketing Association.

The basic-grants program offered students up to $1,400 annually toward college costs, minus the expected family contribution.

[From the Daily Trojan, Oct. 24, 1973]

NIXON-CONGRESS BATTLE MAY STALL STUDENT AID

Because of USC's dependence on federal funds as the major source of financial aid for students, the director of the Student Aid Office is worried, especially this year.

Pamela Walbom, the director, fears that if the Nixon administration continues its attempts to abolish two major student-aid programs in definance of congressional intent, "it's going to be another one of those years."

That can mean only bad news for students. Financial-aid funds for the 1974–75 academic year could again be delayed because of another confrontation between President Nixon and Congress over the amount of funds and which programs they should go to.

If this happens, financial aid officers will not be able to inform both current and entering students of how much they can expect for next year. Students, parents and university officials will again face confusion and last-minute worries.

Because another increase in tuition is possible for 1974–75, the question of federal student aid becomes even more critical to the university.

"There's no question the federal aid will again be our major resource," Walbom said in an interview. "But it's a cause for tremendous frustration, because control of the funds is not wholly within the university."

Student-aid funds at the discretion of the university total $9.7 million this year. as opposed to $5.7 million in 1972–73. However, nearly all of the increase came from additional federal support.

The budget confrontation may come sooner than expected.

The Senate passed Oct. 4 an appropriations bill of $33.4 billion for the Departments of Labor and Health, Education, and Welfare. This is $1.8 billion more than President Nixon requested in his budget.

The money, although included as part of the 1973–74 budget, will be spent in 1974–75.

Of the increase $1.1 billion is for education programs, including student aid.

The Senate version contains $600 million more than the bill passed by the House. The differences must be resolved in a House-Senate conference committee, and a bill is expected to be sent soon to President Nixon, following final approval by both houses.

The bill was sent to conference Oct. 9.

However, even a compromise version would probably appropriate more money than Nixon wants spent—and could well invite his veto. Nixon has vetoed HEW-Labor appropriations bills five times.

On the other hand. Congress has overridden such vetoes before by the required two-thirds majority, because education programs have had broad congressional support.

Because President Nixon is curently in deep trouble. he is unlikely to force a test of his remaining strength in Congress by vetoing this bill.

He has not had a veto overridden by Congress this year, but he might lose this test—and suffer greatly.

If he decides to sign a budget-breaking bill and impound the extra money instead, he faces the anger of not only members of Congress but educators—and possibly could lose in the courts.

If Nixon decides to fight Congress on this issue. it could take several months. If the veto is sustained, college financial-aid officers, students and parents would have to wait until a compromise is reached.

As it tried to do for this academic year, the Nixon administration seeks the abolition in 1974–75 of the National Direct (formerly Defense) Student Loan Program and the Supplemental Educational Opportunity Grants Program.

USC students receive an estimated $3 million in direct loans this year, as opposed to $1.4 million last year. They are getting more than $500,000 in supplemental grants this year, as opposed to $250,000 last year.

The Nixon administration, in a 1973 supplemental appropriations request Jan. 29, had asked nothing for these two programs for the 1973–74 academic year.

Had Congress complied, no supplemental grants would have been awarded this year, and direct loans would have been limited to the amount USC receives each year in repayments from its graduates.

Congress, however, allocated in the spring $210.3 million nationally for supplemental grants and $269.4 million for new direct loans. With carryover funds, direct-loan funds totaled $293 million.

The Nixon request in the 1973–74 budget for the 1974–75 academic year, also made Jan. 29, was only $5 million for direct loans and nothing for supplemental grants.

However, Congress is again expected to reject the President's requests and continue the two programs, which are specifically aimed at helping students from low-income families.

The administration's requests emphasize full funding of the Basic Opportunity Grants Program, established by the Education Amendments of 1972, and the Federally Insured Student Loan Program.

For the 1973–74 academic year, Nixon asked for $622 million for basic grants and $310 million for insured loans.

He got what he wanted for insured loans, but only $122.1 million for basic grants, because of the congressional refusal to alter program priorities.

This meant that no student was able to get the maximum of $1,400 in a basic grant (minus the expected family contribution) because the program was so underfunded. The maximum, instead, was $450.

USC students received only $45,000 under this program for 1973–74.

"That program can't possibly be fully operative at least for another few years." Walbom said.

Walbom had her doubts about the availability of insured loans, since such loans are determined by banks and other lending institutions, unlike other federal programs, under which colleges themselves make the judgments.

Although the Student Aid Office is required to analyze the student's financial statement for need, determine the amount he will receive. and whether he pays interest from the date of the loan, the banks decide the actual loan.

"I'm not sure the bankers are willing to lend any more money to students at this time," Walbom said. On the East Coast and in Northern California, she said, banks are becoming more unwilling to grant such loans.

"The university itself could become a lending institution, but that would be terribly expensive as far as administrative costs are concerned." she said.

The director has discussed this possibility with James R. Appleton, vice-president for student affairs, but she is not enthusiastic about it.

Insured loans carry an interest rate of 7%; direct loans, 3%. This is why many in Congress oppose the abolition of the direct-loan program.

Nixon and Congress seem to agree on the College Work-Study Program. For 1973–74, Nixon asked for $250 million; Congress approved $270.2 million. For 1974–75, Nixon again asked $250 million; Congress is likely to approve a higher amount.

USC students under this program got a little more than $450,000 in 1972–73 and more than $1 million this year.

The direct-loan program and supplemental-grants program are designed especially to help students from low-income families. The insured-loan program and basic-grants program are designed to help all students.

Direct loans and supplemental grants are determined by the colleges themselve. but insured loans and basic grants are not.

The shift that the Nixon administration seeks in student-aid programs is directed toward their decentralization from colleges and ultimately, form the federal government, which has to monitor them—to a free-market model.

But the Education Amendments of 1972, the basic law authorizing student-aid programs. requires that supplemental grants and direct loans, Nixon is study program be funded at specified minimum levels before basic grants can get any money.

Congressional critics say that in asking for no supplemental grants and direct loans, Nixon is violating requirements of the 1972 law.

Though the Nixon administration has requested repeal of the minimum funding rules. Congress has refused to do so.

"We are greatly concerned about the Nixon administration's proposed changes," Walbom said in an interview.

"We would have no resources to help those affected by the elimination of Federal student-aid programs."

This brings to mind the goal of $1.5 million for scholarships under A Priority for the 70s, the university's plan for academic improvement in this decade. Can USC put itself into a better position to aid students without total federal dependence?

[From the Daily Trojan, Oct. 29, 1973]

IS USC'S STUDENT AID ENOUGH?

If its federal funds were to disappear tomorrow, USC would have difficulty in providing financial aid to students because its own funds are relatively low.

This is why, in part, the university's plan for academic improvements in this decade—A Priority for the 70s—placed the acquisition of an additional $1.5 million for scholarships, fellowships, loans and work-study programs as the top fund-raising goal.

What has happened since the plan was approved by the Board of Trustees in April, 1970, under President Norman Topping's administration?

President John R. Hubbard has said the plan was only a preliminary step toward a comprehensive fund-raising drive to coincide with the university's 100th anniversay in 1980.

However, no specific plan to replace A Priority for the 70s has yet been approved.

Some figures provided by the Association of Independent California Colleges and Universities indicate just how badly USC needs more of its own student-aid funds—and how much it currently depends on federal programs.

Major differences are apparent when USC and Stanford University are compared.

The association's figures show that Stanford students got more than $5.5 million in university student-aid funds for 1972–73, as compared with the slightly more than $1.1 million received by USC students.

These funds were for scholarships, regular loans and short-term emergency loans.

Stanford University offered nearly $5.2 million in university scholarships alone last year, as compared to USC's $775,000.

The figures, based on those reported to the association by the colleges themselves, thus show that Stanford University has more institutional funds than USC has.

As far as agency and donor scholarships are concerned, USC has a slight edge over Stanford.

USC also has an edge in winners of California state scholarships. Last year, the number of such scholars was about 1,700, the Student Aid Office reported. The maximum then was $2,000 per year. This year the number of USC recipients has risen to about 2,200, and the maximum now is $2,200 per year.

Next year, the maximum award by the state will be $2,500.

Stanford's total of state scholarship winners was 925 for 1972–73. They qualified for about $1.5 million in state aid.

On the other hand, USC students get far more federal funds than Stanford students.

USC's federal funds for 1972–73, Student Aid Office figures show, totaled $2.1 million. The money came under three programs—Educational Opportunity Grants Program, College Work-Study Program, and National Direct Student Loan Program.

An additional $4 million was made available to USC students though the Federally Insured Student Loan Program. However, banks and other lending institutions—not the Student Aid Office—decide on granting such loans.

For 1973–74, USC will receive $4.6 million in federal funds, including money from the new Basic Opportunity Grants Program as well as the three previous programs, again excluding insured loans.

Stanford University students, on the other hand, got only about $740,000 in federal funds for 1972–73, excluding $450,000 in insured loans.

The university's great advantage in federal funds does not do enough to offset its own relatively low institutional funds, particularly because the university does not have absolute discretion over the use of federal funds.

Yet how much will the university need in the 1970s for its own student-aid funds so that its dependence on the federal government will not be so total?

Clearly, the $1.5 million proposed in A Priority for the 70s for additional scholarships, loans and work-study programs would have helped.

The university's Student Aid Committee, in its special report of June, 1972, urged that the acquisition of student-aid funds be a top priority in fund-raising.

"The University of Southern California has no reason to be satisfied with its program for financial assistance to students," the committee said in its report.

"The amount of available money is not sufficient to meet current needs. While this problem is not unique to USC, it is not clear that the problem ranks high enough in the university's priorities to suggest the situation will improve in the near future unless new effort is expanded in this area."

"The university must acquire new funds. I hope the fund-raisers will make this task one of their priorities," Pamela H. Walbom, director of the Student Aid Office, said in an interview.

Walbom suggested company and minority scholarships as two possibilities for fund-raising targets.

"A great deal of potential exists for company scholarships. The company gives a student, say, $500 or $1,000. In turn, the company could hire the student after graduation. and the student would also be satisfied," she said.

She said minority scholarships are a real possibility for more student-aid funds, "but the fund-raisers have to be willing to try."

Yet how much is enough?

The Student Aid Committee, in its 1972 report to Daniel B. Nowak, then acting vice-president for student affairs, largely sidestepped this question.

"It is unlikely there would ever be enough financial assistance available to please everyone," the committee said.

"We recognize that the administration is beset with a number of other pressing financial needs and is also responsible for deciding the priority assigned to each of these needs in the allocation of university fund-raising efforts. . .

"The committee feels the administration should review its priority for financial aid to students.

"If the aid program is going to play an increasingly important role in the recruitment and retention of students, as we feel it will, it may be appropriate to consider a higher priority for the efficient administration of existing student aid resources, and the generation of new resources.

However, the figure of $1.5 million in A Priority for the 70s appears to be more than just an arbitrary amount.

In *Student Life and Student Services, 1966–80*, a report to the University Planning Commission in March, 1967, the demand for university scholarships was expected to reach $1.5 million by 1975–76, and $2.7 million by 1980–81.

Donor scholarships were expected to reach $1.6 million in 1975–76, and $2.5 million in 1980–81.

The demand for university loan funds was expected to be about $200,000 in 1975–76, and about $240,000 by 1980–81.

"The amount of funds available in university and donor categories should be increased as rapidly as possible in order to reach the support levels projected as needed between now (1967) and 1980–81," the report recommended.

No such projections have been made since the 1967 report.

Without adequate funds of its own, USC will be forced to depend on federal programs for student aid. Such dependence, given the struggles between the Nixon administration and Congress since 1970 over such programs, would be dangerous.

[From the Daily Trojan, Oct. 31, 1973]

DANGEROUS DEPENDENCE

The university's dependence on the federal government for student financial aid can be dangerous in the long run.

Though we commend the university administration for security a large increase in federal funds this year—$4.6 million, compared with $2.1 in 1972–73—we wonder why it isn't making the same effort to increase university funds.

The university's plan for academic improvements in this decade—A Priority for the 70s—pledges that $1.5 million in additional funds would be raised for scholarships, loans and work programs.

Even though top administrators have indicated that a comprehensive fund-raising plan for USC's 100th anniversary will replace A Priority for the 70s, we hope the university will establish the acquisition of additional student-aid funds as one of its highest priorities in the new plan.

USC's present dependence on federal funds is dangerous for three reasons:

Federal programs face uncertainty over the levels of funding. Since 1970, President Nixon and Congress have fought again and again over how much money should be spent. Students, parents and financial-aid officers have been kept waiting.

Federal programs face uncertainty over their continuity. President Nixon wants to abolish supplemental grants and new direct loans, against the intent of Congress. However, should Nixon ever succeed in doing this, USC would have no way to help students affected by the cutbacks.

Federal programs face uncertainty over standards of need. Most federal programs are aimed toward helping the neediest college students. This is as it should be. However, students from the middle class increasingly need help, too—help that cannot be provided through insured loans at 7%.

This is not to say that such financial-aid programs should be reduced or ended. If anything, they should be increased. After all, they have made it possible for millions to afford college.

This is not to say, also, that the university's own programs could not be managed better—they can be—or that everyone who qualifies should get a scholarship. Ideally, aid should be given as a package of a scholarship, a loan, and part-time work.

The *Daily Trojan* urges the administration—and the university community—to keep student aid as a top priority in its planning. University flexibility is preferable to federal rigidity.

[From the Daily Trojan, Nov. 7, 1973]

PRESENTATION CALLED CAUSE OF INCREASE IN FEDERAL AID

A more vigorous presentation of its case for student financial aid was the reason for USC's large increases in federal funding this year, James R. Appleton, vice-president for student affairs, said recently.

"The levels of funding for our federal programs have been abnormally low, I think, and did not accurately indicate student needs," Appleton said in an interview.

"I believe we made a better presentation of our needs than we have in the past. I believed we would get more federal funds. But I was surprised as everyone else at the size of the increases we were awarded."

For 1973–74, USC students are receiving $4.6 million from four federal programs—the College Work-Study Program, National Direct Student Loan Program, Basic Opportunity Grants Program, and Supplemental Opportunity Grants Program.

This compares with $2.1 million in 1972–73 from three federal programs (basic grants are excluded).

The presentation of USC's case, Appleton said, was based on three factors.

First, Appleton said the Student Aid Office had improved its data base in the spring, so that it could give a better statistical picture to federal officials of what student financial needs were.

"With our improved management of the Student Aid Office, we were able to accomplish this," he said.

In July, 1972, the Student Aid Office was transferred from the Student Affairs Division to the Office of Academic Administration and research, under Vice-President Z. A. Kaprielian, while the vice-presidency for student affairs was vacant.

Kaprielian then appointed William C. Himstreet, professor of business communications, as executive director of student administrative services, with jurisdiction over the Admissions Office, Registrar's Office, and Student Aid Office.

Himstreet's task, in part, was to help modernize the operations of the three offices.

In January, shortly after Appleton took over, the three offices were transferred back to the Student Affairs Division.

Appleton, Kaprielian and Himstreet worked with Pamela H. Walbom, director of the Student Aid Office, to improve record-keeping systems.

Second, Appleton said the university made better use of the appeals process for federal funding.

Funds for federal supplemental grants, work-study, and direct loans are allocated to states. State panels then reallocate the money to colleges and universities.

The California panel originally allocated about the same amount to USC for this year as it did for last year.

"We weren't satisfied with the amount, so we appealed to a federal panel for higher levels of funding," Appleton said. The appeals panel included both personnel from the San Francisco office of the Department of Health, Education and Welfare and the Washington, D.C. headquarters.

As a result, the university was granted a higher level of funding for the three programs.

"The levels of funding we have now are more realistic and in line with student needs," Appleton said.

Third, Appleton visited HEW's San Francisco office (one of ten regional offices throughout the nation) and discussed USC's needs with field personnel in the U.S. Office of Education.

"As far as I know, no one from the university has made such a visit—at least not in recent years," he said.

HEW officials have visited the Student Aid Office twice since, and they have given us increasingly favorable reports because of our management of the office," Appleton said.

[From the Daily Trojan, Nov. 7, 1973]

USC Should Increase Student Aid

The *Daily Trojan* urges the university administration to place the acquisition of additional financial aid as a top priority in its planning because it is so crucial to attracting and retaining top students.

Last week we urged such a move because of USC's present overdependence on federal funds to assist students.

However, many key points are omitted in explaining why the university's financial support of students should not rely on the actions of President Nixon or Congress.

The amount of aid available is highly important in attracting top students.

In comparing student aid funds for 1972–73, we find Stanford University can offer much more of its own money—$5.5 million—than can USC, with only $1.1 million.

This is not flattering. The university's plan for academic improvements in this decade—A Priority for the 70s—recognized this problem and placed the acquisition of an additional $1.5 million in student aid as its top fund-raising goal.

This plan, officials in the Hubbard administration say, will be replaced by a comprehensive plan for the centennial. We hope student aid remains a top priority in that plan, too.

The university should get the best students regardless of financial need. We hope the Hubbard administration will place considerations of student quality above those of the budget: that is, to stop making the enrollment level of the freshman class its chief concern.

USC should not acquire (or strengthen) its image of a university in which entrance is controlled solely by the ability to pay.

This is not so, because about half of the student body gets financial assistance. Yet it could easily become that way.

The amount of aid available is also highly important in retaining top students.

A survey by the Office of Institutional Students shows that those who felt they had no choice in leaving USC cited financial difficulty as the primary reason for their departure.

We think it's about time the administration made some serious plans for student aid. We don't mean merely the allocation of money from tuition increases to support students—we mean the systematic acquisition of new funds to attract and retain top students.

[From the Daily Trojan, Nov. 13, 1973]

STUDENT AID ADVISERS PERFORM MANY DUTIES

Almost as important as the amount of money available for financial aid are the services performed by the staff members of the Student Aid Office.

Because some $17 million in university, private and government funds is distributed by the office—$9.7 million controllable by the office itself—the quality of the staff can help (or hinder) a student in his financial planning.

"The scope and size of the student-aid program requires capable and experienced staff members," a report to the University Planning Commission, *Student Life and Student Services, 1966–80*, said in March, 1967.

What do these staff members do?

"I think the impression in the past was that most of the work was suited only for clerk-typists, in which forms were typed up," Pamela H. Walbom, director of the Student Aid Office, said in an interview in 1972. "That's misleading."

The staff members students are most likely to see, financial-aid advisers, have two key functions—information and counseling.

Advisers tell students what forms of aid are available, how they can apply, and the standards of qualification for programs.

"Our staff members are to know about all financial-aid programs, so that when a student comes in to inquire about aid, one person can tell him about all programs." Walbom said.

"It used to be that a student would have to see one person to get information about scholarships, another person about loans, a third about work-study programs. The student would have to make five trips before he got an answer to everything."

It appears, however, that dissatisfaction still exists with the office's efforts to inform students about programs.

"Interviews with students indicated that part of the dissatisfaction with the Student Aid Office may stem from lack of or inaccurate information about the aid programs as it does from the actual amounts available," a special report of the Student Aid Committee said in June, 1972.

"Students are not regularly informed . . ."

The office has tried to solve these problems by more publicity about student-aid programs and the publication of a booklet, *A Guide to Financial Aid at USC.*

Advisers also counsel a student about financial planning—to help students make their own decisions.

"The student is seen as an individual seeking a solution to a problem and as worthy of our counsel and assistance," the 1967 report, *Student Life and Student Services, 1966–80*, said.

"He is encouraged to state his problem and relate it not only to his immediate circumstances but to a long-range plan with broader implications for his development as a person.

"While the practical problems of balancing his budget are being worked out. he is also being made aware of the importance of planning ahead: of having an alternative course of action if his plan does not work out or if the goal shifts; of being responsible for his commitments; of exerting his best efforts in the accomplishment of his undertakings, and of establishing a priority of values in managing his time and energy."

Florence Scruggs, the first director of the Student Aid Office, saw counseling as a primary duty—one of her compensating joys for the "panic hours when the days drew on and on."

"I would willingly set aside paper work which was important for the opportunity to meet and counsel a student," she said in an interview in June, 1970, following her retirement.

"We have found in this office that the needs for financial help many times were only a part of the problem.

"In interviewing students, we have learned about family problems and personal problems that required a great deal more help than we could give, but we could refer students to the proper counseling resources on the campus.

"And we undertook that as part of our job."

Yet students found the Student Aid Office increasingly impersonal, the Student Aid Committee reported in June, 1972.

"This was a source of considerable frustration to the office staff, who seemed genuinely concerned with providing appropriate individual consideration to all applicants," the report said.

"The committee feels that the financial needs of students are bound up with their educational and vocational future, and very often, with health and adjustment aspects of their development.

Walbom, the current director, believes more financial aid advisers are necessary.

"The ratio now is maybe about 2,000 students to every staff member in terms of the programs on which we make decisions," she said.

"What happens is that there's simply no way we can spend an adequate amount of time with students, helping them to solve their financial problems.

"We've got a good staff who are interested in students. But we've also got about 200 students per day, and they're forced to wait long periods before they can see an adviser.

"We may have to schedule appointments, which takes some of the informality out of the office, but it will at least guarantee that students will see an adviser."

In addition to informing and counseling students about financial aid, advisers, along with the rest of the office staff, must joint in administering funds.

"They (the advisers) have to compile all the necessary forms—applications, financial recommendations, and others. They have to determine whether the student has financial need by doing need analysis," Walbom said.

"They are determining his grade-point average. the programs he is eligible for—and there are maybe five different programs for which most students may be eligible, so they have to determine which programs are best for him—and how to package such aid."

The process of packaging aid is crucial, she said.

"What we do, simply because we have such a lack of funds, is that we have to use as much of them as possible and package them in such a way as to stretch them as far as possible to all the students," she said.

The 1967 report states further reasons for package aid:

"It is held that no student should receive total gift aid, no student should be overburdened by loan commitments against his future income, and no student should find it necessary to work beyond the point where his health or his academic survival is threatened."

The Student Aid Office staff's fourth major function is the coordination of its records with other units of the university, particularly those also providing services for students.

"The records of the Student Aid Office should be integrated with the university's data-processing system. A continuing program of evaluation and research should be initiated to provide information on the effectiveness of the program and for administrative decision-making," the 1967 report to the University Planning Commission said.

However, by the time of the Student Aid Committee's report in June, 1972, no action had been taken.

"The committee recommends that a computerized record-keeping system be developed . . . This should eliminate needless duplication of effort, allow more ready access to information required to provide student services, and give the administration a more efficient management-information system," the committee report said.

A program to automate student records for the Admissions Office, Registrar's Office and Student Aid Office is finally under way. However, it is estimated that it will not be completed for two to five years.

Walbom is aware of student complaints.

"I apologize to all those students who came in this office and found it a fiasco. It's been a frustrating year, because we moved at the wrong time—before regular registration—we reorganized ourselves, hopefully for the better. and we had problems with the university computers," she said.

[From the Daily Trojan, Nov. 14, 1973]

FINANCIAL AID DETERMINED THROUGH ANALYSIS OF NEED

The process is called need analysis—and from it comes the determination of how much financial aid a student will get each year. if he gets any at all.

Because federal and state student-aid programs emphasize financial need more than other factors. it is important to understand the role of need analysis—and whether students from the middle class are unintentionally excluded from aid.

A chapter in *Student Life and Student Services, 1966–80*, a report to the University Planning Commission in March, 1967, described the reason for need analysis.

"Because the majority of undergraduates are financially dependent on their parents, an assessment is made of the family's ability to contribute to the student's education compared to the overall cost of attending a particular institution," the report said.

"The college or university then attempts to cover all or part of the difference between costs and family resources by means of a scholarship, a loan, a job, or a combination of these."

Student Aid Office staff members do the need analyses, with assistance from the College Scholarship Service of the College Entrance Examination Board and the American College Testing Service.

Both of these services are provided nationally. Most students and parents are familiar with them—overly familiar, because about this time every year. they struggle to complete such forms as the Parents' Confidential Statement and mail them to the processing service.

Why are these national agencies used?

"First, the federal government requires that students applying for financial aid through it programs must have need analysis done under a set of nationally standardized procedures," Pamela H. Walbom, director of the Student Aid Office, said in an interview in 1972.

"These services satisfy that federal requirement."

But more importantly, the services can do a thorough job, Walbom said.

"They do a far more adequate job of financial analysis than we could ever do with the limited number of staff members we have in relationship to the number of students we must serve," she said.

The financial statement requests information about parents' income and expenses.

It also asks information about parents' assets and liabilities.

Special information is asked of owners of businesses and farms, farm operators and tenants, and self-employed professionals.

The student's own assets are taken into account, too.

From this information, parental incomes are adjusted, and the expected contributions of the family to a student's educational costs are determined. The differences are then taken into account by the colleges in determining how much they can provide.

"Overall, I think it (need analysis) is the fairest way of determining need for students," Walbom said.

However, because federal and state student-aid programs have increasingly placed emphasis on need, a new problem has arisen.

In the report to the University Planning Commission in 1967, this problem was discussed.

"Previously most private institutions selected recipients of undergraduate scholarships from exceptionally bright applicants, and generally the aid was in the form of an outright gift," the report said.

"The new government programs focus on able students who are eligible for admission to a college and whose family resources are inadequate for their education.

"The meshing of these two divergent programs requires adjustment and skill on the part of student aid directors . . ."

But because of the university's dependence on federal and state funds for student financial aid, it appears that financial need is now the dominant factor in the determination of aid.

"Students from families with incomes beyond the $12,000 to $15,000 range are now almost entirely excluded from four of the five (federal) programs, financial need being the sole criterion and scholastic achievement having absolutely no bearing," Gene I. Maeroff of *The New York Times* reported Sept. 4.

Because federal regulations limit much government assistance to students from low-income families, students from middle-class families cannot get such aid.

As tuition and the general costs of education increase, especially at private universities such as USC, students from low-income families increasingly qualify for financial aid. Middle-income families apparently do not.

"I and other financial-aid officers have told people from these national services that the amounts of expected family contributions are way too unrealistic," Walbom said.

"The consequences threaten polarization of the student body into high- and low-income groups, with students from middle-income families depending more on assistance from the Office of Student Aid to remain in school," the Student Aid Committee said in a special report in June 1972.

But what if the university does not have enough in institutional funds to help make up the critical difference between family contributions and educational costs?

This is a growing problem for Walbom and the Student Aid Office staff.

"The federal government's guidelines stipulate that aid must be given to the neediest students—but who is the most needy? Inevitably, aid goes to those from families with the lowest incomes," the director said.

"Our aid doesn't stretch far enough to meet the full needs of students. We estimate that a student's costs will be about $4,500 (in 1972–73—the figure is about $4,750 now). We're lucky if we can meet half of that amount, and that includes a loan of $1,000.

"If we can't find other resources by which we can provide scholarships, loans and jobs, students must either drop out for a semester or more or transfer to a University of California campus or one of the state colleges and universities—and some have already done so."

At the moment, only the Federally insured Student Loan Program, under which banks and other lending institutions offer loans at 7% interest, is open to students from middle-class families—at least on paper.

Much of the aid in other federal programs has gone to students from minority groups because of their greater financial need.

In 1970–71, minority students were 10.6% of the population, the Office of Education reported. They received 20.8% of the federal direct loans, 26.3% of the work-study payments, and 37% of the supplemental grants.

Under the Education Amendment of 1972, the Basic Opportunity Grants Program was established.

In the older programs, students competed for the available money, and the university was responsible for final decisions on awards, subject to federal regulations.

However, the basic-grants program differs in that aid is channeled directly to the needy student, and that eligible students receive the same minimum grants as students of similar need do.

Federal programs will continue to emphasize need, which will not help students from midle-class families.

Some university officials hope more students will qualify for federal aid simply because of increasing educational costs and diminishing family contributions.

Only time will tell, though.

[From the Daily Trojan, Nov. 27, 1973]

TUITION POLICY IS FOCUS OF PANEL'S MAJORITY REPORT

The majority recommendations of the Commission on Tuition and Fees are limited to the university's tuition policy and do not consider its general financial situation.

Three of the five majority recommendations deal solely with tuition, and a fourth is concerned with long-range tuition policy.

In this respect, then, the majority recommendations differ from those in the minority report, which deal with general university finances.

Both reports are scheduled to be discussed Monday by the University Council. A recommendation on tuition is expected to be made then.

Two of the recommendations in the majority report were passed easily at the commission's final meeting Nov. 8.

One of these urged the university to cope with cost increases by a combination of better management and additional income from gifts.

The other urged the establishment of a permanent commission to determine long-range tuition policy.

A third recommendation—to limit revenue from student tuition to 40% of total university income in 1974–75—was passed, 7–5.

However, on one motion that included the critical recommendations—to increase tuition by $7 per unit in 1974–75, or by $210 above the current tuition of $2,700, and to reinstate the flat rate for students taking 15 to 18 units—the 10 faculty and staff members and the 9 students on the commission were divided.

Seven commission members voted in favor of the increase, four voted against it and three abstained. The other members were absent. None of the student members voted in favor of this motion.

So the majority report includes two recommendations passed overwhelmingly and three recommendations adopted by a plurality of commission members, not a majority.

The minority report was approved by all the student members. It is a minority report only in the sense that the students were outvoted on the critical recommendations.

It urges the University Council to defer a decision pending completion in the spring of the 1974–75 budget, when cuts might be made.

This is perhaps the major difference between the reports.

In the adoption of the majority report—the proposed $210 tuition increase—it was assumed that about $8 million in additional revenue would be needed in 1974–75 to pay for new costs.

An increase of $210 would not generate that much money. It is estimated that such an increase would produce about $4 million in new revenue. The rest of the money would have to be raised from other sources.

What are these increases in university costs on which the key majority recommendation is based?

The administration has estimated the following minimum new expenses:

A general increase of 5.5% in faculty and staff salaries: $2.8 million.

An increase in student financial-aid funds: $500,000.

Increases in externally imposed programs (mostly fringe benefits) and increases for operations and maintenance: $1.9 million.

Price inflation on university purchases: $1 million.

Increases for personnel improvements, including the equalization of faculty and staff salaries, offices for personnel and equal employment opportunity, and the elimination of discrimination: $1.5 million.

However, these are not yet firm university commitments. Once an increase in tuition is approved by the Board of Trustees, the additional revenue can be allocated by the university administration any way it chooses.

The administration has listed what Golin MacLeod, director of financial services, has called a more realistic estimate of increased costs for 1974–75—about $12 million.

These would be distributed as follows:

General increase of 10% in faculty and staff salaries to catch up with levels at other universities: $5 million.

An increase in student financial-aid funds: $1 million.

Increases in externally imposed programs: $2.3 million.

Price inflation on university purchases: $1.2 million.

Increases for personnel improvements: $1.5 million.

Academic-program improvement: $1 million.

An increase of $350 in tuition $12 per unit) was suggested. This would have produced about $7 million of the estimated needs. However, the commission did not vote for such an increase.

But it is possible that the Board of Trustees could accept these higher estimates, and may well increase tuition at least $300, despite final action by the University Council. If that happens, a major university crisis could occur.

In fall, 1972, the recommendation for an increase in tuition was $210, but the figure finally approved was $240, for the current $2,700.

So the key majority recommendation this time could be discarded in favor of a trustee-imposed increase.

The other majority recommendations are less controversial.

The flat rate for tuition, which allows a student to take up to 18 units at the regular rate of 15 units, was to have been eliminated under one of the commission's tentative recommendations adopted Nov. 1.

However, in the final vote Nov. 8, the commission retained the flat rate, because its abolition would have added at least $180 per year to the tuition of many students, since a regular academic load is 16 units per semester, not 15 units.

An estimated $2 million in revenue may be lost by the retention of the flat rate, the commission was told.

Another majority recommendation urged that the revenue from student tuition should be limited to 40% of total university income in 1974–75.

This percentage has been reasonably stable since at least 1962.

A fourth majority recommendation urged the university administration to cope with cost increases through better management and increased revenue from gifts.

The report did not elaborate on the first of this recommendation, except to say that the administration should try to keep costs down.

Private gifts and grants totaled $18.8 million for 1972–73, more than the original target of $15 million. This part of the majority recommendation urged the administration to increase such gifts.

However, it is uncertain just where the increase above the $3 million already proposed—is to take place. Is it in last year's target of $15 million? Or last year's result of $18.8 million?

The final recommendation urges the establishment of a permanent commission to study long-range tuition policy.

"The commission members felt that six weeks was not sufficient time in which to make a thoughtful, detailed study of all the issues germane to the formulation of a tuition policy," the majority report said.

"Its recommendations for 1974–75 tuition policy reflect a reasonable Band-Aid solution to a complex problem. Sometimes critical information was either nonexistent or unavailable."

The majority report said tuition was linked to the general financial situation.

"Inevitably, the setting of tuition rates will become inextricably involved with the accountability for usage of these present and future tuition revenues" the report said.

"To accomplish this task in a thoughtful manner requires an exhaustive examination and analysis of the relevant data as well, perhaps, as an assessment of university priorities."

[From the Daily Trojan, Nov. 28, 1973]

STUDENT JOBS UNFILLED DESPITE U.S. FUNDING

The Student Aid Office has a new problem this year—apparently more part-time jobs are available than there are student applicants who qualify.

In the past, students have besieged the Office for such jobs, the earnings from which pay the costs of their education.

In response to these needs, the Student Aid Office sought more money last spring from the federal government to fund additional part-time jobs under the College Work-Study Program. It was successful in this effort.

Under the program, established under the Economic Opportunity Act of 1964, the federal government pays 70% of the wages of a needy student working in a university office or an off-campus nonprofit agency. The university pays the other 30%.

Undergraduates this year may earn up to $2.75 an hour; graduate students, up to $3.50.

In 1972–73, the university received $332,250 from the federal government for wages, and students earned a total of $454,976.

For this year, the university received more than twice as much as last year—$724,383—and students are expected to earn $1,034,000.

However, despite the attempts of Ron Mills, the employment coordinator in the Student Aid Office, to match as many student applicants as possible, many jobs have been left unfilled.

If this is the case at the end of the year the Student Aid Office will have to return unspent funds for the College Work-Study Program to the federal government.

What may be even more damaging to USC is that its allocation for the program in 1974–75 could be cut drastically because it failed to spend all its money for 1973–74.

"We have been starved (of funds) for many years, and we couldn't meet student demands for part-time jobs. Now we have the money, but apparently there are no other students who want to help pay their own way through school," Mills said.

"Next year we'll probably be starving again."

About 300 students here were earning money under the College Work-Study Program in 1971-72 and 1972-73. With this year's increased funding, about 1,000 job opportunities are available.

Despite publicity in the *Daily Trojan* through news stories and half-page ads, not enough new applicants came in, Mills said.

"I guess we are already helping all of the needy students we can. I don't know how else I can reach other potential job applicants—except to set up a table by Tommy Trojan and advertise free money," Mills said.

He will now consider part-time students for jobs.

Mills did not know why more potential applicants failed to seek part-time work.

Like most federal programs, the College Work-Study Program is based on financial need. The lack of such need is why some applicants were not accepted for the available part-time jobs, Mills said.

For years, the university has tried to develop a better program for part-time work to supplement financial aid from scholarship and loans.

"The university's participation in the federal College Work-Study Program has increased the number of job openings for students who need the earnings from such employment to continue their education," a report in March, 1967. *Student Life and Student Services, 1966–80*, said.

"This type of aid was designed to stimulate and promote part-time work for students, preferably in jobs related to the student's educational objective."

However, the report, which was submitted to the University Planning Commission, suggested an expanded program.

"This expansion should include contacts with alumni and staff visitations to business and industrial organizations to promote a student work program which would be mutually beneficial," the report said.

A Priority for the 70s, the plan for academic improvements in this decade approved in April, 1970, pledged that $1.5 million would be raised for scholarships, loans, and work-study programs.

The special report of the university's Student Aid Committee in June, 1972, emphasized the necessity of plentiful part-time jobs for students.

The Committee endorsed an expansion of the job program, saying, "This appears to be an excellent source of additional financial assistance."

Pamela H. Walbom, director of the Student Aid Office, pledged such an expansion during an interview in 1972.

"We're going to spend a lot more time in developing jobs for students," she said.

Two other projects that will receive attention in the next few years will be the acquisition of more donor scholarships and better coordination with alumni scholarship committees.

"We have about 300 donor scholarships for which we must select special students; we have to match students with those funds," Walbom said.

"They may have to have a higher grade-point average. We have to report to the donors on the progress of the students, their majors, their grade-point averages, the number of units they take per semester, and so forth."

Donor scholarships are often restricted by a student's permanent residence, major, career objectives, class level, and extracurricular interests, among other factors.

This matching process takes time—time that an overworked Student Aid Office staff may not be able to take. This apparently was the case in mid-1972.

"Our investigation revealed a number of instances of failure to comply with donor regulations. Most appeared to be related to the excessive workload," the Student Aid Committee said in its report.

"The committee was concerned that some of these situations clearly jeopardized the continuity of funding, and in one, available funds were not being utilized."

So the acquisition of additional donor scholarships will probably require a more thorough process of matching and reporting by the Student Aid Office staff.

Another major concern of the Student Aid Office will be better coordination with the University Scholarship Alumni Interview Program—110 alumni committees in the United States that interview student applicants for admission and scholarships.

"Evaluators use recommendations from these scholarships committees in determining financial need and respond to the committees as to what aid was received," Walbom said.

The Student Aid Committee reported some dissatisfaction with the operation of the system.

"It appears that in a number of instances, the top-rated candidates by the alumni interview groups have not been awarded scholarships, while lower-rated candidates have," the 1972 report said.

"When this information becomes known by the local committee, it understandably jeopardizes the continuity of the committee, whose members feel their work is in vain, and reduces their potential as a source of additional financial aid."

"The committee views this situation as another example of the present staff's inability to cope with the work assigned to their office, . . .

"Occasionally they (alumni) may have been slighted; in other cases, there has not been enough time to provide sufficient feedback to alumni groups on financial and scholastic eligibility requirements, with the result that their advice appears to be ignored."

Since the report, special workships have been held so that alumni committee members and university personnel can coordinate their efforts.

[From the Daily Trojan, Nov. 29, 1973]

MINORITY TUITION REPORT CALLS BUDGET EXCESSIVE

The minority report of the Commission on Tuition and Fees poses numerous questions about the university's financial condition—questions omitted from the majority report because of its limited focus.

"It would be absurd to consider tuition and fees separately without an examination of the context under which they are levied," the minority report said.

Its primary recommendation urges the University Council to delay a decision on an increase in tuition until the 1974–75 budget is completed in the spring.

At that time, the report said, the budget should be submitted to the commission, which would then recommend possible cuts.

"There are far too many questions of university expenditures, income and management practices—particularly the university administration's projected increases in expenditures for the 1974–75 year—still unanswered for us to endorse the commission's recommendation at this time," it said.

The minority report was approved by the nine student members of the commission. Both it and the majority report, which recommends an increase of $210 in the current tuition of $2,700, are to be discussed Monday by the council.

"Students have the right to know just for what their tuition money is being spent. . . . We fear the commission's recommendation reflects the belief that increasing student tuition is the most expedient and simplest solution to some very complex problems," the minority report said.

About a third of the 27-page report comments on proposed increases in university expenditures for 1974–75—estimates it calls needlessly high.

It commented extensively on proposed salary increases for faculty and staff members.

"We realize that the university must offer salaries competitive with those of other universities across the state and nation if it is to recruit and retain top faculty and staff members," it said.

"Yet we seriously question the administration's planning in this vital matter."

The report asks why the administration failed to announce until Nov. 8 (the commission's last meeting) that it was contemplating an increase of 10% in salaries. It also asks if estimated funds will actually be committed to pay for increases.

It criticizes the administration's implementation of such salary increases on a nonsystematic basis. If a 10% increase for faculty members were granted, it would follow reported average increases of 5% for 1971–72 and 3% for 1972–73.

It questions whether a 10% increase in faculty and staff salaries, increases for equalization of salaries, and increases in fringe benefits are too much in one year for students to bear.

The report also commented on increased expenditures for personnel improvement and the equalization of faculty and staff salaries.

"The university administration's proposals under this category are unclear at best," it said.

"We support the concept of equal pay for equal work. But why did the administration postpone such improvements in women's salaries for years until pressure from the women and the federal government . . . forced such action?

It urges the administration to state the exact allocation of funds for salary equalization for 1974–75.

An estimate of $1 million for academic-program improvement was criticized in the report.

"We want specific accounting by the administration on which programs the money will be spent, and whether such money will really benefit classroom and laboratory instruction—or will, instead, benefit university administrators and their staffs," it said.

The report said the allowance for price inflation appeared to be reasonable in other major categories of proposed expenditures. The allocation for student financial aid was inadequate. and externally imposed costs might be reduced through careful management, it added.

The report also stressed the need for a look at the programs in the current budget, as well as the proposed new expenditures for 1974–75.

"It (the administration) should not assume that all expenditures are beyond question," the report said. "We believe the administration has failed to present sufficient evidence that it has attempted to study such reductions."

Another major section of the report discusses possible new sources of income. On increased student enrollment, the report said:

"Although we realize that the university budget is dependent on the levels of student enrollment . . . we are primarily concerned with the maintenance of high student academic standards.

"We firmly believe that such student quality should always have a clear priority over budgetary considerations."

On acquisition of private gifts and grants, the report urged the administration to step up its fund-raising efforts.

But it said, "We would like to call attention to recent trends in the national economy . . . Because of these trends, it may be far more difficult for the university to raise money this year."

It also questioned whether the administration could top the $18.8 million acquired in 1972–73, the second highest total in USC's history.

The report urged the administration to try to channel all possible donations into unrestricted university funds instead of to donor-restricted projects.

It also asked that income be generated from new or expended auxiliary services, extracurricular activities and innovative academic programs.

"We urge that work on such programs begin now so that future financial difficulties may be averted," it said.

Like the majority report, the minority report called for the establishment on a permanent panel to determine long-term policies on tuition and general finances.

"We believe, in fact, that such a panel should have been established several years ago so that long-range planning could have been under way by now," the report said.

"Therefore, hasty decisions . . . such as those forced upon the present commission, could have been averted . . . the administration would not find itself in the position of facing a suit by students. . . ."

It called for full disclosure of the budget and other financial data so that a permanent panel could make informed judgments.

It criticized the administration's handling of budgetary matters: "We do not consider the university administration's crisis-management system as adequate planning, and certainly not 'innovative management.' "

[From the Daily Trojan, Dec. 3, 1973]

Council Faces Critical Tuition Debate Today

In the debate about the majority and minority recommendations of the Commission on Tuition and Fees, the key question is whether the administration's proposed new expenditures for 1974–75 justify an increase in tuition.

The University Council is expected to give its response to that question after its meeting today at 4 p.m. in Upper Commons Lounge. It is expected to make a recommendation to President John R. Hubbard.

The majority report, which recommends a $210 increase. assumes that at least $8 million in additional revenue—and possibly up to $12 million—would be needed in 1974–75 to pay for new costs.

Such an increase would produce about $4.2 million in new revenue. The rest would have to be raised from other sources.

The minority report, which recommends that no decision be made at this time on an increase, accepts the need for some of these new expenditures—but challenges the administration's cost estimates.

The report states the majority recommendations were formulated in an inadequate amount of time and with insufficient information about the university budget and finances.

It urges that when the 1974–75 budget is completed in the spring, the administration should submit it to the commission for review and recommended cuts in expenditures.

The Finance and Budget Committee of the Board of Trustees plans to meet Thursday, and the University Council's recommendation is expected to be on the agenda.

The full board will meet Dec. 12 and is expected to set the 1974–75 tuition then.

A senior administrator has said that if the University Council fails to decide the issue today, the trustees could unilaterally set the tuition rate without the council's advice—and that such an increase would be at least $300 above this year's $2,700.

Although the trustees have complete authority to decide the rate, they might well start a major crisis if they move to increase tuition by that much.

The University Council, though only an advisory body, serves as the chief instrument of university governance, and represents students, faculty and staff.

If its advice on this issue is ignored, the council could face severe criticism as a group without any influence on major policy decision.

The council's chief supporter, President Hubbard, could thereby lose, too.

Of the new expenditures proposed for 1974–75, salary increases for faculty and staff members constitute a major category.

Both the majority and minority reports agree such increases are needed if the university is to recruit and retain top faculty and staff members.

The majority report offers several estimates. For a general raise of 5.5%, $2.75 million would be needed in 1974–75; for 7.5%, $3.75 million; for 10%, $5 million.

If it is assumed that at least $8 million in new expenditures is needed in 1974–75, $2.8 million is estimated for increases of 5.5%. If minimum needs are assumed to be $12 million, then $5 million is estimated for increases of 10%.

The minority report questions why the administration did not announce until Nov. 8 that it was contemplating a 10% increase.

It also asks if estimated funds will actually be committed in 1974–75 to salary increases.

In 1971–72, faculty reportedly got a 5% increase; staff, 3%. In 1972–73, faculty reportedly got a 3%; staff, 1.5%.

The minority report questions the administration's commitment to such increases said that apparently, students are being played off against faculty and staff members.

It also criticizes the administration for declining to implement salary increases in a stop-by-stop program, thereby easing the impact on university finances, and asked who will get the increases.

Another major category of expenditures—personnel improvements and salary equalization—is assumed in the majority report to be $1.5 million for 1974–75.

These expenditures include a new personnel office, equalization of certain faculty and staff salaries, elimination of discrimination against women, and improved equal employment opportunity.

The minority report accepts the concept of salary equalization, but objects to the administration's implementation of it in a nonsystematic manner. It also says the administration should have acted sooner to eliminate inequities.

As for student financial aid, the majority report assumes an estimated minimum of $500,000 (given $8 million in total new expenses) and an estimated maximum of $1 million (given $12 million).

The minority report says this allocation should be slightly higher, and that perhaps not as much should be committed from the general budget for athletic scholarships.

For improvements in academic programs, the majority report assumes that if $12 million is the total of new expenditures, $1 million should be estimated in this category.

But the minority report, critical of the administration for inclusion of the category only at the commission's final meeting, asks for a detailed justification of such expenses.

The list of externally imposed commitments is estimated in the majority report from $1.9 million (given $8 million in new expenditures) to $2.3 million (given $12 million).

This includes money for increases in fringe-benefit programs and for increased costs of operation and maintenance, including utility rates.

Both reports agree that the estimated $1 million to $1.2 million in the majority report for inflation on purchases, given an inflation rate of 6.5% to 7.5%, appears to be reasonable.

The minority report urges a thorough review of current programs so that possible reductions could be made in other than proposed new expenditures.

Other major topics discussed are university income and institutional reforms.

The differences between the reports on these topics are less apparent, too, except for university management.

Both urge the university to increase its income from sources other than tuition—private gifts and grants, increased enrollment, and new and expanded academic programs, auxiliary services and extracurricular activities.

The minority report, however, has some reservations about the current uses of largely donor-restricted gifts, and the enrollment of additional students if budgetary considerations are overly emphasized.

Both reports also urge the establishment of a permanent panel to develop a long-range tuition policy.

The minority report more fully describes the composition and jurisdiction of such a panel, and supports full access to budgetary and financial data and their public disclosure.

The reports also urge the administration to manage university resources more effectively, although the minority report is sharply critical of the administration's performance.

The key majority recommendation—the $210 increase—was approved by seven of the 19-member commission. Four voted against it, and three abstained. The others were absent.

Only four of the nine student members voted against the increase, but the fact that all approved the minority report indicates that no student support exists for the increase as proposed in the majority report.

[From the Daily Trojan, Dec. 5, 1973]

NEW AID FUNDS CALLED VITAL

Despite the growth in USC's financial aid since the Student Aid Office was established in 1961, the current director believes that the acquisition of more funds for scholarships, loans and work-study programs is critical in the next decade.

"I think it (acquisition) is almost vital to the university if it is going to try and seek the top students. We're competing with other private universities that have a great deal more money in terms of donor and universally funds," Pamela H. Malbom, the director, said in an interview.

"If we're going to compete adequately and bring top students at all or bring students with financial need, something more is going to have to be done in a large way."

That "something more" was the aim of A Priority for the 70s, the plan for academic improvements in this decade that was approved by the Board of Trustees in April, 1970.

Under the plan, the top fund-raising goal was the $1.5 million for scholarships, loans and work-study programs.

President John R. Hubbard has said that A Priority for the 70s was merely an interim step towards a comprehensive fund-raising plan for the university's centennial in 1980.

In mid-1972, Walbom and Daniel B. Nowak, then the acting vice-president for student affiairs, made a presentation to senior university administrators, urging that new funds be raised.

"Time will tell on what the result of that effort is," Walbom said.

"That's one of the programs on which the university must spend a great deal of time and consideration. We must have additional funds. There's no question that we need it—a tremendous amount of new money.

"We're hopeful that the fund-raisers for the university will accept this as one of their priorities."

The needs, of course, are not new.

In a report to the University Planning Commission in March, 1967, *Student Life and Student Services, 1966–80*, large increases in student aid funds were projected.

"Based on present information and an interpretation of apparent trends, gift and loan funds will be needed in an amount which doubles present resources." the report said.

"Estimates show that all graduates and as many as one-half of the undergraduates will be receiving some amount of these two types of support, or will be working part time for the university. Many more will be employed part time off campus."

At the time the report was released, the Student Aid Office was administering about $5.2 million from all sources. It now administers $17 million.

However, those totals include all funds from university, private and governmental sources for undergraduate and graduate student aid.

The report argues the case for student aid:

"Two factors emphasize the importance of developing and maintaining a strong student aid program:

"The increasing number of tax-supported institutions of higher learning in California, and the commitment of the university to seek out talented students from low-income families whose education might otherwise fall short of their potential.

"An adequate student aid program can build a more diversified student population because it removes, in large measure, the cost barrier in attending a private university and allows a qualified student the opportunity to select a college or university for other than economic reasons.

"The effectiveness of the program has been demonstrated by the large proportion of aid recipients among those students who are achieving constructive student leadership."

The university's Student Aid Committee isued a special report in June, 1972, which reemphasized the need for additional student financial aid.

The President's Commission on Student Life in its own report of September, 1972, supported the recommendations made in the Student Aid Committee report.

"It's an almost impossible task the commission faced. It was forced to cover the surface of the student aid problem because there wasn't enough time for it to do so," Walbom said in 1972.

"It was limited merely to the endorsement of the Student Aid Committee report, which recognized only the most immediate needs."

These particular needs were perceived because of the crisis in the Student Aid Office in spring, 1972.

"The Office of Student Aid is administering an array of diverse financial-aid programs which result in a significant's portion of the university's income, with insufficient staff to handle the work in an appropriate manner," the Student Aid Committee report said.

This year, the Student Aid Office staff was expanded slightly and given additional clerical assistance.

The funds controllable by the office increased from $5.7 million in 1972–73 to $9.7 million in 1973–74.

Ths year, funds from the general budget are $2.8 million, $850,000 for university scholarships. (See story, this page.)

Federal and state funding continues to provide most of the money for the Student Aid Office.

Many of the other funds administered by the Student Aid Office are restricted by their donors.

In the 1970s, Walbom and the Student Aid Office will seek additional funds, both restricted and unrestricted, to supplement funds from federal and state programs.

If such institutional funds can be acquired, the Student Aid Office will then be able to exercise more discretion in selecting recipients of aid, since federal and state programs allocate funds to students mainly on the basis of financial need.

"It's obvious that our office really decides who attends USC, not the Admissions Office," Walbom said.

She did not mean that financial considerations are actually taken into account in the administrations process.

Instead, she meant that once a student is accepted for admission, the student's ability—or inability—to pay greatly influences his choice of a college.

Despite problems within the Student Aid Office, its goals remain those stated in the 1967 report:

(1) Accurate and comprehensive information about opportunities for financial assistance should be available and widely disseminated.

(2) The student-aid program should be highly individualized through financial counseling, which will help make the student's educational experience productive and gratifying one, and encourage him to assume his responsibilities as a member of the university community and later as an alumnus.

(3) Sufficient funds should be provided so that any qualified enrolled student with a legitimate financial problem may have some opportunity for assistance.

[From the Daily Trojan, Dec. 5, 1973]

AID FUNDS HIKED IN BUDGET

Student financial aid from the university's general fund this academic year has been increased to $2.8 million, up from $2.4 million in 1972–73. This is an increase of about 17%.

Funds for general university scholarships were increased from $774,900 to $850,531, or nearly 10%. This was also the percentage of the most recent increase in tuition, from $2,460 in 1972–73 to $2,700 this year.

Funds for teaching assistants were increased from $790,000 to $867,104, also about 10% more than last year.

Athletic subsistence tuition was increased from $780,220 to $843,770. This money is in addition to funds from three major support groups for intercollegiate athletics.

Other programs in this year's general budget are trustee scholarships, $40,501, up from $36,900; Martin Luther King scholarships, $8,100, up from $7,380; band grants, $40,000, up from $29,184; fraternity advisers, $20,000, expanded from $10,220; aid to law students, $171,226.

In addition to general-fund appropriations, the Student Aid Office was allocated more than $600,000 for tuition grants.

These were $75,000 for National Merit Scholars; $100,000 in supplemental funds for California State Scholarship renewal students; $128,742 in supplemental funds for new state scholarship winners; $200,000 for students in graduate and professional schools.

The grants were new funds used for student recruitment and retention.

The total of new funds from the university was about $1 million.

The Student Aid Office also got much more money from the federal government this year—$4.6 million, up from $2.1 million last year.

It got $522,420 from the Supplemental Educational Opportunity Grants Program, more than double the $251,182 from the former Educational Opportunity Grants Program.

It got $1,034,000 from the College Work-Study Program, also double the $454,976 from last year. (These figures include the university's share of 30% for student wages. The federal government actually contributed $724,383 this year, $333,250 last year.)

The office also got an estimated $3 million from the National Direct Student Loan Program, up from last year's $1.4 million. This year's direct-loan funds are expected to provide about $4 million in aid, as opposed to $2 million last year.

From the new Basic Opportunity Grants Program, the office received only $45,000 This is expected to increase, however.

Total funds controllable by the Student Aid Office is $9.7 million this year, as compared with $5.7 million last year.

[From the Daily Trojan, Dec. 11, 1973]

AID BILL CLEARS CONGRESS; NIXON VETO CALLED LIKELY

Congress has completed action on a key federal money bill that includes funds for student financial aid in 1974–75. However, President Nixon is expected to veto the bill because it appropriates much more than he requested in his budget.

By a vote of 85–3 Thursday, the Senate approved an appropriations bill for the Departments of Labor and Health, Education and Welfare for 1973–74. The total appropriation was $32.9 billion—$1.3 billion more than Nixon's requests.

The bill includes more than $1.5 billion in student financial aid, which will not be actually spent until 1974–75.

Earlier, the House voted 371–33 to approve the bill, which will allow the President to impound $400 million from the appropriation, as long as no program is cut by more than 5%.

The bill will not be sent to the President until a copy is enrolled, or prepared formally for presentation. This may take a few days.

However, once the bill is presented to him, Nixon will have 10 days to sign it, permit it to become law without his signature—or veto it.

No one can predict what Nixon considers the breaking point—and no one knows whether a presidential veto of a bill in excess of such a limit would be sustained in Congress, given Nixon's current troubles.

The issue is important to students, not only in how much they can expect to receive. but also from which programs they can get aid—and if they can get any aid at all, because of differing standards for the programs.

It is also important because if federal funds are not approved soon, students, parents and financial aid officers will have difficulty in making plans for the 1974–75 academic year.

Because an increase in tuition is probable for next year the federal funding queston becomes even more critical to the university.

For many students, federal aid provides the only means by which they can afford to attend USC. If this were to be reduced sharply, the university could not come to the rescue.

Federal aid administered by the university in four separate programs totals $4.6 million this year. This does not include another $4 million in insured loans of 7%, which are decided by banks and other lending institutions.

Pamela H. Walbom, director of the Student Aid Office, said in an interview that her conversations with HEW regional officials indicate that they expect a veto.

Whether a veto would be overridden, however, would depend on the intensity of congressional anger over Watergate and related scandals, she said.

President Nixon requested $31.6 billion Jan. 29 for Labor-HEW programs. The House approved $32.8 billion June 26 for such programs, $1.2 billion more than the presidential request. The Senate approved $33.4 billion Oct. 4, $1.8 billion more.

Because the House and Senate versions differed the bill was sent Oct. 9 to a joint conference committee from which the compromise was reached.

Would Nixon sign the bill, anyway, and swallow the additional $1.3 billion?

"So long as the Congress follows a responsible course in the passage of future spending bills. I will cooperate in the spirit of partnership," Nixon said June 19 in signing three budget-authorization bills.

"But . . . let there be no mistake about one fundamental point: If bills come to my desk which are irresponsible and would break open the federal budget, forcing more inflation upon the American people, I will veto them."

On the other hand, he did sign a $19-billion appropriations bill in October for the Department of Housing and Urban Development, National Aeronautics and Space Administration, Veterans Administration, and other federal agencies. This was $439 million above the budget request.

Looking closely at the student-aid portion of the Labor-HEW appropriation, major differences between the President's requests and the congressional versions are apparent.

However, for the most part, the amounts for student aid programs in 1974–75 will hold the line on spending. That means students should not expect major increases in aid next year, except for the Basic Opportunity Grants Program.

President Nixon asked for $1.5 billion in student aid allocated in the following manner: $959 million for basic grants, $250 million for the College Work-Study Program, $310 million for the Federally Insured Student Loan Program, and $5 million for the National Direct Student Loan Program.

He asked for nothing for the Supplemental Opportunity Grants Program.

The House version allocated $1.5 billion, too, but in a different manner: $440.5 million for basic grants, $210.3 million for supplemental grants, $270.2 million for work-study, $310 million for insured loans, $293 million for direct loans.

The Senate version allocated slightly more money—$1.7 billion. It includes $600 million for basic grants and $30 million for state student-incentive grants; other programs are funded as in the House version. The Senate habitually increases appropriation bills passed by the House.

In comparison, the 1973–74 amounts were as follows: basic grants, $122.1 million; supplemental grants, $210.3 million; work-study, $270.2 million; insured loans, $245 million; direct loans, $269.4 million ($293 million with carryover funds).

USC's share of 1973–74 funds: basic grants, $45,000; supplemental grants, $522,420; work-study, $1,034,000; direct loans, $3 million.

Congress passed the urgent supplemental appropriations bill in April, allocating $872 million in 1973–74 for four of the five programs. This was the total of President Nixon's request—but was not allocated in the manner he desired.

Nixon sought $622 million for basic grants, $250 million for work-study and nothing for other programs.

Congress tried to appropriate the money in accordance with the requirements of the Education Amendments of 1972, which say that three current federal programs must be funded at minimum levels before basic grants can get any money.

These are $130.1 million for supplemental grants, $237.2 million for work-study, and $286 million for direct loans. Congressional critics said two of Nixon's budget requests violated the law's provisions.

When he reluctantly signed the appropriations bill April 26, Nixon explained his reasons for support of basic grants at the expense of other established programs.

"Such grants would be made directly to needy students according to need, in contrast to the current method—an outmoded, inequitable one, I think—of channeling student assistance funds to schools through state formula grants," he said.

Nixon urged the repeal of minimum-funding requirements, but to date he has not been successful.

[From the Daily Trojan, Dec. 11, 1973]

NIXON SHOULD SIGN HEW BILL

President Nixon should sign the appropriations bill for the Departments of Labor and Health, Education and Welfare—which includes student aid funds for 1974–75—passed by Congress last week.

I he decides to veto it, both the House and Senate should override his veto without hesitation.

One reason for the quick approval of the Labor-HEW appropriations bill is obvious.

If federal officials know how much they will have to administer in 1974–75, they can tell college financial-aid officers throughout the nation exactly how much they can count on.

This will permit students and parents to know how much in federal funds they can expect next year, which will allow better planning—especially in view of another certain increase in tuition for next year.

However, President Nixon should sign this bill not only because it will permit the quick and orderly allocation of more than $1.5 billion.

The other reason he should sign the bill is that he must recognize the role of the Congress in the determination of national priorities.

The bill, calls for $32.9 billion—$1.3 billion more than presidential requests.

Furthermore, student-aid funds are allocated largely for older, already-tested programs, instead of a relatively new basic grants program.

On both counts, Congress has determined priorities well.

We believe such social programs should get more emphasis than President Nixon has given; we also believe that funding for the older student-aid programs should be continued, instead of curtailed.

If the President should veto the bill (H.R. 8877) and claim that his huge mandate in the 1972 election justifies the reduction of such programs, Congress should swiftly override that veto.

In 1972, the voters did not elect members of Congress to dismantle all the social programs of the modern era—only those they determined did not work.

Such is not the case with federal student-aid programs.

President Nixon should also check the latest poll by Lou Harris, which suggests that public confidence in Congress is greater than that in the White House.

Students and parents must write to the President and tell him to sign the appropriations bill—and if he vetoes it anyway, to urge their representatives and senators to override the veto.

It would be a tragedy if we left the determination of national priorities to one person's decision.

[From the Daily Trojan, Dec. 14. 1973]

CHANCES GOOD FOR AID BILL

The chances appear to be good for a congressional override of a possible presidential veto of a key bill that includes $1.5 billion for student financial aid in 1974–75.

President Nixon may veto the appropriations bill for the Departments of Labor, and Health, Education, and Welfare, approved by Congress last week, because it totals $32.9 billion—$1.3 billion more than the President requested.

On the other hand, both the House and the Senate passed the bill by far more than the required two-thirds majorities, both in the bill's original forms and in the final compromise version.

The Senate voted 85–3 to approve the appropriations bill. The House passed it earlier, 371–33.

Furthermore, Nixon would probably not want to risk his remaining support in Congress—greatly reduced because of Watergate and related scandals—to muster votes to sustain a veto if he is going to lose.

Both the House and the Senate recently overrode Nixon's veto of the act limiting the extent of presidential war powers.

However, of nine vetoes this year, six have been sustained, one overridden, and two have yet to be voted on.

HEW officials expect a veto of this appropriations bill, Pamela H. Walborn, director of the university's Student Aid Office, has said.

The House, where the bill originated, will be the key battleground.

But Nixon's former chief lieutenant in the House, Gerald R. Ford, can no longer help round up votes to sustain vetoes. Ford is now the Vice-President.

The National Student Lobby plans to join with the National Coalition for Full Funding of Education Programs and the Coalition on Human Needs and Budget Priorities to put pressure on Congress to override the expected veto.

The House Appropriations Committee held hearings on Labor-HEW requests in mid-March. On June 21, it sent to the floor a bill appropriating $32.8 billion for such programs.

The bill was finally passed, 347–58, on June 26.

However, two key votes in the House may influence President Nixon's decision to sign or veto the bill.

The House rejected (213–186) an amendment offered by Rep. Robert H. Michel (R-Ill.) to cut $631.6 million from the bill. The motion, had it succeeded, would have still left the bill some $600 million more than Nixon requested.

The House also rejected (219–186) Michel's motion to send the bill back to the committee with instructions to cut $631.6 million.

Neither vote, however, amounted to a two-thirds majority.

Would President Nixon veto a budget-breaking bill and gamble that the necessary two-thirds majority to override his veto would not materialize in the House, given those two key votes?

Significantly, the votes were taken in June—not in December. A different political climate exists in Washington.

If the bill is vetoed, and the veto can be overridden in the House, the veto would be easily overridden in the Senate.

The Senate Appropriations Committee sent to the floor a $33.4-billion bill Oct. 2. Several senators had indicated their intentions to amend the bill and add $4.5 billion to $5 billion.

However, Mike Mansfield (D-Mont.), the Senate majority leader, and Warren G. Magnuson (D-Wash.), chairman of the Senate subcommittee on Labor-HEW appropriations, warned that adding $5 billion to the bill would assure a veto.

Surprisingly, Sen. Norris Cotton (R-N.H.), ranking minority member of Magnuson's subcommittee, told the Senate he would urge an override. Cotton is a conservative.

"I want to send a bill to the White House that he (Nixon) will sign, and if he does not sign, a bill on which we can override the veto," Cotton said.

The Senate passed the bill Oct. 4, 79–9.

The House and Senate versions of the bill then went to a joint conference committee, from which the compromise version of $32.9 billion emerged last week.

Of five Nixon vetoes on Labor-HEW appropriations bills, only one has ever been overridden.

[From the Daily Trojan, Jan. 8, 1974]

NIXON SIGNS STUDENT AID BILL

President Nixon has signed a key bill that will provide $1.6 billion in student financial aid for the 1974–75 academic year.

The funds were part of an appropriations bill for the Departments of Labor and Health, Education and Welfare for 1973–74. The total appropriations was $32.9 billion—$1.3 billion more than Nixon requested.

The money is divided as follows:

Basic Opportunity Grants Program, $500 million; Supplemental Opportunity Grants Program, $210.3 million; State Student Incentive Grants Program, $20 million; College Work-Study Program, $270.2 million; National Direct Student Loan Program, $293 million; Federally Insured Student Loan Program, $310 million.

This is believed to be the first time in the five years of the Nixon administration that Labor-HEW funds have been approved without a prolonged struggle between Nixon and Congress.

In comparison, here are the totals for 1973–74.

Basic grants, $122.1 million; supplemental grants, $210.3 million; state grants, nothing; work-study, $270.2 million; direct loans, $269.4 million, and with carry-over funds, $293 million; insured loans, $245 million.

Federal aid administered by USC in four separate programs totals $4.6 million this year. This does not include state grants or $4 million in insured loans or 7%, which are determined by banks and other lending institutions.

Students here can generally expect their federal aid to remain at the same levels or possibly even decrease, although individual circumstances will vary.

This is because three of the major programs—supplemental grants, work-study, and direct loans—will be funded in 1974–75 at the same levels they were for this year.

Yet because of the $210 increase in tuition next year, more students will qualify for the federal funds that USC will administer.

The basic-grants program may prove to be of additional help, however, although USC students did not get much this year.

[From the Daily Trojan, Jan. 8, 1974]

Only $45,000 was allocated to USC students this year from the $122.1 million nationally in the basic-grants program. This may be attributed to the late funding of the program—too late for many college-bound high school seniors to apply.

More applicants are expected this year for the $500 million available in 1974–75.

In a letter to President Nixon, two officials of the National Student Lobby said they were pleased with his decision to sign the bill.

"Although the increase does not completely keep pace with inflation, the costs of expanded eligibility for aid among students at newly eligible institutions, or financial need as determined by the Office of Education, the signing of the bill in advance of this spring's financial-aid decisions will prevent the chaos that occurred last spring," they said.

Arthur Rodbell, executive director of the lobby, and Willis Edwards, who heads the board of directors, signed the letter.

In five years, Nixon has vetoed five Labor-HEW appropriations bills. Only one was overridden by Congress.

At least three bills were vetoed because they appropriated more than Nixon wanted—though less than this bill did.

Why, then, did this bill get Nixon's approval?

Although no one mentioned the impact of Watergate and related scandals on President Nixon's position in dealing with Congress, some effects were evident.

The bill was passed in both the House and Senate by far more than the required two-thirds majorities, both in its original forms and in the final compromise version.

By a vote of 347–58, the House approved $32.8 billion for Labor-HEW programs June 26. By a vote of 79–9, the Senate approved $33.4 billion Oct. 4. A compromise version of $32.9 billion was agreed upon by House and Senate conferees Nov. 8.

The conferees added a provision to the bill that would allow the President to impound $400 million from the appropriation, as long as no program is cut by more than 5%.

Three top administration officials—Roy L. Ash, director of the Office of Management and Budget; Melvin R. Laird, Nixon's counselor for domestic affairs; Caspar W. Weinberger, HEW secretary—took part in the negotiations.

Even with the impoundment provision, the bill would still be $1 billion more than Nixon requested, but a key Republican senator said it would be satisfactory to the Nixon administration.

"I am satisfied that, for the first time in years, we have as near an agreement (as possible) on the part of the White House." Sen. Norris Cotton (R.-N.H.), ranking minority member of the Labor-HEW appropriations subcommittee, said Dec. 6.

The compromise version was finally approved Dec. 5 by the house, 371–33, and Dec. 6 by the Senate, 85–3.

Another reason for the signing of the bill is that various groups put additional pressure on Congress and President Nixon to agree quickly on funding levels.

Under the law authorizing higher-education programs, most student aid funds for one year are supposed to be enacted in the preceding year, so that financial-aid officers can plan wisely.

However, because Congress and President Nixon have had so many prolonged fights over HEW appropriations, students, parents and financial-aid officers have had to wait for months until the disputes were resolved.

Gerald L. Warren, Nixon's deputy press secretary, said the President wanted to avoid another prolonged battle that would leave Labor-HEW programs in uncertainty.

[From the Daily Trojan, Jan. 10, 1974]

Aid Outlook Termed Good

Funding for student financial-aid programs is in fairly good shape for the 1974–75 academic year, Pamela H. Walbom, director of the Student Aid Office, said Wednesday.

Following congressional passage in December of an appropriations bill for the Departments of Labor and Health, Education and Welfare and presidential approval, HEW regional panels will begin soon to allocate more than $1 billion to the nation's colleges.

Walbom said the early enactment of the bill and early allocations by HEW would permit the Student Aid Office here to notify first-time and continuing aid recipients of their awards by April 24, and in many cases, much sooner.

"I think our totals will be about the same, although since 10% more institutions are competing for the same federal funds, we may lose a little bit," Walbom said.

Last year, the student-aid appropriations for the 1973–74 academic year were not approved until the end of April.

Most federal aid programs are supposed to be forward-funded—that is, money appropriated in one year is to be spent in the following year.

However, budget battles between the Nixon administration and Congress delayed appropriations until the last minute.

"Congress gave us a nice surprise this year," Walbom said, not only because of the timing of the appropriation but also because the programs that were funded.

Earlier in the year, she feared that the Nixon administration's determination to eliminate two federal programs—at the expense of a new Nixon program—would cause the university to lose up to $3.5 million.

However, Congress continued to provide funds for the Supplemental Opportunity Grants Program and the National Direct Student Loan Program, at the same levels as this year.

At the same time, it provided only $500 million of Nixon's request of $959 million for the Basic Opportunity Grants Program, which Walbom called "a colossal mess."

"The processor hasn't even printed applications for 1974–75. And the money isn't all being used this year," she said.

As of mid-November, the College Entrance Examination Board reports, less than half of the $122.1 million appropriated for basic grants had been committed to qualified students.

Walbom said many freshmen have applied now for basic grants for this year.

She has asked that all incoming freshmen apply for basic grants, as well as current freshmen.

Walbom has also asked for a 7% increase in the budget for university scholarships for 1974–75, which would keep pace with the planned $210 increase in tuition.

"I'm pretty sure that we will get that budget increase," she said.

[From the Daily Trojan, Feb. 7, 1974]

AID ALLOCATIONS FACE CHALLENGE

President Nixon has asked for some $2 billion in student aid funds to be spent nationally in 1975–76, but the manner in which he has allocated the funds is certain to be challenged by Congress again.

In the budget he submitted Monday to Congress, Nixon seeks $1.3 billion for the Basic Opportunity Grants Program, $250 million for the College Work-Study Program, and $430 million for the Federally Insured Student Loan Program.

However, he asked only $6 million for the National Direct Student Loan Program and nothing for the Supplemental Educational Opportunity Grants Program.

Although these funds are included in the budget for the year starting July 1, the money is actually spent the following year.

Those who are sophomores now will be affected most by the expected battle between Nixon and Congress over the allocation of federal student aid funds, because the dispute will be over the level of funding in their senior year.

Excluding insured loans, USC students are receiving a total of $4.6 million from federal aid programs in the current academic year.

"I have a very negative reaction to what President Nixon is proposing this year," Pamela Walbom, director of the Student Aid Office, said in a telephone interview.

"I don't think his proposals would be a success in any way—not unless the basic grants program performs much better than it has so far."

The basic grants program was enacted in 1972 and funded for the first time last year.

Money is still available from the $122.1 million appropriation for 1973–74 so that students who have not attended college before April, 1973, may apply for basic grants. The current maximum is $452 per student.

"We are encouraging students to apply for that money, but as for next year (1974–75), the applications for that program haven't been printed yet," Walbom said. "It's in bad shape."

Under the basic-grants program, money is channeled directly to needy students, currently to those from families with under $12,000 in income. Applications are determined by a processing service under federal contract.

This differs from such programs as supplemental grants and direct loans, which are administered by educational institutions. Financial-aid officers select the recipients according to need.

President Nixon tried last year to end supplemental grants and direct loans (which carry 3% interest) in favor of a formula combining grants, insured loans (which carry 7% interest) and work-study jobs.

Last year, he asked for $959 million in basic grants, $310 million in insured-loan interest subsidies, and $250 million for work-study, but only $5 million for direct loans and nothing for supplemental grants.

But Congress refused to go along with this. Instead, it passed $500 million for basic grants, $210.3 million for supplemental grants, $293 million for direct loans, $270.2 million for workstudy, and $310 million for insured loans.

Nixon signed the bill Dec. 18. That money will be spent in the 1974–75 academic year, and the Student Aid Office is waiting for panels of the Department of Health, Education and Welfare to determine what USC will get.

Walbom is confident that Congress will force Nixon to compromise on aid funding once again.

"I suppose these budget proposals are based on the assumption that he'll be serving the rest of his term," she said in apparent reference to the impact of the Watergate scandals.

STUDENT FINANCIAL ASSISTANCE
(Miscellaneous)

FRIDAY, JUNE 14, 1974

HOUSE OF REPRESENTATIVES,
SPECIAL SUBCOMMITTEE ON EDUCATION
OF THE COMMITTEE ON EDUCATION AND LABOR,
Miami, Florida.

The subcommittee met at 9 a.m., pursuant to call in Miami-Dade Junior College auditorium, Miami, Fla.

Hon. William Lehman, presiding.

Present: Representative Lehman.

Staff members present: Al Franklin, majority counsel; Elnora Teets, clerk; John Lee, minority counsel.

Mr. LEHMAN. This session of the Special Subcommittee on Education of the House Education and Labor Committee will come to order.

Before we call the first witness, I wish to thank Chairman James O'Hara for directing the subcommittee to hold these hearings in the 13th Congressional District which houses so many fine institutions of higher learning.

The testimony in this hearing will go into the record on which will be based the decisionmaking process of this committee in regards to financial aid to students for higher education.

The witnesses today who will testify will be instrumental in helping the subcommittee members, as I said, to help the middle income families and the young people of middle income families have a better chance to get the kind of financial assistance they need in order to complete their college education.

As we know, there have been longstanding programs for economically deprived young people, and of course the children of very affluent families do not have a serious problem in pursuing studies in higher education. But in the last few years the middle income family and the young people from middle income families have been caught in a bind between the rising cost of education and institutions of higher learning and the pinch of inflation.

We're threatened with the probability that our college campuses will not longer see the mass of people in their institutions from so-called middle America, and of course our subcommittee and I feel that there really should be no substantial financial barrier to higher education, regardless of income, social position and any other consequence. There should be no roadblocks to a person seeking the opportunity to acquire a higher education, not only for the person themselves, but for our whole political, social, and economic society which so badly needs the kind of trained people and the kind of input from all segments of our society.

I would also like to bring to your attention that one of the factors to be taken into consideration is the new majority age of 18 and how it will affect the ability and capacity for young people to go to college and responsibilities that these people will have and their families will have in regards to this.

There are many other problems, and many of them will be common to all of the witnesses who appear here today, and we would be interested in hearing any problems that you would like to discuss at this time.

Before I would go any further I would like to introduce the counsel for our subcommittee, Al Franklin, and then I would like for Al to introduce the other members of the staff of the committee that are here with us today.

Mr. FRANKLIN. To my left is Elnora Teets, who is the clerk of the Special Subcommittee on Education, and on the far right is Mr. John Lee, who is here representing the minority, the Republican members of the committee.

Mr. LEHMAN. John, would you like to make a statement for John Dellenback, the ranking minority member who was very anxious to be here, but also several days ago told me he couldn't make it?

Mr. LEE. Thank you.

This committee has been working very hard for the last few months and will continue to do so to rewrite title IV of the Higher Education Act, which outlines the major financial aid programs.

We're looking forward today to getting your input so that we can better look at those problems and those issues and the primary changes. I can assure you I'll go back to Mr. Dellenback and let him know what you're concerned about and hopefully, some of the resolutions that you can provide for us.

Mr. LEHMAN. Thank you, John.

Now, we've held many days of hearings on this matter in Washington. Both Chairman O'Hara and myself thought it would be a good idea to get testimony not just from the people who are able and willing to come to Washington, but from areas of the country where the problems really are and really exist.

I think that's an important part of getting the facts and the available information that we're going to need to continue this process and arrive at the proper decision.

Without further ado I would like to call our first witness and my old boss when I was working for this school, Dr. Peter Masiko, president of Miami-Dade Community College.

Dr. Masiko and the other witnesses, you're free to either read the statement as it appears or you can summarize it, but in either respect the statements in complete form will appear as part of the testimony.

STATEMENT OF DR. PETER MASIKO, PRESIDENT, MIAMI-DADE COMMUNITY COLLEGE, ACCOMPANIED BY DWAYNE HANSEN, VICE PRESIDENT, AND TOM McFARLAND, DIRECTOR OF FEDERAL AND STATE RELATIONS, MIAMI-DADE COMMUNITY COLLEGE

Dr. MASIKO. Thank you, Congressman Lehman.

I am Peter Masiko, president of Miami-Dade Community College. I am pleased to have this opportunity to appear before you today and present our views on the Federal student financial aid programs.

First, I would like very much to extend my appreciation and congratulations for the outstanding contribution which you personally have made to the work of the House Subcommittee on Education and which the comittee itself has made in the Education Amendment Acts of 1972.

This very comprehensive and farsighted legislation established the basis for resolving many institutional problems, including the provision of needed funds for higher education.

The funding, however, has been appropriated for only a portion of the program authorized by the legislation. The act assured an appropriate balance of student financial aid programs by requiring the continuation of institutional-based programs which complement the basic education opportunity grant program and the guaranteed student loan program.

The launching of the basic grant program for the current academic year was not too successful as only 3 percent of the students estimated to be qualified submitted applications for these grants.

Had you yielded to the pressures to limit student financial aid to basic grants and the less successful—or less than successful guaranteed student loan program, most financially needy students would have been denied higher education during the academic year.

Your persistence in carrying out the intent of the amendments of 1972 by including funds for the national direct student loans and the supplemental education opportunity grants programs assisted very substantially in meeting the increased cost of education and the widening gap between cost and family resources.

In your committee deliberations to appropriate funds for the fiscal year 1975, we urge you to continue your resolve to withstand pressures to eliminate the institutionally based programs, the SEOG and the NDSL.

We would like to recommend for your consideration appropriation minimums of the following: $230 million for the supplemental educational opportunity grants, $400 million for the national direct student loans, $420 million for the college work study programs, $650 million for the basic educational opportunity grants under which freshmen, sophomores, and juniors would be authorized basic grants.

Congress has taken steps to improve the acceptability of the basic grant program, but we believe that further modification is needed to assure substantial increases in student applications, and I would recommend that the present BEOG family contribution schedule be abandoned.

The separate family contribution schedule, required for the basic grant program, is not an equitable financial need assessment. Instead, I suggest the use of the need analysis systems of the American college testing program and the College Scholarship Service. Both systems have been proven through years of research and implementation, and both the ACT and CSS systems meet the basic criteria of the Education Amendments of 1972.

Students' financial needs would be best served by compatible analyses for basic grants and college-based programs. The elimination of the dual application process which is troubling to students, parents, and the educational institutions, could resolve the major problem we have encountered with the BEOG—the majority of eligible students are not applying despite extraordinary efforts on our part and by our financial aid administrators to encourage students to make application.

Earlier this year, Congress did an excellent job in correcting the deficiences and misconceptions involving the guaranteed student loan program. The elimination of the needs test, where adjusted family income is below $15,000, together with the clarification of congressional intent to provide loans for middle-income families should result in substantial increases in guaranteed student loans for next year.

When you consider education amendments for 1974, I recommend, No. 1, an administrative expense of 1 percent be authorized to reimburse institutions for the greatly increased workload of financial aid administrators.

No. 2, an increase in the Federal interest subsidy to 11 percent to provide incentive for banks to participate.

In your deliberations for fiscal year 1975, I also recommend that you consider reimbursement to institutions for the added administrative burden of the basic educational opportunity grant program. The administrative workload for this program is often greater than for traditional programs such as the SEOG and NDSL. The traditional administrative expense of 3 percent, however, would be an acceptable reimbursement.

There is probably no Federal assistance program which is more effective than the college work-study program. It helps the student pay educational costs. It provides worthwhile work experience, frequently in the student's academic field, and assists institutions and off-campus employing agencies in providing additional services.

Seldom has a Federal program done so much for so many students. We would, however, recommend one modification to the college work-study program. We suggest that institutions be given the authority to carry over up to 10 percent of an allocation to the succeeding fiscal year, or to utilize up to 10 percent of the allocation for the succeeding fiscal year to meet current year obligations.

Since it is very difficult to estimate precisely the total earnings of each student awarded work-study employment, there is risk of a surplus which results in loss of funds to the institution and students, or excess earnings which must be paid by the institution from its own funds, which could cause unnecessary hardship on most institutions. Allowing for a 10-percent shift of funds between fiscal years would greatly improve utilization of college work-study funds for all institutions.

We also propose an amendment to the national direct student loan program to authorize the transfer of up to 10 percent of an institutional allotment of NDSL funds to college work-study program, the SEOG, and vice versa.

The same rationale exists for NDSL as for the current authority to transfer the college work-study program and the supplementary grants. The applications for funding of these programs are prepared and submitted prior to knowledge of appropriation levels.

Subsequent variations in funding levels among programs destroy the packaging logic utilized in preparing the original institutional application. The availability of other forms of assistance also varies from year to year and month to month. Thus, the ability to transfer a limited amount of funds among the three campus-based programs would permit the aid administrator to adjust for such variations and utilize the total Federal allotment in the most effective and efficient manner.

These modifications in Federal student financial aid programs should resolve some institutional problems and should further the objectives of Congress in the Education Amendment Act of 1972.

Certainly the basic grant, the guaranteed loan, and the college-based programs will provide the funds for more students to attend institutions of higher education, including large numbers of students from low income or disadvantaged backgrounds.

In asking institutions to assume a major public responsibility, to help lower income students go to college, the Congress provided for cost-of-instruction grants to reimburse institutions for part of the added costs.

Funding of the cost-of-education section of the Amendment Act of 1972 should have a high priority for fiscal year 1975. The eight college associations which represent most institutions of higher education in the United States are in strong agreement that at least $200 million should be appropriated for the cost-of-education program.

I would be remiss if I neglected to mention the exceptional amount of education provided by community colleges for each Federal student aid dollar. Community colleges enroll approximately one-third of the undergraduate students and more than 50 percent of all freshmen.

Yet in the current fiscal year only 12.2 percent of Federal student aid was allocated for students enrolled in 2-year colleges. To put it another way, we have a very strong feeling that there's no better student aid than low or no tuition.

In conclusion may I again congratulate the subcommittee on its contribution to the far reaching legislation contained in the Amendment Act of 1972 and subsequent modifications. I would urge you to proceed in carrying out the intent of that act by asking the Congress to appropriate the funds to assure the implementation of the provisions of that act.

Thank you very much for the opportunity to appear before the subcommittee, and we were very pleased to serve as hosts for this hearing this morning. Thank you.

Mr. LEHMAN. Dr. Masiko, your testimony was excellent, and I can just see myself now working with other members of the committee and the staff to try to include some of your recommendations in the legislation we're working on.

I have some questions of my own, but first I would like to start with Mr. Franklin to see if he has some questions he would like to ask you.

Mr. FRANKLIN. Thank you, Mr. Chairman.

Dr. Masiko, thank you very much for your statement. It is going to be extremely helpful to us. You addressed all the issues that are before us.

I wonder if I could get in some greater detail some information about your experience with some of these programs. I take it that since this is a community college a fairly large percentage of your students work while they're attending school.

Dr. MASIKO. That's true, yes, sir.

Mr. FRANKLIN. Do almost all of them do that?

Dr. MASIKO. Do we have a hard figure on that, Tom?

Mr. MCFARLAND. We have a figure of about 10 percent working in college and offcampus agencies.

Dr. MASIKO. No, I'm talking about just college work-studies.

Mr. MCFARLAND. That was the next point. We don't have a figure on employment in the community.

Mr. HANSEN. Close to 75 percent of our students are involved in some type of employment while they're going to school.

Dr. MASIKO. I think it might be of interest to the committee that we have a board policy which waives our local fees for all students whose families are in the federally defined poverty classification, and well over 2,000 of our students are in that category.

So in addition to all the other programs that we have, the college itself provides its stimulation to get students into the community college. It's a very effective aspect for our total aid program.

Mr. FRANKLIN. What would a typical aid package be for students from such a family?

Dr. MASIKO. Well, we have the representatives from all the campuses. There may be a little difference in the experience. If I may call on some of our financial aid experts for the members of the committee, I would like to do that, or, Tom, if you feel qualified to answer that.

Mr. MCFARLAND. This of course would vary appreciably, and as Dr. Masiko made on the point on the basic educational opportunity grant, this has resulted in a considerable change in our packaging.

For next year for example, our maximum would be $875 under the "cost of" criteria. Now, we might have that plus a job. That would probably about cover most of the individual's needs for two long terms.

If, however, and this would be the case with many, he's not qualified for the basic educational opportunity grant, we might have a tuition waiver or we might have a need scholarship which is Miami-Dade contributed. We might have a job totalling $2,200—is—would be about maximum. Actually, $2,295 is our cost figure for three terms.

Now, I could give you all other combinations because I haven't mentioned national defense student loans. Our philosophy is that we will emphasize self help in addition to grants, and if the individual is qualified for the basic educational opportunity grant, then we prefer matching this with the job on the college work-study program. Two of these will about take care of the needy student's requirements, but then if for some reason he can't work—he or she cannot work, then we could fill out the other half of that package with another grant and a national defense student loan. Those are some of the examples.

Dr. MASIKO. Mr. Chairman, we try to operate on the philosophy that no eligible student in the county would be denied admission to Miami-Dade because of lack of finances. Now, this is a fine concept, and I think we're reasonably true to it.

The only problem is that in some cases, unless there's some supplementary support for the family, which many of our students are expected to contribute to, all the things that we can do are still not enough to encourage some students to come.

We look forward to the day when this aspect of forgone income can be considered a respectable part of the total requirement to really get those at the bottom of the economic scale. It's not yet an effective part of our operations.

Mr. LEHMAN. The economic problems of the lower income student are not just the economic problems that exist on the campus, as economic problems exist throughout life as well, and I can understand that.

The fact that you've let everyone come into Miami-Dade regardless of ability throws an additional burden that you have to solve internally in your school, and in my opinion of course we need more Federal assistance to enable you to do this.

John, do you——

Mr. LEE. You started to speak a little bit about the college work-study program. You indicated, I think, that 10 percent of your students avail themselves of the program?

Mr. McFARLAND. No—you mean initial coverage of about 10 percent employed on campus and off campus?

That's based on approximately 4,200 individuals who are employed under that program out of about 20,000 who get financial aid at Miami-Dade.

Mr. LEE. What's the full student body?

Dr. MASIKO. Well, we have a gross enrollment figure of all categories, credit and noncredit, a little over 46,000 for the current year.

Mr. LEE. And does that include part-time?

Dr. MASIKO. That includes full-time and part-time and noncredit community type service as well. Now, many of these in the latter category just are not part of the total aid requirement.

So the basic figure of present students is in the neighborhood of about 30,000 now, and the full-time equivalent on the yearly basis is—well, we're beyond 28,000 now on the yearly basis, and in a particular semester it might run as high as 25,000.

So this in essence would be the kind of base that Tom is talking about.

The other part of the problem, and I think we're beginning to get some recognition on this, and that is the need for assistance to students who are not full-time students. This is an area of grave deficiency, and I think it's particularly harmful that—the absence of aid is particularly harmful to those students in the lower income category who must continue to make a contribution to the family income and yet are encouraged to come to us and other institutions to try to improve their job opportunities.

Our inability to really grant them comparable aid as full-time students I think is an element of unfairness there as well as a hardship for them and to us. So if we can extend the privilege of all of these programs to the part-time student, this I think would be a great help.

Mr. LEE. Now, on the college work-study how many of those people are on off-campus jobs?

Dr. MASIKO. Forty percent.

Mr. LEE. Forty percent.

Mr. McFARLAND. We have one of the largest in the Nation in off-campus—25 different off-campus agencies participate. We've worked hard on that aspect of it.

Mr. LEE. If the college work-study program were to be enlarged, can you give me an estimate of about what kind of increase would be reasonable in your area in terms of number of jobs?

Mr. McFarland. I think the figure Dr. Masiko used was $422 million which would—about 35 to 40 percent in total returns at Miami-Dade—$420 million.

Mr. Lee. We have heard witnesses in the past suggest that we change the matching ratio of 80 percent Federal money, 20 percent agency money to some smaller ratio, say 60 percent Federal, 40 percent agency. You could have the percentage optional within bounds if you desired to make that decision on the local level.

Do you feel that the nonprofit agencies you're working with would still be interested if you had an ability to stretch your Federal money further that way?

Mr. McFarland. My view is that it would definitely inhibit our off-campus program. I think there would be some who would not participate as fully, maybe some who would not participate at all.

For example, some of them are rather strict on their budget and amount from 20 percent, even though we might offer them more students in a particular area. They budget a particular amount of their budget, and then they will not go beyond this.

Mr. Lehman. I'm a little uneasy about the work-study program in two respects. One concern is the rather nonmeaningful jobs that are created sometimes just to provide jobs. I would like to see the criteria be not necessariy nonprofit, but if an extension of this program into profit-making agencies, with assistance at some level such as a 50–50 basis or one-third, two-thirds matching.

After all, profit isn't a dirty word, and I think that we have to look at not just the on-campus and off-campus nonprofit institutions, but also the possibility of extending this to the needs of the students who will work in a profit-making world, because our society happens to be profit oriented.

I can't think of a better training ground to assist this education than working for a profitmaking institution, and I would hope that we can do something on that.

I wanted to also talk to you in regards to your 1 percent reimbursement to institutions to cover the cost of administration of these programs. I think that's a valid request.

Not necessarily this case, but we've had complaints that too many of the administrative people are not adequately trained and equipped to deal with the problems of the students, and I believe if the institutions themselves were better financed to cover these costs, we would get the kind of campus officials to deal with students who are more capable, more understanding and better equipped to handle these kind of situations, instead of just somebody whom you could cover in your budget.

I think that's a good suggestion, and I'll pursue it.

Dr. Masiko. Mr. Lehman, in that regard let me say that even though we have not been getting particular financing for the administrative costs, that we have taken most seriously our responsibilities because the size of the funds that we get from the Government has been very substantial.

Our needs of course for the students have been very substantial, too, and we have conducted our internal seminars and workshops so that each of the campuses is fully prepared to handle the responsibilities.

One of the real problems is trying to get additional staff who ought to be on hand at the critical periods of registration and whatnot. Now, this gets to be part of the overall problem and some recognition as expense, particularly to those rush periods, would be, I think, very, very helpful.

Mr. LEHMAN. I just want to thank you for your testimony, and if any of the other staff people have any other questions, I would be glad to open it up, but I would like to move it along to so we can hear all the witnesses by 12 o'clock. So, suppose we just get a couple of more questions and see where we're going.

Mr. FRANKLIN. You mentioned that it is your philosophy that it is good for a student to be doing some work—as opposed to studying—while he's in school. I wonder if you could develop that a little further. Can't it also sometimes be a burden on the student's studies?

Dr. MASIKO. Well, I don't think it's wise to necessarily generalize in this regard. The truth of the matter is by our experience, and for me it's been my whole life experience in the community colleges of more than 35 years, that it's the lower classes economically and the lower middle classes that primarily send their sons and daughters to community colleges.

It's a very great economic hardship for the families to do without the incomes that these people could be earning, and even though in most of the cases tuition is very low, it's still something that has to be made up in cold cash.

So the requirements for doing some kind of gainful employment is there. Personally I would suspect that most of the individuals in this society might well profit, if on the basis of the indicated academic ability, if we could make it possible for a number of these students not to have to work at all.

I don't want to downgrade the value of work in and of itself as a discipline and as a valuable experience because having gone through it, I know what it can mean.

The only trouble is that the success in college is too often related to how much work is done on the outside, and all too frequently students are not the best judge of how much they can handle.

Mr. LEHMAN. Dr. Masiko, I know when I was teaching, handing out homework to kids who worked almost full time, 40 hours a week, off the campus, burdened their ability to produce written material to turn back in, and I think that's exactly what you're trying to indicate.

Dr. MASIKO. Well, the only other reasonable alternative is to see that they do not take a full college program. There is a requirement to earn some money, so you prolong the thing.

You can argue the economics of adding an extra year or semester as against devoting full time to the studies and getting into gainful employment that much sooner.

Mr. LEHMAN. Are you giving any academic credit now for work on the outside?

Dr. MASIKO. Well, this whole area is being examined very, very closely by us internally and by our junior college system in conjunction with our State universities. We have to be sure whatever we do in this connection will be honored if the students want to transfer to the senior universities and colleges.

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Mr. LEHMAN. Well, if you give them credit, you can't use it in the second part?

Dr. MASIKO. I think this is part of the problem, and I want to be sure on that score.

Mr. LEHMAN. Right.

Dr. MASIKO. There is a national movement. The American Council of Education recently reorganized its committee which had been charged with the evaluation of service experience, and they now are including all kinds of open university type instructions.

So we expect to get some good guidelines that we might be able to follow, but it's a very definite trend and I think a worthwhile one.

Mr. LEHMAN. How well are you able to coordinate student loan applications with your financial institutions in this area? Do you have a very workable arrangements? Do you have three parties, the university, the student, and the financial institutions?

Dr. MASIKO. Well——

Mr. LEHMAN [interposing]. What could we do legislatively to make it more easy to handle?

Dr. MASIKO. I think the bank officials are here for several banks and institutions, and I'm sure they will have their particular problems to present to you.

I have not worked directly on this problem. Tom may have something to say. I would like to report for the benefit of the committee though that we get a substantial contribution from the First National Bank, $5,000 a year, to expand on the nine to one basis for additional loans that we could make. So they've been very generous in making this available, and this then enables us to assist students in the loan program.

Mr. LEE. Just a couple of questions.

Mr. MCFARLAND. May I say just one word on this?

Mr. LEHMAN. Sure.

Mr. MCFARLAND. As you know we had some difficulty in the past getting good coordination between the banks and the colleges.

Mr. LEHMAN. I know, they didn't want the business.

Mr. MCFARLAND. However, they have come forward in a very delightful fashion. We're getting exceptional cooperation from the banks now and really do not have the difficulty in placing loans where a student doesn't have a bank.

Mr. LEE. To follow up a little bit on this idea of work, the co-op education program has some Federal funding under this title, and many schools have operated co-op education independent of that. Have your institutions gone into that?

Dr. MASIKO. We have co-op education. We have—who's here today who would handle that?

Mr. HANSEN. We have a small grant right now which helps us in our supervision and some of our clerical support for co-op education.

Mr. LEHMAN. Would you identify yourself for the record?

Mr. HANSEN. I'm Dwayne Hansen, vice president, Miami-Dade.

Dr. MASIKO. We have a large number of career-oriented programs, and we're extending the cooperative feature to more and more of these programs as the opportunities arise. We do a lot which doesn't fall within the rather narrowly defined concept of cooperative education.

Now, if you take it as a broad concept where students work in areas which complement their studies, there's a lot of that going on, but it's not the formal type where we have a supervisor going out and we give a particular credit.

I would suspect your question is related to the more formal arrangement in which we have many supervisors who do go out and the work is evaluated. It may be on the job for a semester, and then back to the school the next semester, or a whole host of different kind of arrangements.

We are moving in that area. We do have some programs going, but it's not a big program because we don't—right now we don't have the finances for it.

Mr. LEE. But you would be interested in expanding in that direction?

Dr. MASIKO. Oh, yes, yes, very definitely because we have a very large number of career oriented programs which relate directly to the economy of the area, and there would be no great problem to expand it.

Mr. LEE. OK.

The Office of Education indicates to us that the basic opportunity grant program is much more successful. The students got their applications out, the response has been much better, and the number of grants signed are going to be larger.

Do you get the feeling on the local level that this program looks smoother and that more students are going to be able to be qualified?

Dr. MASIKO. Tom, how does it look?

Mr. MCFARLAND. It looks better. You're certainly accurate in your description. The machinery has been well oiled, the forms are out, and we are prepared to move.

I still have a feeling though that we're going to have to do a lot of spade work. You're going to get an increased number of participants. You will get increased numbers, but I think this dual application system is a definite inhibition for students applying.

I think that is a very important element of Dr. Masiko's testimony. You should consider using one system for application, one compatible system, and these two, ACT and CSS, they're experts in it, and they know how, and I see no reason for two systems.

M. LEHMAN. Tom, could you identify yourself for the court reporter?

Mr. MCFARLAND. Tom McFarland, director of Federal and State relations at the district office, Miami-Dade.

Mr. LEHMAN. I want to thank you, gentlemen, for coming and helping us on this.

Dr. MASIKO. Thank you very much.

Mr. LEHMAN. Thank you again.

The next witness is Mr. Timothy Czerniec, director for business affairs for Barry College, and with him is Sister Dorothy Brown and Sister Trinita Flood.

I think we can pull one other chair up, and we can get all three of you up there.

Mr. Czerniec is a University of Miami graduate. He has a master's in higher education, and he's been the top financial aid officer at Barry for 2½ years. He's also director of business affairs for student financial aid.

It's a pleasure to have you here, and you can read your statement or you can summarize it, whatever you would like to do, but either way, as I said before, it will appear in the record.

STATEMENT OF TIMOTHY CZERNIEC, DIRECTOR OF BUSINESS AFFAIRS, BARRY COLLEGE, ACCOMPANIED BY SISTER DOROTHY BROWN, PRESIDENT, AND SISTER TRINITA FLOOD, PRESIDENT-DESIGNATE, BARRY COLLEGE

Sister BROWN. Mr. Lehman, I'm Sister Dorothy Brown, present President of Barry College, and Sister Trinita Flood will take over my responsibilities in 2 weeks, and right now people are suffering—we are not—a slight identity difficulty.

So we thought we would ask Mr. Czerniec to speak for both of us. Mr. Czerniec?

Mr. LEHMAN. I think you make a good threesome.

Mr. CZERNIEC. Thank you very much.

We at Barry College are very appreciative of the efforts of Congress in the formulation of the Higher Education Act that has been in effect in previous years and you are currently attempting to restructure under the title IV Higher Education Act.

The needy students at Barry College, a private Catholic institution here in Miami, Fla.—and I might add there are many of them—have benefited from Federal assistance provided by these programs since they first became law. We are strong supporters in the development of the new title IV regulations.

We would recommend that the institutional based programs as well as the direct student support programs both be continued in the future. This specifically means we support the national direct student loan program, educational opportunity grant programs, college work-study program, basic educational opportunity grant program and the Federal insured student loan program.

A thorough analysis of the policies, procedures and regulations in effect for these programs is needed. The Federal bureaucracy has created a number of problems for our students because of a lack of coordination in program formulation.

It is very difficult to administer a Federal financial assistance program when specific information is sometimes not up to date, not published, or only distributed by word of mouth. There are times when responsible higher educational spokesmen do not have adequate information.

The basic educational opportunity grant is a program with a fine concept. However, the separate needs analysis now being required and the difference in definition of the student support budget from the college based programs creates many problems for students.

It appears to be off in another direction completely aside from anything that exists presently. We would suggest the possibility that one needs analysis for all Federal programs be sufficient to work out awards.

The student budget for the academic year should be defined the same in all programs. The basic educational opportunity grant has a different budget from the rest of the programs.

In the making of financial aid awards, the college financial aid officer should be given more leeway in the granting of awards to students. Specifically this would mean that auditors would be given a regulation that up to $500 over awards could be allowed when extenuating circumstances presented themselves.

Sometimes because of Federal auditors, higher educational institutions are at a loss as to what to do in certain peculiar circumstances. To alleviate this problem, we would suggest clearer regulations and definitions.

Another problem which is greatly hindering the optimum effect of these programs is the lack of continuity or certainty regarding their future. What is available now appears to be a number of federally supported programs, none of which are fully funded and some of which are only partially effective because of the lack of money placed into them.

Colleges and universities need financial information concerning these programs well ahead of the current practice. We need fuller funding years ahead of time, similar to the forward funding of the ESEA, with the commitment of Congress and the President that money will be forthcoming in the form of appropriations.

Congress should consider higher educational assistance appropriations at the beginning of the congressional calendar as a high priority rather than allowing it to be put off.

This is a particular necessity of a small educational institution like Barry College where financial aid recipients are upwards of 40 percent of the student body, and the students continue to go through a year to year struggle to see if funds will be available to meet their needs and if they will be able to return to our institution.

Barry needs the continued participation of these Federal programs in order for its students to receive quality education. We have been most appreciative of the efforts made for our students in prior years, but we have met frustrations.

Concerning the federally insured student loan program we would like to say that in Dade County, Fla. the financial institution relations that we have made throughout the past years have been excellent. However, the financial institutions cannot continue to invest money where there is no return. Possibly they need a greater incentive in order to continue to participate in great numbers.

Another appropriate problem with the federally insured student loan program is the distinct absence of regulations and manuals. Because the program has switched its focus a number of times in the last 3 years, there is a lack of coordination between the federally insured loan program policies and other college based Federal programs. The problem of defaults might be corrected by a more thorough system of collection procedures set down for financial institutions.

We have experienced that some financial institutions do not allow the college of the opportunity to know that an individual student has actually received a loan check. At times this lack of coordination has led to significant overawarding to the student.

To solve this problem the financial institution should be requested to send the check to the school or notify the financial aid officer as a matter of procedure that the student has received a loan. This will make the total award package much easier to assemble.

In conclusion, we recommend the following areas be considered when assembling the title IV of the Higher Education Act:

No. 1, the current lack of up-to-date regulations.

No. 2, the amount of support and forward funding available for the programs in future years.

No. 3, a firm decision to be reached by the Congress as to the direction and intent of all the Federal programs for a solidification of these programs over a period of time so that they can have continuous effect.

No. 4, better coordination of all programs regarding needs analysis and student budget.

No. 5, that overawards for additional aid be made by the financial aid officer of the institution when practical.

No. 6, that bureaucrats and audit agencies be investigated to see if they are taking too strong an interpretation of these programs and whether they are conflicting with the intent of Congress.

No. 7, a combination of both institutional as well as direct student support made more clear and adequately funded.

No. 8, a complete revision of the independent student concept so as to better identify this rising number of students for all programs and imposing criteria for making awards.

No. 9, an administrative expense reimbursement available for all programs which the college or university is involved in.

No. 10, the funding of the State student incentive grant program would provide matching funds available for State grant programs. Here in Florida we have an excellent student assistance grant program that benefits many students. State incentive programs would provide greater funds available at a minimum expense to the Federal Government.

We would again like to thank you, Mr. Lehman, for allowing us to appear at this hearing and appreciate the opportunity to make our opinions known.

Mr. LEHMAN. I thought your testimony was exceptionally well presented, especially as what happens right on the front line with all the little problems that are involved that we in Congress cannot know unless we have a way of talking to you.

Some of these problems are such that we're not going to be able to resolve in our committee; they're going to have to be resolved by regulations of the Office of Education. They're going to have to be resolved at the State level as you mentioned, but at least we know more about what the problems really are.

You mentioned forward funding—we're still trying to resolve that in the ESEA, and hopefully we can do so there and lead further on into the problems of doing the same with funding for higher education.

Sister Dorothy or Sister Trinita, would you like to add your comments to——

Sister BROWN. I would like to just add one point, Mr. Lehman, that our needy students come from our immediate community, while our resident students often come from out of state, and they don't really have the same financial needs.

So what we're talking about really is the future leadership of our own community here in south Florida and throughout the State.

I think it's extremely important that we all remain very cognizant of the freedom of the students to go to the school of their choice.

We have had excellent relationship with our junior colleges down here, counseling before they come to us and then direction for them to complete their 4-year programs.

While we're in a very fine situation here, there is the funding needed to help these students to have some security in their small doubts on campus or whatever they might have and to get a good education and return their leadership to our community.

Our school of social work has been a tremendous help to the community in providing the leadership that was nonexistent almost 5 or 6 years ago, and we're very happy with some of the Federal funding coming there—coming through very well, although again it has come too late, but yesterday we learned that there will be some subsidies available to students who maybe have decided not to go to school now.

So the point Mr. Czerniec makes of forward funding is extremely important in all of these programs.

Thank you very much.

Mr. LEHMAN. Sister, would you like to add something there?

Sister FLOOD. Just one comment. I would like to underscore Dr. Masiko's request that perhaps it would be a very valuable asset if some of the funding could be extended to part-time students. We have a great many, as I'm sure the institutions in Dade County do, of returning students, men and women, older with family responsibilities who find it very difficult, even after having made the choice of Barry College, to continue to support themselves and their other responsibilities simultaneously, and yet their preparation for leadership in the community is a very vital factor to be considered in this regard.

Mr. LEHMAN. Thank you very much. You've been helpful to us. I know what you do for the residents of this area as far as students because I was a resident, and I did go to your college.

Mr. Franklin, would you like to ask some questions?

Mr. FRANKLIN. I would.

You spoke to the point about your relations with financial institutions in connection with loans, saying they been very good, but you said the financial institutions cannot continue to invest money where there is not a better return.

Is there evidence that their enthusiasm for lending to students is dropping off?

Mr. CZERNIEC. Well, let me say this. I would not say that there is real significant evidence that they are losing interest. It's just that because of the economic situation that they don't have the funds to make available to students.

I belive that right now they're getting about 2 points above the 7 percent as a return, and with the economic situation I'm sure they can draw more if they just put their money—if an S&L puts their money right into the housing market, they can get a better return.

I'm only thinking that possibly to keep that type of subsidy coming to the institutons, it might be a good idea to increase the amount that the S&L's or the banks, commercial lending institutions can get.

Mr. FRANKLIN. But up to now their cooperation has continued good?

Mr. CZERNIEC. Thir cooperation has continued, but I—in fact it's been very fine in this area. It has been one of the best in the country I think from what I've understood, and I think that they are to be complimented for the fine backing.

We at Barry have had a significant amount of money come through the federally insured student loan program, particularly from this area, and have found that the banks and the S&L's do want to help us. I'm just concerned about their future with us because it is a poor money we do get.

Mr. LEHMAN. Mr. Lee, do you have a question?

Mr. LEE. I was interested in your comment about the State student incentive grants, currently we have 19 million Federal dollars in that program. Many States have moved to develop their programs.

Can you tell us a little bit about how the State program works for you?

Mr. CZERNIEC [interposing]. Well, I would like to refer to Sister Dorothy who has worked directly on the legislation on it and knows much more than I.

Sister BROWN. Yes, I would be glad to make a comment on that. For several years we've endeavored to get some kind of legislation through which was promoted predominantly by the 17 or 18 independent colleges, but it also incorporates the State universities and the junior colleges.

Two years ago we were finally able to get a bill through, but it only gave up an appropriation of $360,000 which was gobbled up very rapidly, and I think every college in the State probably had thousands of other applications that might've been funded.

So we were successful the second year to get $3,600,000 which was a little better, but we still have thousands of students who are applying and not being subsidized, not receiving the possible $1,200 toward their education.

One significant thing about our bill here in this State is the fact that $1,200 can be used for any purpose. It's not just a tuition grant, and therefore if a minority student from Dade County would like to go up to Tallahassee or Gainesville or Tampa, some place, they can use that for their residence requirements.

We think this is very vital in our State because it gives them another environmental experience besides the living conditions where they are. However, in the private colleges this does not cover tuition in any of the 18 colleges, naturally.

Last year we promoted very strongly a projection that would go to 6.8 for the coming year and 9.4, I believe, for the following year and 12.6 million or something like that for the fourth year. So the program would be viable.

However, just as in the Federal problems, the appropriations came up the last day of our State Congress, and the appropriations landed at 4.3 which is a great disappointment, not only to the private institutions, but I'm sure to the State universities and the junior colleges. So again, we're going to have thousands of students in Florida who wish to attend Florida institutions, but who can't do it because the appropriations are not sufficient, and again we learn it at a late date, just last week, and I don't know what we're going to do about all the students who would like to come into school and be funded.

Mr. CZERNIEC. I would just like to comment on that very quickly. The State incentive money that would come from the Federal Government could be possibly funneled through this type of agency which we are—would like to think is a model for the rest of the United States and other States who use this type of system.

Why I say it would be at a minimum expense to the Federal Government would be that the Federal money could be used directly to funnel through the State and would be given out to needy students in this State and would mean that you would have to funnel less in the other programs possibly.

This program has been very successful in our State, and we're very proud of it.

Mr. LEE. Another thing that you commented on that has caused a lot of problems is the independent student. Could you explain a little bit about the kinds of problems it produces for you?

Mr. CZERNIEC. Well, this is a very difficult problem. The problems that can come about right to my mind would be, first of all, the student support budget is significantly higher for an independent student, which means that we have to give out a greater amount of financial aid for the student to go to school, which means that we have to cut the pie a lot less, which means that we have less to give out to everybody else.

Since there is such a great demand for the money, the financial aid officer has the responsibility of continually trying to figure out where the students can go to get money and trying to point the student in the direction or get the student the money or whatever.

This does present quite a problem and from a legal standpoint I'm not qualified to speak to it; but I think that there are many questions that have to be resolved there, and it's one that I really don't have the answer to; but I would like you people to address it, if possible.

Mr. LEHMAN. Don't you think that there's going to be a greater trend toward independent students now——

Mr. CZERNIEC [interposing]: Yes.

Mr. LEHMAN [continuing]. And there's going to be less use of family means for support. I think we're going to have to face the fact that we're going to have to cut the pie thinner and thinner, and therefore we're going to have to get more adequate funding.

Mr. CZERNIEC. Absolutely.

Mr. LEHMAN. I want to thank all of your for coming up here and also thank Dr. Masiko and Mr. McFarland. I know you have busy schedules, and this is a busy time of the year, and I'm very gratified, and I know our committee is going to be appreciative of you taking all this time.

I would like to declare a 5-minute recess and then we can get right back with the next two witnesses.

[A short recess was taken.]

Mr. LEHMAN. The next witness is an old friend of mine and head of an institution where I received my teaching certificate, Dr. Henry King Stanford.

Dr. Stanford, for the record would you introduce the other members of your contingent?

STATEMENT OF DR. HENRY KING STANFORD, PRESIDENT, UNIVERSITY OF MIAMI

Dr. STANFORD. I'm Henry King Stanford, president of the University of Miami, which is located in Coral Gables, Miami, and Virginia Key, and Pidgeon Key, and the crestline of the Everglades, and we have biological field station in Ecuador. So it's a rather extensive institution.

With me are Dr. William R. Butler, vice president for student affairs, and Dr. F. Thomas Sheeder, director of financial aid and career services.

Mr. Chairman, I want to compliment you and your fellow members of the subcommittee for having the wisdom to hold these hearings out in the hinterland. There are insights to be gleaned from the provinces, and we're happy you have recognized this.

Speaking of provinces, I think one of the most provincial places I ever lived was on an island off the continent of North America called Manhattan. So welcome to your alma mater and your hometown, and we're grateful for this opportunity to speak to you.

I will not read my testimony. I think it has already been filed and will be a matter of record.

Mr. LEHMAN [interposing]. It will be in the record.

[Dr. Stanford's statement follows:]

STATEMENT BY DR. HENRY KING STANFORD, PRESIDENT, UNIVERSITY OF MIAMI

Mr. Chairman and members of the subcommittee, I am Dr. Henry King Stanford, President of the University of Miami in Coral Gables, Florida. Accompanying me today are Dr. William A. Butler, the University's Vice President of Student Affairs, and Dr. F. Thomas Sheeder, our Director of Fnancial Aid and Career Services.

At the outset, Mr. Chairman, may I express our gratitude to you and to the Subcommittee for the opportunity to appear at this field hearing. It is a tribute to both the thoroughness and the diligence of the Subcommittee that hearing opportunities are being offered outside as well as in Washington on the vitally important legislation which is the subject of today's hearing.

If I may, I should like to make some general comments and observations and then turn to Dr. Sheeder to discuss with you some of our experiences and recommendations in behalf of Federal student financial assistance legislation and particularly that related to Title IV of the Higher Education Act.

By way of background, the University of Miami is a private, independent institution founded in 1925. Its students come from all fifty States, the District of Columbia, and over sixty foreign countries. The University offers undergraduate, graduate, and professional academic programs through eleven schools and colleges. Its total enrollment of approvximately 16,000 students makes it the largest private institution in the Southeast.

Of those 16,000 students, more than 10,000 are full time. About 5,000 of our students annually receive some form of student financial aid, with most receiving some dimension of support from Federal programs specifically, which, in the aggregate, constitute over half of all our student financial aid resources.

It is evident how highly significant Federal student financial assistance programs are to our continuing success as an institution of higher learning—and particularly as a private institution receiving more than one half of all of its operating dollars from student tuition income. It is hardly necessary to say that our operating costs are continuing to increase in a substantial way and that a major portion of these costs must be passed on to our students.

As costs increase, more and more students are requiring student financial aid support. A direct reflection of this is in the fact that our number of student aid applicants has more than doubled over the past four years despite a declining enrollment during the period.

That our resources to meet expanding student need have increased nearly accordingly is, in large measure, a tribute to the efforts of the Congress in both expanding existing Federal student assistance programs and in adding now programs to help meet new needs.

As an institution, we support the continuation and expansion of all Title IV-authorized Federal student assistance programs: the Basic Educational Opportunity Grants Program; the "college-based" National Direct Student Loan, Supplemental Educational Opportunity Grants, and College Work-Study Programs; the Guaranteed/Insured Student Loan Program; and the State Student Incentive Grant Program. Though we would recommend some refinements in nearly all the existing programs to make them even more effective in serving students and the post-secondary education community, all are vitally important and should be perpetuated.

If I may, Mr. Chairman, with thanks again to you and to the Subcommittee for this opportunity, I should like at this time to turn to Dr. Sheeder to ask that he share with you some of our experiences and specific recommendations relative to Title IV student financial assistance legislation.

Please be assured that we will be happy to respond to any question you may have. Thank you.

Dr. STANFORD. May I offer first a few general comments, then ask Dr. Thomas Sheeder to talk specifically about the impact of the Federal student financial assistance programs on the University of Miami and then more particularly on our students.

As we all know our institution is a private, independent university. Our students come from 50 States and 60 foreign countries. We have about 16,000 students. That's a kind of a chamber of commerce total headcount, of whom about 10,000 are full-time students, and of these 10,000, 5,000 receive financial aid in some form.

Of all the financial aid resources we have more than 50 percent of it comes from the Federal Government, but I want to talk just for a moment about the significance of this financial aid, not only to all institutions of higher education, but particularly to private institutions.

As you know, we've been faced with tremendous inflationary pressures and have been forced to raise our tuition beyond the levels which we would have liked.

We are a young university. We are celebrating our 50th anniversary in the next 2 years. We were chartered in 1925, and opened our doors on October 26.

Mr. LEHMAN. Dr. Stanford, when I was a student there about 15 years ago the tuition was $30 per credit hour. What is it now?

Dr. STANFORD. Well, it's $2,500 a year, and you take 30—the average load, Tom, is about 30 credits, is it not?

Dr. SHEEDER. Yes, that's right.

Dr. STANFORD. For the year, so that's 30 into $2,500.

Mr. LEHMAN. $85 a credit hour?

Dr. STANFORD. That's about—that's a big increase.

We don't have a large endowment that is characteristic of some of the older private institutions of our country. We'll get there someday, but we have to rely more heavily upon tuition. So this means that any Federal program that aids the student, who then in turn pays tuition with it or a portion of tuition, helps the—to maintain the solvency and therefore the existence and certainly independence of this university.

So we have been grateful to Congress. We pay tribute to you for expanding existing Federal students assistance programs. We support the continuation and expansion of all title IV authorized Federal assistance programs.

We want to fret a little bit this morning about some aspects of the operation of these programs, the forms that have to be filled out. I think Tom's going to say something about that. We wish Congress could make up its mind a little earlier in the year so that we could make definite specific grants to students, rather than tentative grants, which I think you've had to do in some cases, Tom.

So thank you for letting me give these general comments. Tom's going to be more specific, and then we'll be happy to try to answer your questions.

So, this is Dr. F. Thomas Sheeder, Director of Financial Aid and Career Services.

STATEMENT OF DR. F. THOMAS SHEEDER, DIRECTOR OF FINANCIAL AID AND CAREER SERVICES, UNIVERSITY OF MIAMI

Dr. SHEEDER. Mr. Chairman, may I add my grateful thanks to those of others for the opportunity to meet with the subcommittee today to share observations and to express views on Federal student assistance legislation and particularly that of title IV of the Higher Education Act.

If I may take the further liberty, Congressman Lehman, I should like to pass along to you the specific compliments of two of my colleagues in the student aid community, Mr. Richard Tombaugh, executive secretary of the National Association of Student Financial Aid Administrators, and Mr. Allan Purdy, NASFFA's director of State and Federal relations and also director of financial air services at the University of Missouri.

By virtue of their NASFAA responsibilities, both Mr. Tombaugh and Mr. Purdy have enjoyed the privilege of testifying before this subcommittee on a number of occasions, and both have expressed their particular gratitude to you specifically for attending so regularly and sharing in the hearing deliberations.

I should like first today to make several comments and recommendations on matters which relate to clusters of title IV programs, and I think will suggest observations and views about certain of these programs specifically.

We first would recommend strongly the continuation of all the college-based programs in new legislation. The national direct student loan, supplemental opportunity grants and college work-study programs are time-tested, highly developed programs which have offered opportunity to institutions to package coordinated clusters of aid for students which have served both student and postsecondary institutional needs in a quality way.

Other title IV programs complement the college-based programs by offering added assistance to traditional student aid awardees and by providing support to new awardees requiring assistance in the face of rising costs.

We further would recommend that all three college-based programs have funding provided for in new legislation which is at least at the threshhold levels incorporated in existing legislation. In fact with both the vast number of new students seeking aid as a result of rising costs and the substantial numbers of additional institutions seeking aid for their students—and I know here that the Office of Education has advised that some 3,800 institutions filed the tripartite application for funds for fiscal year 1975 as against 3,400 for fiscal 1974—it would be hoped that the college-based programs' funding bases could be even higher.

I have been informed that Mr. Richard Tombaugh's testimony before this subcommittee on both May 29, 1974, and June 11, 1974, speaks to and documents this posture, and I would comment that testimony to you for further consideration.

On a related matter, I would commend the Congress for the advancements it has made in behalf of existing programs by providing for full forward funding of allocations.

Yet I would observe that certain problems still remain in connection with timely delivery of information to institutions and to students which I would hope could be given legislative attention.

May I observe specifically in behalf of the University of Miami that, though we filed our tripartite application for college-based fiscal year 1975 funds back in the fall of 1973, and though the President signed the appropriations bill into law, I believe, on December 19, 1973, we do not yet, at the time of the preparation of this written testimony at the midpoint of the week of June 14, have our institutional allocation of funds' notification on the NDSL, SEOG, and CW–S programs.

We long since have had to make tentative, contingent awards to those planning to enroll as new freshmen in the fall of 1974, but awards of this type are not really fair either to the students receiving them or the institutions offering them.

Another obvious example of the difficulties created by late funding is that of the fiscal year 1974 effort with the basic educational opportunity grants program. It became impossible nationally to expend the full entitlement allocation for the year as the result of late funding problems.

Much improvement has been made in the timetable for the BEOG program for the coming fiscal year; yet I observe that only recently have administrative orientation sessions for secondary school guidance counselors and college financial aid officers been completed on BEOG, and the beginning of the fiscal year is less than 1 month away.

May I speak also on another problem of growing importance to our students and, I feel certain, many students across the country. As programs have been added, each with specific conditions as well as conditions which are compatible administratively with those of existing programs, the process of applying for funds has become more and more complex—perhaps complex beyond the point of assuring that complete and accurate information has been obtained from each applicant.

It is possible now, if a given student were to seek aid from all existing title IV student assistance programs only—and many students, particularly at private institutions, must, given the on-campus resident student budgets which can equal $5,000 or more annually—for that given student to complete no less than five different application forms and, at least one set of need analysis materials as well as a variety of supporting documents.

Most students, and their parents, complete all forms because it is so vitally important that they obtain the financial support which often results, but more and more are becoming concerned with application complexities which, in the aggregate, many believe make Internal Revenue Service requirements pale by comparison.

In the meantime, more and more student financial aid officers are becoming convinced that their offices may well ultimately be destined to collapse of their own weight of application paper.

I believe that, while paper cutback is no simple problem, certain legislative potentials to begin dealing with this problem do exist. First I would hope that this subcommittee would give serious attention to the possibility of fully compatible need analysis systems to serve all programs, rather, for example, than one to serve the BEOG program and others to serve other programs, and I am simply underscoring the comments of others this morning in making that point.

Second, I would recommend that section 498, part F of the "General Provisions," relative to the affidavit of educational purpose could be clarified to make notarization of the required affidavit unnecessary.

NASFAA's Richard Tombaugh, in his May 29, 1974, testimony before this subcommittee, spoke to the latter point, and I should like to take the liberty, if I may, to quote from his testimony:

> The Office of Education has made a legal interpretation that affidavit means a notarized statement. The notarization process adds much confusion for the student and institutions alike, complicates the registration process in many institutions, and generally makes administration of all Federal programs more difficult.
>
> Yet the notarization has no legal value except that the signature was witnessed by a notary public. It does nothing to insure the authenticity of the signature, nor does it enhance the sincerity of the signer.
>
> I must admit that it psychologically may cause the student to consider his or her intended use of the funds, but the pause will be only momentary. The notarization is simply not worth the hassle, and sometimes money, that requiring it causes both institutions and students.

On the guaranteed/insured student loan program, the recent incorporation is legislation of automatic interest benefits without needs test for loans of up to $2,000 to students from families with adjusted gross incomes of $15,000 or less represents a major step forward in the guaranteed/insured student loan program.

We are most impressed with the evolution of this program, though we would recommend that two additional changes legislatively be made. First, we understand that, at a point in this program's evolution legislatively, a 1-percent administrative allowance to colleges and universities for their role in administering the program inadvertently was omitted from a final draft.

It would be our strong recommendation that consideration be given to incorporate such an allowance in new legislation. Administrative costs to institutions are very real and are growing, and relief is needed.

Second, it would be our recommendation, in support of our colleagues in the lending institutions at a time of volatile market conditions, that the special allowance to lenders be made more responsive to conditions and thus make guaranteed loan lending a regularly more attractive investment.

I again quote from Mr. Richard Tombaugh's May 29 testimony before this subcommittee, with which I concur. He recommends that legislation be effected to:

> Retain the current seven percent interest rate, but attach the amount of special allowance to some responsive indicator of the money market so that the lender can get a fair return on the investment. It seems important to us that

the special allowance be predictable in advance rather than being set retroactively, sometimes far into the next quarter.

The psychological impact of reducing the special allowance for the prior quarter at the same time the prime interest rate reaches an all-time high is obvious and should somehow be avoided. The constant interest should be maintained to provide stability in the cost to the student borrower. The current seven percent rate seems to be a reasonable expectation of the borrower.

On the BEOG program I would suggest that this program is another which is imaginative in concept and potentially exciting in execution. I have spoken earlier to the problems which late funding has created in the administration of this program, so I will not comment again about that at this time.

However, I would recommend that, now that the pattern of college and university involvement in the administration of this program in a material way seems assured, an administrative allowance also be provided to institutions for its administration. Perhaps a 3-percent allowance comparable to that of the three college-based programs might be equitable to consider.

On the national direct student loan program I would suggest that this quality program has proven its merit over considerable time and is one of the vital mainstays of student assistance resources. I would make two recommendations in connection with it.

First, I would suggest that legislative provision be made for nursing and medical students at schools particiapting in the health professions loan and scholarships programs to be awarded aid from NDSL if there are insufficient dollars available in health professions allotments. These programs are chronically underfunded, and needy students who cannot be assisted are excluded from support through NDSL.

Second, I would recommend that legislative authority be given for the transfer of up to 10 percent of an institutional allotment of NDSL funds to the college work-study or supplemental educational opportunity grants programs, and vice versa.

This authority now is given in behalf of CW–SP and should also be given for NDSL to provide the additional needed flexibility in use of resources to the financial aid officer.

I quote Mr. Tombaugh's May 29, 1974, testimony on this matter, also, for I believe it states the case particularly well:

> The same rational exists for NDSL as for the current authority transfer CW–SP and SEOG. The applications for funding of these programs are prepared and submitted prior to knowledge of appropriation levels.
>
> Subsequent variations in funding levels among programs destroy the packaging logic utilized in preparing the original institutional application. The availability of other forms of assistance also varies from year to year and month to month.
>
> Thus, the ability to transfer a limited amount of funds among the three campus-based programs would permit the aid administrator to adjust for such variations and utilize the total Federal allotment in the most effective manner.

On other programs I have no specific comments or recommendations to make on the other title IV programs except to reiterate that all should be both maintained and expanded to serve the many vital purposes which are theirs.

Thank you once again for this opportunity to present observations and views to the subcommittee relative to title IV student financial assistance legislation. I would be most happy to attempt to respond to any questions you may have. Thank you very much.

Mr. Chairman, I wonder if I might add at this point one other comment more recent than the submission of our written testimony, relative to something that both Dr. Masiko at Miami-Dade and Mr. Czerniec at Barry College have discussed already, the matter of assisting parttime students.

What this is, is a memorandum to Dr. William R. Butler, our vice president for student affairs, from Dr. M. Robert Allen, who is our assistant vice president for academic affairs and dean of our school of continuing studies, on the subject house subcommittee on education and labor, student financial assistance.

Dean Allen says:

My concern still is with the lack of basic consideration coverage for the parttime working and commuter students. I would like the Subcommittee to be certain that students are not penalized because they are not "fulltime"; that even a three to six semester credit hour load should not disqualify potential applicants for student aid considerations. While improvements have been made in this area, we're a long ways from making it practical and convenient for the parttime student. This is nothing new or original. However, more and more interest is being noted at all levels concerning the problems of a second career, relocating our working men and women and returning woman in higher education. For your information and discussion, Bob.

Mr. LEHMAN. Thank you, Dr. Sheeder. Thank you, Dr. Stanford.

There are two threads that seem to be running through the testimony of our first three witnesses, that we haven't yet dealt with in the Washington hearings.

One is the need for funding of administrative costs for the institutions to deal with these programs effectively, and second, the problem of the part-time student. It seems to me that part-time students make up a great part of your student body and also make a great contribution to your institutions.

I can assure you that I will make every effort to bring this to the attention of the other members of the committee to see if these suggestions can be incorporated into the legislation to fulfill these requirements.

Dr. STANFORD. Mr. Chairman, I know it appears that we may have conspired in the preparation of this testimony, but it's reassuring to me to come here this morning to see that Dr. Masiko and Sister Trinita and Sister Dorothy, Mr. Czerniec, all have said pretty much the same thing about these two points—the part-time students and some kind of administrative assistance.

Mr. LEHMAN. Many of the other things you've also agreed has been brought to our attention before, but these are two very, very important factors that, to my mind, haven't received the attention that they should have received, and I'm so grateful that we've been able to get this input from you people here today.

Dr. STANFORD. One problem I know that can't be introduced into the hopper as legislation, but this is a matter of timing to which I alluded. If there's any way by which we could know definitely, before the students leave, what the available funding is going to be, that would enhance immeasurably the effectiveness of this program.

Mr. LEHMAN. I wish I could give you some good information or even some happy information on that, but I would anticipate that this legislation here will be passed and signed into law sometime before the termination of this session of Congress, but certainly not before the end of this fiscal year.

Dr. STANFORD. All right.

Mr. LEHMAN. Thank you for coming. Any questions?

Mr. FRANKLIN. Just one question, is it still too early to give us some communication as to the effectiveness of the law extending subsidized loans to students without need analysis whose adjusted family income is less than $15,000?

Dr. SHEEDER. Right, I think it's fair to say we're still making calculated professional estimates about this. Our best feeling is that there are substantial improvements representative of this law, and certainly the key improvement is the avoidance of the needs test automatically for those of the income levels and loan levels mentioned.

Mr. FRANKLIN. It won't make eligible again a lot of students who have been eligible before, but were cut off by the Educational Amendments of 1972?

Dr. SHEEDER. Yes, sir; there will be some deleted.

Dr. BUTLER. May I add just one additional word?

Mr. LEHMAN. Would you identify yourself?

STATEMENT OF DR. WILLIAM R. BUTLER, VICE PRESIDENT FOR STUDENT AFFAIRS, UNIVERSITY OF MIAMI

Dr. BUTLER. Yes, thank you, Mr. Lehman. I'm Dr. William R. Butler, vice president for student affairs at the University of Miami.

Dr. Sheeder did mention the requirement for notarization. I'm not sure how often that irritant comes up and has come to your attention, but it is also something we feel very strongly about that is another hassle for the students and adds very little value to the whole application process.

Mr. LEHMAN. Thank you, just another nuisance factor.

John?

Mr. LEE. About this part-time student thing, some of the authorized legislation indicates that students can be less than full time and receive student aid in some form. I've been led to believe in my conversations with student aid officers that oftentimes because of the limited funds the decision is made on the local level to take care of the full-time students first, and unfortunately there's never enough money to spread out.

If you had more funding, do you think that would be better to take care of full-time students, or would you give some portion of your funds to the less-than-full-time students?

Dr. SHEEDER. Yes; we do. As you know, the current authorization permit funding of students at the halftime levels or better, and it's our pattern to assist students at halftime levels or better based on their demonstrated financial need, rather than the demonstrated volume of course work. I think the issue is between halftime and part time.

Mr. LEE. You mean less than halftime.

Dr. SHEEDER [interposing]. Less than halftime is the key factor.

Mr. LEE. Are you concerned about some sort of financial help for someone who might just take one or two classes?

Dr. SHEEDER. That's right.

Mr. LEHMAN. Sometimes they have to get started with 3 or 6 hours in order to then, as they become involved and go into more full time, but if you don't give them some help to get started, they never get to the full-time or halftime level.

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Dr. SHEEDER. The Office of Education regulations have read half of normal full-time academic regulations have read half or normal full-time academic load, but of course the normal full-time academic load is 15 hours, and half of that, for practical purposes, is 8 hours.

It's pretty difficult for some of them working full time sometimes to take an 8-hour load.

Mr. LEHMAN. I've tried it.

Mr. LEE. There's a program that's causing some concern, and we're going to talk about it in later hearings I think more extensively, but it's the veterans cost of instruction program.

Do you people have that program going?

Dr. SHEEDER. We do not have that program going, but I think—I'm hopeful that we will move in that direction. We have a substantial enrollment of veterans on the campus, and I think we do need to move forward in that area.

I'm not familiar with the details of the program to respond to specific questions.

Mr. LEE. I understand you don't have the program?

Dr. SHEEDER. That's right.

Mr. LEHMAN. Thank you very much, and I'm sure your testimony will be of great value, as those who have gone before you, to this committee.

Dr. STANFORD. One parting comment, we're proud of the chairman as an alumnus of the University of Miami.

Mr. LEHMAN. Thank you.

The next witness is John Conlon from the First National Bank, senior vice president of the First National Bank of Miami. John is an old friend of mine, and before he gets started I want to comment a little bit about what might have been misinterpreted this morning.

It's not the fault of any of the institutions in this area for not more fully participating, but the problem was the inability of our legislation to provide the incentives, to provide the means and to provide the brainwork for them to really become more deeply involved.

I just wanted to assure John that myself and this committee are grateful for what the First National Bank has done in student loans, and we just wanted to try to make it more feasible and more exciting for you to even get more involved in this activity.

John, you have a few kids of your own, don't you?

STATEMENT OF JOHN CONLON, SENIOR VICE PRESIDENT, FIRST NATIONAL BANK OF MIAMI

Mr. CONLON. Five.

Mr. LEHMAN. How many have you got in college now?

Mr. CONLON. One going.

Mr. LEHMAN. I think you know what the problems are.

Mr. CONLON. Mr. Chairman, you just took the opening remarks away from me.

And in conclusion—I would like to take this opportunity to introduce Larry Ginsberg, who is an associate of mine at the First National Bank of Miami and handles internally all of the functions regarding the student loan program.

Mr. Chairman, for background, the First National Bank of Miami entered the federally insured student loan program in 1971 with an initial commitment of $1 million. By September, 1971, 97 students were participating in the program, with $128,000 outstanding.

At yearend December 1971, the number of students had increased to 125, which was an increase of 28.9 percent, while outstandings had expanded to 165,000 or an increase in that of 28.7 percent. Our joint program has now been in force for 2 years and 10 months.

Bank policy stipulates that we will grant a federally insured student loan to bank customers or their children, and by and large no exceptions have been made to this policy. We have not experienced any problems in the area of prime eligibility.

Most inquiries are made by phone, and as such, if the prospective borrower is not a bank customer, we invite him to become one. If this materializes and he remains 1 for 6 months, we will then allow him to process a federally insured loan application and a supplement.

Once a loan is funded we must make two separate bookkeeping functions. One is on the subsidized loans, and the other is on the nonsubsidized loans. Relatively minor problems exist with subsidized loans other than it is always necessary to obtain payoff figures for those loans on the repayment in order to reclaim the quarterly declared bonus.

Conversely, one of the most—one of the biggest problems is the time consuming portion of the program as represented by the quarterly interest billing on the nonsubsidized loans. Each accrual is computed separately, and such student is mailed a statement.

If we fail to receive a response to the billing, the loan is referred to our collection section where a similar letter is prepared and sent. If this brings a negative response, more collection efforts are made. If this action does not bring satisfactory results, no further disbursement is made until the student brings the interest payment up to date.

We are presently receiving numerous telephone calls from nonbank customers who state that although their financial institutions are engaged and participating in this program, they reportedly are not lending any additional money for this purpose at this time.

At the First National Bank of Miami there are three interviewers fully trained in the handling of this program. One interviewer is assigned to the program with the other two utilized as backup for peak periods and to spread the workload in the event of absenteeism.

One loan officer, one collection officer, and one bookkeeping officer are fully trained in their respective functional roles for the program, in addition to the two bookkeepers and four adjustors.

The absolute cost involved in salaries, space, equipment, supplies, and postage brings the effective yield well below the combination of the 7-percent simple interest and declared bonus awarded quarterly.

The following portion of testimony is a statistical portion, and I would just like to point out from December, 1971, that 1972 over 1971 the entire direct lending non-secured portfolio increased by .083, while our increase portion of the student loan program was 100 percent.

The year 1973 increased in outstanding by 13.76 percent, while our increase in the federally insured student loan program was 14.61. So far this year we have increased 2.37 percent in total outstanding, 25.46 percent in our student loan program.

Our volume has steadily increased in our student loan program starting with $166,000 in December of 1971, and ending in December 1973, we had $374,000 for that year. So far this year it's $173,000.

The percentage of increase, 1972 over 1971, was 47.79 percent. On 1973 over 1972 was 51.89 percent. We have practically no delinquency at all. Our delinquency as of December, 1973, was .374. Overall delinquency in the department is 1.8 percent. National statistics are 2.6 percent in all delinquency.

In 1972 five students transferred to our repayment program. In 1973 the total was raised to 23, and thus far this year 25 more have been set up on the repayment schedules.

Our present federally insured student loan outstanding is comprised of 297 students still in school with balances of $739,000, and 48 students on repayment with balances due, including interest, of $99,000. Of the students in school, 220 of these are subsidized and 77 are nonsubsidized.

We have not been forced to file a claim on any of the loans we have set up on repayment schedule and have elected to request preclaim assistance only once.

In May 1974, the First National Bank of Miami increased its commitment to this program to $1¼ million.

Methods by which the program could be streamlined procedurally to induce yield enhancement and growth potential, and has been touched upon by all people who have sat here before me—the rate. We stated we would like to see the rate tied to the prime rate of First National Bank, and this is a plug because we led the Nation last week in reducing the prime from 11½ to 11¼ percent.

We would also consider possible plugging of the rate to the 90-day advanced Government bills or any other market—money market instrument whose yield is more conducive to this type of lending.

In the area of collections, where I mentioned we have practically no delinquency, we would like to see skip assistance set-up from the Social Security and the Internal Revenue Service to assist the lending institutions in locating students who have skipped. This will be of benefit to the program in that the lender can find the student and effect collection and therefore have no insurance claim against the Government.

Since there are discriminations regarding the installment repayment note and disclosure form, we suggest that new forms be printed or allow the lender to use his own disclosure forms for the finalization of the loan.

We would like to see the speedup of time of the return of applications and supplements. At present, the student fills out his portion and delivers the documents to the school.

The school fills in their portion and returns the forms to the student. We suggest—at First National we know of many instances where the schools will return those forms directly to the lender—then the student returns it to us.

We appreciate the fact that on June 2, 1974, an attempt to alleviate this situation has been made by sending subsidized loan requests directly to Kansas City, Mo., rather than through the Regional Office in Atlanta, Ga., who then would forward them to Kansas City.

Once we receive the applications back from the students, we send them to either Kansas City or Atlanta, depending upon being subsidized or nonsubsidized. Six to 8 weeks later we receive the application back and are ready to process the loan within 48 hours.

The whole process has been known in our institution to take from 12 to 16 weeks from the initial time that the student came in, until the application is returned. Meanwhile, the student usually has called numerous number of times wanting to know if they've been approved.

In conclusion, a random sampling of our federally insured student loans reveals that 92 percent are attending Florida schools, the other 8 percent elsewhere in the country, and a marginal percentage is outside of the country.

Federally insured student loans account for 12.71 percent of our direct lending's unsecured portfolio and 4.41 percent of the direct lending's total outstandings.

Our posture at the First National Bank of Miami in assessing the merits of this particular student loan program extends beyond pure enlightened self-interest. As the largest banking institution in the community and the State, we feel that we must adopt a very positive stance with respect to corporate responsibility, and as such, endorse such a program that has far-reaching social and economic implications.

By virtue of our participation and responsive support, we not only bridge a large gap in the student financing, but we make a positive contribution as well to the social marketplace.

We feel that this is a most appropriate scope of corporate involvement from the standpoint of management, considering the limitation of resources, the cost benefit ratios, as well as attempting to balance the future conditions of the business community.

Mr. LEHMAN. Thank you, John.

In regard to this wait of 12 to 16 weeks some of the students have to endure, I suggest, if they continue to call you wanting to know when it's going to be ready, that if they live in the 13th Congressional District, you have them call our office, and we'll find out what's holding them up out there in the Office of Education.

I'm sure by the same basis that Senator Pepper and Congressman Fascell will be glad to cooperate through their offices.

There's no reason why they have to take this long, and I think if we lean on them, we can get it done more quickly.

It's interesting to see the other side of the coin from the institutions themselves.

Do you require that the student become a customer by making a deposit before you begin to process the loan and is that customary with other institutions?

Mr. CONLON. Mr. Chairman, I can't talk for any other institutions, but for ours you must be a bank customer that would be involved with any of the services that we have. If you're not a bank customer, we would of course ask that you become one and wait a period of 6 months to see that you just don't open an account and close it the next day.

We have taken this posture for several reasons, one particularly, based on the number of customers at the First National Bank of Miami. In our installment loan department alone there are 54,000 customers. That's 5 percent of the total population in Dade County. So we feel that we have a source and a base by which we can enhance the people to come in and use this program.

We don't feel that we should go outside to get noncustomers.

Mr. LEHMAN. Well, of course I think that's only fair in a sense, but sometimes I just think it's almost impossible for the people who need the loans the most to be other than perhaps a token customer.

Mr. CONLON. We haven't set any guidelines as to the amount. It could be installment loan, savings, checking. It could be Master Charge. It could be any of the savings offered by the bank.

Mr. LEHMAN. I just was wondering how it was interpreted.

Certainly your delinquency rate is great.

I just hope that the banks are not guilty of being too rigid in trying to keep the delinquency rate down and in turn of course rejecting some of the marginal, yet very needful cases.

Mr. CONLON. Mr. Chairman, I would like to point that since September, 1971, we haven't had the first turndown.

Mr. LEHMAN. That's a pretty good record.

I think that's all. I think you're doing a good job. I think that your problems in regards to skip assistance are valid, and I think that we can consider these kinds of factors when we deal with this legislation.

The majority counsel and the minority counsel would like to ask some questions.

Mr. FRANKLIN. I would like to second the Congressman's comments and congratulate you on your participation in the program. Not only are you staying with it, but actually increasing, quite heartening in view of the experience that some students are having.

I don't have any questions.

Mr. LEE. I'm fascinated by the delinquency rate. As you're probably aware, with these kinds of loans there's indication that the rate of delinquency rate is significantly higher than some other kinds of loans.

Can you explain or tell us anything you might be doing which accounts for your institutions low delinquency rate that is not enjoyed by other lending institutions.

Mr. CONLON. I wish I could. The only thing I can tell you is effective collection activity. There are 188 people in the installment loan department, and 35 are in collections. Our philosophy, when we opened the doors 24 years ago, was that you have to collect the loans before we can make them.

All I can tell you is it's just plain, simple, hardnose, effective collections.

Mr. LEHMAN. With a lot of experience in other fields.

In regards to this $1¼ million limitation, is there any chance of making that a little more flexible as time goes on if we can make the Federal-legislative incentive a little more inviting?

Mr. CONLON. Absolutely. That's why we increased it now. We realize that $838,000 and the upcoming semester coming in September we'll probably go beyond the point of original commitment. So we've advanced the commitment already. I see no reason why we wouldn't continue to advance the commitment—credit commitment on that business that we have.

Mr. LEHMAN. Well, thank you both very much. We appreciate your coming down and taking time from your busy schedule to give us the institutional side of this question, and we'll certainly take all this information back to Washington with us.

I have two other witnesses here who are not on the agenda, but I think it's important that we hear a third-side of this problem. Mr. and Ms. Robert Whitehead spoke to me during the coffee break, and I would just like to invite Mr. and Ms. Whitehead to come up to testify briefly as to the problem of the middle income parents with children attending college.

STATEMENT OF ROBERT WHITEHEAD, MIAMI, FLA.

Mr. WHITEHEAD. I hadn't intended to speak, so I don't have the elaborate notes that my predecessors have, but I'm sort of a frustrated parent.

I started last October trying to find some way to get some financial help. My son is going to FSU in the Fall, and every place I went——

Mr. LEHMAN [interposing]. Mr. Whitehead, would you identify yourself properly for the——

Mr. WHITEHEAD. Oh, yes, I'm Robert Whitehead.

I ran against a stone wall it seemed like every place I went because I wasn't a minority group or belonged to a minority group.

It seems to me the Government has set some type of a limit on your income. A man making $15,000 or $17,000 a year, deduct 20 percent or more for taxes, $3,000 a year for the tuition, and then you're getting down on $8,000 or $9,000 he has left.

If he has other children, they have to go without certain things, maybe clothing, something else, to put one through school. If you have two going through school, then you're reduced to the poverty level even though you started out at a $16,000 salary.

One thing that bothered me in these hearings this morning, bothered me for 6 months, is nobody mentioned scholastic ability anymore. I know when I was a teenager, 100 years ago, the scholastic ability—I have a son who's 15th in a class of 675. He's also an excellent musician, and I just can't get anywhere on scholarships because of his musical ability or his scholastic ability.

I think it's fine to take people from underprivileged sections of the town and say we're going to give you a grant to go to school, but how about the person who, like my son, would love to become a doctor or become a worthwhile member of society? What does he do?

I would like to see something in the Government where scholastic ability has something to do with it. We get grants for football and basketball, but you don't hear too much about the person who has a high scholastic average.

It's kind of frustrating. I didn't know about this federally funded student loan program. Now, I asked at the high school—my son goes to Hialeah Miami Lakes High School, and they knew nothing about any kind of a fund.

I happened to listen to WKAT one day, and there was a Mr. Simmons, I think, from HEW on, and I called him in Washington, and that's where I got the information.

He told me—I didn't know about the First National Bank—he said that Dade Federal is the only one in the Miami area participating in this student loan program. Evidently these programs are changing so quickly that the high schools haven't been kept up with it.

Mr. LEHMAN. Can I interrupt you? Our office mails out to the guidance counselors of each of the high schools each May a stack of bulletins and information in regards to all types of student aid for higher education.

Now, if they don't feed down from the guidance departments in high schools, somewhere along the pipelines this information gets short-circuited.

Mr. WHITEHEAD. It does because I asked my son—I thought maybe he was just putting me off, and I went to the school myself, and they said, oh, forget it, you make too much income.

Mr. LEHMAN. If your son will go to the guidance department at Miami Lakes Senior High School and if he will ask the guidance people to give him copies of the bulletins we've mailed from our office, I think he will find them there, but it's a shame he has to go to them to ask.

Mr. WHITEHEAD. Well, I've been to them, and they didn't have it. Like I say, if I hadn't listened to this radio program, driving along in my car, I wouldn't ever know anything about this.

Mr. LEHMAN. I'll check into that and find out what happened.

Mr. WHITEHEAD. But I think that should be pushed in the high schools, not wait until the person gets out. I wish they would raise the limit—I think it's $15,000 now—adjust it to—especially the way the inflation is now—to maybe $20,000 because when you get done with taxes and your tuition, you're down—you're getting down to the poverty level as it is.

Mr. LEHMAN. I think the limit should be removed, although it's not feasible at this particular moment.

Mr. WHITEHEAD. Couldn't it be made on a—also on a worthy basis? If a student in some cases—I know I used to work near the University of Miami, and there were children that had grants there that were just having a ball.

There's other needy children really that have the brain power and want to get somewhere, but just can't—because of their father's income or other things just can't make it, and I wish it could be something more scholastic instead of strictly athletic.

Mr. LEHMAN. I think the whole purpose of this meeting basically is to get information on how to make assistance student financial more available to the young people from middleclass families who seem to be dropping by the wayside and are probably one of our great natural resources that we must make available to our society in order to keep it going in the right kind of direction.

Mr. WHITEHEAD. Because I have a grocery store in Miramar and have about 6,000 people coming in, and their biggest complaint is that the middle-income person pays all the taxes, and then when it's coming back, we don't see that much of it.

Mr. LEHMAN. It's a familiar complaint, and we get mail like this in Washington, too.

Mr. WHITEHEAD. I would appreciate it if you could do something along those lines.

Mr. LEHMAN. I'm glad you could testify, and as soon as we can come up with any positive answers to these kind of problems, we're going to be you know. In the meantime I will follow through at Miami Lakes, and if you'll give one of our staff people your son's name, we'll see that he gets all the information.

Mr. WHITEHEAD. Well, I've already called your office in Washington. I forget the girl I talked to, but she was very helpful and was going to mail it to me this week.

Mr. LEHMAN. In the meantime I would like to find out why it isn't being processed, not to your youngster, but to the others at this particular school. I just want to see what's happened to all of this material we mail out.

Mr. WHITEHEAD. I don't know what happens to it.

Thank you, sir.

Mr. LEHMAN. Mr. Franklin, John, do you have any questions?

Mr. LEE. Did you have a chance to talk with people at the University?

Mr. WHITEHEAD [interposing]. FSU.

Mr. LEE. Yes.

Mr. WHITEHEAD. Yes; but they didn't know any bank in the Dade County area that I could contact until I heard this radio program.

Mr. LEHMAN. Now you know one.

Mr. WHITEHEAD. Well, yes, but you have to be a—have to have a deposit there or be a member of the bank, and it's kind of hard when you live in Hialeah to get down to Miami, but Dade Federal is the only one that the Federal Government mentioned.

Mr. LEHMAN. Well, John, you have Southeast branches—Southeast Bank branches that you do business through besides the downtown branch?

Mr. CONLON. Miami Springs.

Mr. LEHMAN. I'm sorry?

Mr. CONLON. Miami Springs.

Mr. LEHMAN. That's getting closer.

Mr. CONLON. Southeast Bank of Miami Springs.

Mr. LEHMAN. Any Southeast Bank branches can do the same thing as the downtown bank can.

Mr. WHITEHEAD. Oh, I see.

Oh, if you do have a chance at HEW, I would tell them to mention that in the literature that there is another bank in Miami because they definitely told me there was only one, and that's Dade Federal.

Mr. LEHMAN. That's communications again.

Mr. WHITEHEAD. One thing about Dade Federal that I think has it over this gentleman's bank, that you don't have to have an account there. They said they would process it whether we had an account or not.

Mr. CONLON. The difference is they're not a bank.

Mr. WHITEHEAD. Well, savings and loan.

Mr. LEHMAN. Mr. Franklin, do you have any questions?

Mr. FRANKLIN. No.

Mr. LEHMAN. Well, thank you very much for coming.

We have a gentleman here from the State Department, and I would like for you to come up identify yourself and give us a little input from Tallahassee.

STATEMENT OF ERNEST E. SMITH, JR., FLORIDA STATE DEPARTMENT OF EDUCATION

Mr. SMITH. Thank you, Mr. Lehman. I apologize, like Mr. Whitehead, for not having a prepared statement. I guess due to our travel situation in Tallahassee it was not certain that I was going to be able to make it.

I have previously testified before your subcommittee in the month of—earlier this month in Washington with respect to concerns which we have in Florida as a lender, the fourth side of this coin, as a lender under the federally insured student loan program.

As you have indicated, we would agree with the fine success Mr. Conlon and the First National Bank of Miami have had in the program. If each bank that we hear about had those same experiences, I'm sure that, outside of the profit factor, that there would be no problem getting ample participation in the program.

In Florida we became—sought to become and sought to begin participation as a lender under the federally insured program to supplement the fine participation of banks and savings and loan associations and credit unions in the State.

We find that in Florida, while participation in Miami may be great, there are some areas in Florida where there is no access to these loans, and our purpose in getting in was to supplement statewide the activities done by the commercial community.

We have been in the business since—in the business of making federally insured loans since October 1972. We estimate that by June 30 we will have an outstanding of $4.5 million.

The program was approved by the people of Florida in 1972. We have issued bonds to finance our participation, and we feel that we've made at least that much of a contribution so far.

We anticipate that the demand that we feel in Tallahassee for these loans will be increased by the changes in effect June 2, 1974. We're getting roughly 56 applications a day presently in our office. Those will be my comments about where we are are today if we stay with the program as it is.

We do feel that two real concerns that we would like to ask for help in if it's appropriate or for your subcommittee to consider.

No. 1 is the lengthy turnaround time that we—that Mr. Conlon alluded to. We saw an average of 14 weeks in a turnaround time in securing an insurance commitment. We feel that in many cases this is not what you intended in terms of the spirit of the law, and in most cases is counterproductive to students. We like people to plan ahead, but 14 weeks is a little too much to ask.

We also have benefited from the amended procedure of bypassing the regional office in Atlanta, working directly with the contractor in Kansas City. We further feel, however, that for lenders that are of large size that you might wish to consider recommending that the Office of Education implement the certificate of comprehensive insurance which is provided for in the law whereby you would simply give us a blanket insurance policy for a lump of money, and then we could, with stringent guidelines from the Office of Education, begin to charge loans against that lump sum policy and then later, maybe twice a year, go back and ask for an extension to that policy, rather than each individual loan.

This logistically requires a lot of time, and it requires a lot of money. We are obviously in the business for different reasons than a commercial bank, so we're not that concerned about the profit picture. Of course we don't want to operate at a loss, and presently we're not operating at a loss.

The second point would be the—when I spoke earlier in June, there was a great thing looming on the horizon, circular A–70 through the

Office of Management and Budget, that dealt with Federal credit practices.

It's my understanding that that particular circular has been withdrawn, and that we are no longer faced with that problem. We thank each of you for your support in getting rid of that problem.

The next thing would be that any considerations the Congress will give to arbitrage regulations in the future be—that consideration be given to exempting State direct student loan programs that are financed by tax exempt funding.

With respect to the institutional side of the question, we support the need for Congress to begin to recognize that institutions need an administrative allowance, as the people who have spoken this morning have indicated.

This is something as a State agency that works with 60 institutions hears everyday. We'll do a better job when you help us pay for additional staff and et cetera.

With respect to the State student incentive grant program that was alluded to this morning, we are happy that we are able to participate in that program. We have filed our application and feel that we will receive the $532,000 that will come to us through formula, sometime before the end of this month.

Sometime before the end of this month, when added to the $4.3 million which legislature has authorized and when the Governor signs that bill and appropriation, that we'll have a $4.8 million grant program in 1974–75. This is not what we need, but it's a whole lot better than where we've been.

Thank you.

Mr. LEHMAN. Thank you for coming.

I think I've been negligent in thanking Dr. Masiko and Dr. Walk and Dr. Hansen for making this very convenient location available to us to hold these hearings. They have been most hospitable, and we'll be back.

Perhaps the majority counsel or minority counsel may have questions they would like to ask you in regards to facilitating the arrangements between Federal and State administrations.

Mr. LEE. I just want to get a better picture of the overall State effort in the financial aid. You've got a grant program and a loan program?

Mr. SMITH. Yes, sir, we are a single State agency charged with the administration of comprehensive financial assistance program. We are not of the size that you always hear about in Illinois and Pennsylvania and New York, but we are, we feel, one of the larger programs in the Southeast in that respect.

We operate three major programs and then four smaller programs. Our major programs in rank of size is our participation as a lender in the federally insured loan program, which we refer to locally as the Florida insured program, but it is a Federal guaranteed program. We have legislative authorization to issue bonds and spend up to $9.5 million next year or in fiscal year 1975.

In the Florida student assistance grant program, which I discussed last, we have legislative authorization for 4.3 million and then the additional 532,000 coming in under the SSIG program for a total program of 4.8 million.

Then we have one of our older programs, which we refer to as the Florida student loan program, which is now a revolving loan program. It's a 4 percent loan with many of the same characteristics of the national direct student loan program with participation at $2.5 million for 1974–75.

Then we have several smaller programs that are categorical in nature. We have a program for Seminole and Miccosukee Indians. We have a program for children of deceased or disabled veterans.

We have a scholarship program, which is in phaseout. This next year will be the last year of that program, and a similar program for teachers and nurses recruitment, two programs that are in phaseout.

When you add all those programs together in terms of Florida legislative authorization, it will approach $17 million, excluding the cost of operation which is less than 1 percent of the money which we handle.

We have 22 people in Tallahassee. We do this located in a building in the Capitol Center. We don't have trouble staying busy. We have to, as opposed to an across the desk operation, run sort of a mail order operation because we can't expect everyone we serve to come to Tallahassee to receive that service. So we work very closely with the financial aid officers and business officers of the institutions in the State.

We work very closely with members of the Florida Legislature and their staff in Tallahassee and throughout the State in terms of responding to inquiries from individuals or the status of applications and things like this.

We realize as a State agency that we sometimes have stigmas attached which make us look like a little Washington, which we try to avoid in many respects and try to treat each of these individuals as individuals because we know that even though we may work with 50,000 people, that one person that's asking the question, the answer to him is very important. So we take the time to do that.

We take the time to try to respond as much as possible, as quick as possible. As I've indicated the cost factor is something which we of course don't have all the money we need, but we also are not bound by the commercial restraints of profit and loss.

Mr. LEHMAN. Thank you so much for coming, and your testimony will certainly be in the record.

Mr. SMITH. Thank you.

Mr. LEHMAN. At this point we will recess briefly to get a bite of lunch, and we will try to have the other witnesses beginning around 1 or shortly after if possible.

[Whereupon, at 11:45 a.m., the hearing was recessed until 1 p.m., the same day.]

AFTERNOON SESSION

Mr. LEHMAN. We have Ms. Jean Burbage from Dade Federal who has been with us before on some of these occasions when we had the Sallie Mae people down here, right?

Ms. BURBAGE. Yes, sir.

Mr. LEHMAN. It's a pleasure to have you back, and with you is——

Mr. SUMMERS. Charles Summers.

Mr. LEHMAN [continuing]. Charles Summers from Dade Federal also.

Mr. SUMMERS. Yes, sir.

Mr. LEHMAN. I know we have your testimony here, and you can read from your testimony or you can summarize it, whatever makes you happy, but your testimony will be included in full in the record.

STATEMENT OF CHARLES SUMMERS, SENIOR VICE PRESIDENT, DADE FEDERAL SAVINGS BANK, MIAMI, FLA., ACCOMPANIED BY JEAN BURBAGE

Mr. SUMMERS. Thank you.

Mr. Chairman, may I first at the outset offer Mr. Lipton's apologies to the chairman and to the group. He's out of town today and could not be with you. In his place, as the supervisor of the mortgage department, I've been asked to offer the testimony for Dade Federal Savings.

Prior to February 1971, Dade Federal Savings had not participated in the federally insured student loan program. Although the program had many benefits to the lender, the program in toto had not been reviewed by our management for any policy decision.

Our management, too, was unaware of the lack of interest by our industry members, as well as other financial institutions in our area. We presumed the requirements of students were being met and that Dade Federal's participation would not be of material consequence.

In February of 1971, our president, Mr. Ronald Lipton, was invited by Senator Lawton Chiles of Florida to attend a meeting in Miami designed to demonstrate the program functioning in Dade County at that time.

The needs and frustrations of our students applying for loan accommodation from the lending institutions of Dade County as well as Broward County were exposed to that meeting. It was apparent to Mr. Lipton that the program was vitally important to our local student residents.

Many institutions were ignoring the program, while the actual participating lenders were imposing additional lending criteria to almost bring the underwriting to a standstill. Once Dade Federal Savings was exposed to the area needs for this service, it took steps to open its lending facilities immediately to all comers who were residents of Dade and Broward Counties.

There is one exception to that. Students who are attending our local medical schools may be from any county in the State of Florida.

Dade Federal Savings now fully accepts its role in the federally insured student loan program, as an integral part of the many services we offer to our community. We realize that we have sacrificed no earnings, nor have we acquired a program too cumbersome or difficult to operate from a personnel standpoint. We now function within the department with two full-time staff members.

Our returns are more than mere profits; more than the hope that we will reap the savings harvest from grateful clients, say, in about 10 years. We've attached here certain letters marked exhibits A, B, and C as a sampling of correspondence—the type of correspondence that we receive daily in the department.

With that, as of May 31, we published the figures of the status of our program, the total loans outstanding as of that date, 3,178 for an amount of a little over $4 million; total loans not on repayment schedule, 2,972 for $3.7 million; and loans now on repayment schedule, 206 for an amount of $268,000.

We then related the delinquency status of the loans that we have on repayment—30 to 44 days delinquent, none; and 45 to 59 days, 4; and 60 days and over, 19.

We have had in the past six claims in process, and we have had seven loans which have been satisfied by HEW.

Our loan portfolio, we gave you some statistics there—the number of subsidized loans, 2,678; unsubsidized, 294; the schools which our students are attending, 274 schools have asked us for assistance of which 32 are in Florida, 228 are out of the State and 14 are out of the continental United States.

The results of our program, we are aware that grateful, concerned parents and relatives of these students have brought new as well as additional savings accounts to the Association, but we are unable to measure or report the effect on our savings growth. Suffice it to say, we know the return is there and will continue.

We interview each student personally. We insist they be treated like any other borrower, although we add our personal interest in their goals for the future and their plans for today and tomorrow. As young as Dade Federal Savings is in the program, we already have the benefit of this relationship evidenced by our delinquency and claim ratio, which we consider very, very low, and very rewarding.

We can report that Dade Federal Savings has realized in this operation to date, approximately a 9 percent return on its college loan portfolio. We included Broward County from the initiation of the program, although this is not our main lending area, but we consider it an adjunct to it.

We estimate we are the leader in Broward at the moment, although accurate statistics are not available from HEW.

During the recent tight money market we availed ourselves of the warehousing offer of Sallie Mae. In February 1974, we borrowed $2½ million to return to our program.

Our program is a very sophisticated one of data processing. We are completely on line with the operations. It has an immediate reporting capacity and individual loan audit availability. It has brought many representatives from other institutions to us to observe our system, and we've adapted the system to meet the requirements of HEW and the association on reporting on monthly and semimonthly figures.

Problems and suggested solutions, the needs analysis required for any loan amount over $2,000 seriously hampers our processing. If budget advanced by school and approved by financial aid director reflects the need, and the family's adjusted gross income is less than $15,000 a year, the student is eligible for interest benefits and is approved for $2,000 without question.

Any need for more than $2,000 requires lengthy additional processing, including the needs analysis, required by HEW, all involving serious time delays.

It would appear that for an increment of as little as $100 the time, manpower, and paperwork involved are a tremendous waste to both borrower and lender, as well as the time involved with the Government.

The loan transaction statement, with status change, received every 2 months from HEW. This report we evaluate as very important, but we find it is not receiving the proper attention by schools, lenders, and the Government.

Changes reported to the HEW headquarters repeatedly are not being corrected. Changes are not being reported promptly or at all by lenders and schools.

These reports are lengthy, time consuming, and we would be happy to spend the time on updating if we could see that the report was in turn receiving the proper attention and the response it deserves.

In exhibit D we gave you, Mr. Chairman, a sample of a printing we received as a composite of all the regulations of the program, which we are requesting that this type of print not be used in the future. It's impossible to read, and it's difficult to use as a reference for the counselors, in fact, for anybody in the department.

We also realize that lenders would be attracted if the fixed interest rate could be increased rather than depending on the special allowance which is voted each quarter, which, as you know, the last quarter's special allowance was 2¼ as opposed to 2½ for the previous quarter.

As we have stated here, Ms. Burbage and I will be very happy to answer any further questions that you might have and members of the committee.

Mr. LEHMAN. Thank you very much for your testimony.

Do you make these loans directly through all your branches, or do they have to come downtown to the main office?

Mr. SUMMERS. Ms. Burbage?

Ms. BURBAGE. They have to come down to the main office for the interview, and we do the processing and the interviewing in the main office.

Mr. LEHMAN. But the loan can be initiated at any of the branches?

Ms. BURBAGE. They can drop their applications off, but they will have to come down to the department for the interview.

Mr. LEHMAN. I see.

Do you know if the other Federals in this town—and of course it's difficult for you to answer for them—have come into this program with the spirit that you have, or are you still pioneering among the Federals in this kind of financing?

Ms. BURBAGE. I—I really——

Mr. LEHMAN. You don't know? It's hard to answer for someone else.

Ms. BURBAGE. That's right.

Mr. SUMMERS. I don't really believe we're the pioneer Federal in the program, Mr. Chairman.

Ms. BURBAGE. No.

Mr. LEHMAN. Well, I understand in this area you've certainly been outstanding as far as participation is concerned.

Ms. BURBAGE. I think University Federal was in the program long before we were.

Mr. SUMMERS. Yes.

Mr. LEHMAN. Up in——

Ms. BURBAGE. In Coral Gables, yes, sir.

Mr. LEHMAN. I'm glad to see that your loan loss is a little bit higher than the First National Bank because at least you're taking a few borderline risks. I figure if it were too low, you would be turning down too many. I think you're doing a good job.

I would like to assure you that we will work to loosen up some of the regulations on the $2,000, limitation which really isn't a realistic amount of money for a person who's going anywhere outside of Miami to school. At any other school in this whole area $2,000 would nowhere near accommodate the costs. This limited amount of money is not realistic.

As Dr. Stanford says, the tuition is $2,500 right now at the University of Miami for 1 year. That's not a particularly high price, but that doesn't include any of the incidental costs of the textbooks or anything else. So how are you going to get a family with $15,000 a year income to help send his youngster to the University of Miami when he can't qualify above $2,000?

Ms. BURBAGE. That would be a help.

Mr. LEHMAN. Al, John, you can take your turns.

Mr. FRANKLIN. In connection with the delinquencies that you had, have you seen any particular pattern in the causes of them?

Ms. BURBAGE. No.

Mr. FRANKLIN. Have any of them occurred, do you think, because the student had acquired too much of a loan obligation by the time he graduated and it just was overwhelming?

Ms. BURBAGE. That's very possible. I think one of the biggest problems is having to go several places to borrow and then having a minimum payment to two to three lenders at the conclusion of their education. I think that probably is the largest problem.

Mr. FRANKLIN. Several different places during the course of his education?

Ms. BURBAGE. That's right. For instance, as I understand it, some of the State programs in the north, if they come down to other schools down here will no longer fund them. So then they have to seek private lenders.

Then some of the lenders have gone out of the program, and they have to come to some place else. So they end up having three and sometimes four places to make payments to when they finish.

Mr. FRANKLIN. You have made unsubsidized loans in the past.

Ms. BURBAGE. Oh, yes.

Mr. FRANKLIN. Are you still making them?

Ms. BURBAGE. Oh, yes.

Mr. FRANKLIN. You don't find that they are becoming more costly or too unattractive?

Ms. BURBAGE. No; we run it right with our computer. So it could conceivably be, if you had to do a lot of individual bookkeeping and posting and that sort of thing, billing, yes, it could cost you.

Mr. LEHMAN. John?

Mr. LEE. Some people have indicated due diligence aspect of the law is not adequately clear; that is, you don't have certainty that you covered the proper steps to insure your claim being accepted by HEW. Has that or do you foresee that being a problem or concern?

Ms. BURBAGE. No; no problem for us, as we have several people connected with our loan development who have had installment lending experience and collecting. So it's not a problem in that relation to us. We know how to collect on installment loans.

It could be if you didn't have some experienced staff. However, you know, like First National Bank of Miami, they have a very large department, so that would not be a problem for them, either.

I would imagine a small program it could be a problem in servicing because you do have to collect and service these a lot different than you would a mortgage.

Mr. LEE. Can you outline briefly for the sake of the record what steps you've taken when a loan starts to look like it's going into default?

Ms. BURBAGE. Well, the first thing we do is get on the telephone. We don't wait for mail and things like that. We start with the telephone number on the application that the student gives us, and then we start with the family, and we may call up the school and that sort of thing, and then we start sending them letters, first, second, third notices, that sort of thing.

Mr. LEE. The other area that I was interested in is how Sallie Mae has worked for you. Do you foresee yourself taking advantage of that market in the future?

Mr. SUMMERS. Well, with the introduction of the Sallie Mae program, of course it made it wonderful for us to immediately be able to turn in a sizable portfolio like we have. At the point in time that we needed the money, the money was there through the Sallie Mae program.

We had a definite need for the \$2½ million that we borrowed, and we realized that we were going to be able to put that \$2½ million right back into our program immediately, and at the rate they're charging, it's far more economical to go to Sallie Mae than it is for us to take it from our own funds.

So it is self-perpetuating itself through that program. It has kept us very happy with our present operation, and we're certainly very happy with what the future looks like.

Mr. LEHMAN. I'm concerned about this exhibit A—and we will include that in the record—that this party had gone to every local bank and had been turned down. From your experience what can we do legislatively do you think that would facilitate applications so that they won't be bounced around? Do you think there is anything we could do to make it more conducive for banks to respond more favorably to these kinds of situations? There must be a reason——

Mr. SUMMERS [interposing]. I think Jean's deferring to me.

Mr. LEHMAN. OK, give you all the tough ones.

Mr. SUMMERS. As you know, Congressman, there have been seminars and there have been many meetings here in the past where all of the large lenders in three counties, I think, were invited to meet, and those who did show wished only to protest again—their protestation, rather, that yes, they were in the program, and yes, that they certainly were making the loans, and that there was no reason to castigate them as being the ones who welched on the whole deal.

Mr. LEHMAN. You know, you can't preach to the choir.

Mr. SUMMERS. Exactly, so when you see such a letter, you know that that's not the real story because when a student is shuttled from institutions, from one to the other, he eventually finds the word that if all else fails, he better talk to Dade Federal.

Believe me, we're not the boys in the white hats. We are not looking to get all of the student loan business in this area, but as I said, we are not losing any money running it, and we really feel that there is a definite need. Our management policy is that there definitely is a definite need for us to subcribe to the Federal Government's programs.

42-884—75——8

Mr. LEHMAN. Well, I want to thank you both for coming, and tell Ronnie and all the people down at Dade Federal they're doing a great job and are certainly of service to the young people in this community.

It's particularly interesting that even though the main thrust of your operation is certainly in Dade County, you are still the number one student loan people in Broward County.

Mr. SUMMERS. Thank you, sir.

Ms. BURBAGE. Thank you.

[Mr. Summers prepared statement follows:]

STATEMENT OF CHARLES J. SUMMERS, SENIOR VICE PRESIDENT, DADE FEDERAL SAVINGS AND LOAN ASSOCIATION OF MIAMI

Prior to February 1971, Dade Federal Savings had not participated in the Federally Insured Student Loan Program. Although the program had many benefits to the lender; the program in toto had not been reviewed by management for policy decision. Our management, too, was unaware of the lack of interest by our industry members, as well as other financial institutions in our area. We presumed the requirements of students were being met and that Dade Federal's participation would not be of material consequence.

In February of 1971, our President, Mr. Ronald Lipton, was invited by Senator Lawton Chiles of Florida, to attend a meeting in Miami designed to demonstrate the program functioning in Dade County. The needs and frustrations of our students applying for loan accommodation from the lending institutions of Dade County as well as Broward County were exposed to that meeting. It was immediately apparent to Mr. Lipton that the program was vitally important to our local student residents. Many institutions were ignoring the program, while the actual participating lenders were imposing additional lending criteria to almost bring the underwriting to a standstill. Once Dade Federal Savings was exposed to the area need for this service, it took steps to open its lending facilities immediately to all comers who were residents of Dade and Broward Counties.[1]

Dade Federal Savings now fully accepts its role in the Federally Insured Student Loan Program, as an integral part of the many services we offer to our community. We realize that we have sacrificed no earnings nor have we acquired a program too cumbersome, or difficult to operate from a personnel standpoint. (We operate this department with two full-time staff members.)

Our returns are more than mere profits; more than the hope that we will reap the savings harvest from grateful clients in, say, ten years. These letters reproduced here as Exhibits A, B, and C. are only a sampling of the correspondence our department receives almost daily. Together with these acknowledgments, Dade Federal Savings is proud to publish its present program status as of May 31, 1974:

Program status	
Total loans, 3,178	$4,046,941.50
Loans outstanding not on repayment, 2,972	3,778,901.41
Loans outstanding on repayment, 206	268,040.09
Delinquency status	
30–44 days, none.	
45–59 days, 4 (1.9%)	7,268.33
60 days and over, 19 (9.2%)	23,147.83
Claims	
6 loans in process, (2.9%)	10,103.13
Claims satisfied by HEW	
7 loans, (3.0%)	9,877.00

(Percentages relate to total loans on repayment)

[1] With one exception, students attending our local medical schools are accepted from outside areas.

Loan portfolio data

Number of subsidized loans	2,678
Number of unsubsidized loans	294
Approximate total number of schools our students attend	274
In Florida	32
Out of State	228
Out of country	14

PROGRAM RESULTS

We are aware that grateful, concerned parents and relatives of these students brought new as well as additional savings accounts to the Association, but we are unable to measure or report the effect on our savings growth. Suffice it to say, we know the return is there and will continue.

We interview each student personally. We insist they be treated like any other borrower, although we add our personal interest in their goals for the future, and their plans for today and tomorrow. As young as Dade Federal Savings is in the program, we already have the benefit of this relationship evidenced by our deliquency and claim ratio.

We can report that Dade Federal Savings has realized in this operation to date, approximately a 9 percent return on its college loan portfolio. We included Broward County from the initiation of the program, as we considered it in our lending area. We estimate we are the leader in Broward, although accurate statistics are not available from HEW. During recent "tight money" market we have availed ourselves of the warehousing offer of "Sallie Mae." In February 1974, we borrowed two and one-half million dollars to return to our program.

Our program "on line" with its immediate reporting capacity and individual loan audit availability, has brought many representatives of other institutions to Dade Federal Savings to observe our system. We have adapted the system to meet the requirements of HEW and the Association.

PROBLEMS AND SUGGESTED SOLUTIONS

"Needs Analysis" required for any loan amount over $2,000.00 seriously hampering processing. If budget advanced by school and approved by financial aid director reflects the need, and the family's adjusted gross income is less than $15,000.00 per year, the student is eligible for interest benefits and is approved for $2,000.00 without question. Any need for more than $2,000.00 requires lengthy additional processing including the "needs analysis" (required by HEW) all involving serious time delays. It would appear that for an increment of as little as $100.00 the time, manpower, and paper work involved are a tremendous waste to both borrower and lender.

LOAN TRANSACTION STATEMENT, WITH STATUS CHANGE

Received every two months from HEW. This report we evaluate as very important. Not receiving proper attention by schools, lenders and HEW. Changes reported to the HEW headquarters repeatedly are *not* being corrected. Changes are not being reported promptly or at all, by lenders and schools. These reports are lengthy, time consuming, but we would be happy to spend the time on updating if we could see that the report was in turn receiving the proper attention and response it deserves.

Exhibit "D"—Request that this type print *not* be used in future. Impossible to read and difficult to use as daily reference for our counsellors. We realize more lenders would be attracted if the fixed interest rate could be increased rather than depending on the special allowance which is voted each quarter. Last quarter special allowance was 2¼ percent as opposed to 2½ percent for several previous quarters.

The officers present from Dade Federal Savings and Loan Association of Miami are prepared to aid in any further investigation of the program.

Respectfully submitted,

CHARLES J. SUMMERS,
Senior Vice President and Supervisor Mortgage Loan Department.
JEAN W. BURRAGE,
Assistant Vice President and Supervisor Student Loan Program.

EXHIBIT A

DECEMBER 20, 1973.

DEAR SIR: I know you could never know what your student loan has meant to my family. At the time you loaned me the money to go to school every local bank had refused. Now I have a good job with excellent chances for advancement and take great pleasure in paying back this money.

Merry Christmas,

EMILY ELLIOTT.

EXHIBIT B

ROBERT FEINSTEIN,
Gainesville, Fla., March 22, 1974.

EXECUTIVE OFFICES, CHAIRMAN OF THE BOARD,
DADE FEDERAL SAVINGS AND LOAN ASSOCIATION OF MIAMI,
Miami, Fla.

DEAR SIR: I am writing to thank you personally as Chairman of the Board of Directors of your organization as well as my thanks to your hard-working Student Loan Department.

I am beginning my first year at the Holland Law Center here at the University of Florida, the financing for which I can now calmly be assured of due to your organizations long-range foresightedness, benificence, and leadership in the area of low-risk (Gov't. insured) but not-high immediate dividends loan program. More clearly stated, I realize the importance of savings as a role in lending (i.e. interest yield to the Bank) and wish to give you my own account, be it however small or large upon beginning my law practice in the Miami area. Many of my personal friends whose credit and need are similar to my own are also dropping in to meet your personnel. I hope they are 50% as grateful as I am.

Your organization has done something for one person to make his education more attainable.

Sincerely yours,

ROBERT FEINSTEIN.

EXHIBIT C

MIAMI-DADE JUNIOR COLLEGE,
OFFICE OF THE DEAN,
Miami, Fla., April 3, 1974.

DEAR SIRS: Thank you very much for the fine cooperation and support you have given Miami-Dade Community College by making registration and course information available in your location.

Open College, a division of Miami-Dade, is currently helping to meet educational needs for individuals who find it difficult to come to campus. Open College student work at home, using radio, TV and/or independent study, and are required to come to campus only for exams. Credits are entered on transcripts in the same way that all credits earned at Miami-Dade are entered.

Would it be possible to display the poster and brochures enclosed in this envelope? Each brochure contains a mail-in registration coupon.

We sincerely hope this information will be of use to individuals who visit your location.

Thank you for your continued support of Miami-Dade Community College.

Yours truly,

VIRGINIA GENTLE.
Director, Open College.

Enclosure.

Mr. LEHMAN. I would just like to take a minute to bring Tras Powell, an old friend of mine, down here. He's not officially on the agenda, but Coach Powell has been in this part of south Florida for many years. He has associated closely with the young people in this area at the community level and, at the high school level.

I think he has always had a feel for the problems and needs of the people, and I just wonder, Coach, if you have any comments. You've been listening to these hearings all morning. If you know what the problems are, maybe you can give us a little leadership.

STATEMENT OF TRAS POWELL, DIVISION OF PHYSICAL EDUCATION, MIAMI-DADE COMMUNITY COLLEGE, NORTH

Mr. POWELL. Thank you, Congressman Lehman.

I'm Tras Powell, and I do work for Miami-Dade Community College, North. I am also unfortunately in charge of the work-study for my division, division of physical education. So I'm aware of many of the problems that we're being confronted with as all of these experts have presented.

I think it a great pleasure to have the opportunity to testify before this committee, and most of all because you, Congressman Lehman, are my very good friend. So it certainly is an honor.

There are some things that I have run into with the BEOG, particularly as related to the filling out of the application in the sense that it represents to many of our deprived, disadvantaged students a redtape blockage they call it.

Of course my actual common knowledge therein is that the BEOG concept lends us to something that we would rather not be bothered with, at least I would rather not be bothered with personally, and I would like to see the financial aid assistance be handled by the colleges based on the fact that the application has to go and come, and as has been stated, we're talking about time.

What happens to many of the students in the process of the applications going and coming back to the college is that many of them get discouraged and take jobs and consequently never get a chance to get into the institution to begin any sort of education.

However, it also leaves me in a dilemma in many instances in terms of pay. What can we offer John Jones? He could have a job maybe because he has not heard. So here again we have blockage—there is a blockage, rather. What does happen in many instances, we have an athletic program here in our division, and there's no need to try and pretend that we don't.

Through much of these financial assistance you get an opportunity to get some of our athletes started. Many of them are poor. Many of them aren't grabbed up by the big colleges, and inasmuch as they want to go to school we can bring them aboard and they can get some financial assistance, but here again we run into the same problem of the financial administrator of this institution having to delay the time that he can give some kind of certainty as to what the particular student may qualify for based on this type of an application.

So the work-study, in terms of the job, we handle our work-study very, very carefully because we have found that it can be a dilemma in that most kids will be absorbed in just the concept of receiving money.

They work for us, and we make sure that this does happen, and these are realities of life. I can refer more to minorities. I do work with all groups now fortunately because when I was in the system for some 17, 18 years I was basically dealing with a particular ethnic group, but now that I am involved in a versatility of groupage, we run into the same problems of the students.

I certainly wish that this committee would take under consideration the changing of the format as is related to how are you going to grant number of dollars in terms of funds to the colleges, and I think maybe and conceivably, possibly that we would be better off if we had the opportunity to handle this internally.

Now, Dr. Masiko and those other big boys talked about dollar figures, percentages, and so forth and so on. I'm a low wig. I just happen to work with Dr. Masiko, but those are some of the things, Congressman Lehman.

I certainly again want to thank you for allowing me this opportunity to make these few observations.

Mr. LEHMAN. Thank you, Coach.

I just would like to ask you about your experience with the young people whom you're dealing with in the work-study program. How are these working out? Is this keeping these youngsters in the program or is the work-study program restrictive? Are there enough job opportunities, and how do you compare the work-study assistance to the basic opportunity assistance?

Mr. POWELL. OK, the work-study program, as I see it, No. 1, is rather restrictive, and it's restrictive in the sense in that the supervisor, the administrator of the work-study program, the administrator, finds it very difficult based on an estimated amount of money in prorating the number of hours students can work.

For instance, if he would be allowed to work more hours, it's conceivably posible that he wouldn't have to use a split shift, and by that I mean work-study, go to college, and then work in the evenings to try to make ends meet.

I think that that's the way it ought to be. I personally would much rather see the finance stay in the work-study category as compared to the BEOG. That's my personal opinion because as a result of dealing with them I think that I voice that sentiment.

Mr. LEHMAN. Well, thank you very much.

Maybe counsel would like to ask you a couple of questions.

Mr. FRANKLIN. You mentioned, Mr. Powell, that you would like to see financial aid handled by the colleges. Were you saying that you would like to see the applications handled by the colleges or the money go to colleges?

Mr. POWELL. The applications handled by the colleges is what I had reference to.

Mr. FRANKLIN. You mentioned that in the case of athletes, these programs enable you to bring athletes here.

Mr. POWELL. Students first, then athletes. You see, each department—the athletic department for instance, I think the track coach has six scholarships, and that's to supply him with a cross-country team and a track team. Well, you know as well as I that that's menial when you start talking about putting a track team together.

Well, if he goes out and recruits a boy—attempts to recruit a boy, get the boy to come to school, he's going to have to try to qualify him for financial assistance, and if the financial assistance is drawn out, the boy that he's depending on to furnish as an FTE as well as an athlete soon loses all of his zip and zeal, and he goes and gets a job, and so the college loses him as an FTE potential, and the coach loses him as a potential athlete.

That's the kind of involvement we have as related to the athlete. That's the kind of analogy I was trying to draw there.

Mr. LEE. What kind of time line are you talking about from the time you first start talking to the student to the time when you can indicate to him what kind of financial aid package you can qualify him for?

Mr. POWELL. April 1 is usually the deadline for all financial applications. They're now hounding us. Many of the guys want to come to school for instance.

One of the reasons why I came back to the hearing as early as I did—and I beat you men here—because, my God, they had a stack of inquiries on my desk asking what's my son going to be able to get? He filled out the BEOG.

Well, no one can tell him because Mr. Rappell, who is in charge, is waiting for an answer to come back to him, and they're hounding me, and he hasn't notified me. So I can't tell them.

So we're getting ready to close the school for the summer sessions—for the spring session. So many of these kids will leave and not attend summer school, not knowing if they'll be granted anything. Therefore they don't know whether they'll be able to come back in the fall, but if we could have something to give them, based on the quickness and et cetera, then I'm sure that we could save more kids.

You see, we must also generate a certain amount of FTE's to be able to qualify for certain number of dollars from the educational system in the State, and so we're looking at it from two angles, not only athletically, but we're also looking at it generating the FTE's in terms of student participation.

Mr. LEE. So you're generally not able to tell a student——

Mr. POWELL [interposing]. No, no; we're not. Dr. Mira is hounding me now, and she's on my neck. I have to get this straight. Well, how can I get it straight? I don't have the answer, you know.

So I call the financial aid office, but still they'll say, well, we haven't processed it yet to the extent that we've gotten a return answer. So there we are.

If we were doing the processing, with our guidelines and our stipulations, then we could immediately process it, and then we would be better able to give a tentative recommendation in terms of amounts.

Mr. LEE. So you can't even give them a tentative indication at this point?

Mr. POWELL. No way, no way, no word, we've heard nothing.

Mr. LEE. So when will that come; do you expect, July, August?

Mr. POWELL. I was told we would have this in August, and everybody will be gone in August, vacation and everything else. Many of these students have to get out of school after the fall and winter semester and work and support families themselves. So they don't attend spring and summer.

So they're floating around, and we have to communicate with them through mail, but we're unable to in August. Where are they in August? Who knows? Where are we in August, you know?

So it creates a problem for us. We certainly would—you know—could appreciate it if it was a little earlier, at least while we're here, because we do go through the summer semester which ends August—July 31.

Mr. LEHMAN. Thank you, Coach. Come see up in Washington.

The next party we have on the agenda is the associate dean of Florida International University, Dr. Don Brusha.

Thank you, Mr. Brusha, for taking time out of your busy schedule, and our best regards to the staff out there.

STATEMENT OF DON BRUSHA, ASSOCIATE DEAN, FLORIDA INTERNATIONAL UNIVERSITY

Mr. BRUSHA. Mr. Chairman, members of the subcommittee, on behalf of President Charles Perry, I wish to express his appreciation for the solicitation of Florida International University's position on student financial assistance policy, and his regrets for not being able to be here today.

We are aware, as you are, that the student financial assistance programs of the Federal Government have been the single factor that has removed education from being one of the perquisites of the wealthy in this country, to a right that is open to all, irrespective of financial background.

Until such time as every citizen in this country can afford higher education, either for himself or for his children, we must continue to expand the funding of financial aid programs so as to meet the needs of our growing and changing society.

In a time when the programs for the promotion of college and university study are bearing fruit, we must not make the harvesting of that fruit either impossible by cutting back on programs that have been proven successful or uneconomical by creating programs so costly to the potential student that he will quash his motivation for postsecondary education. We must not lose sight of the fact that the better educated the populace, the more responsive they are and the abler they are to democratically govern themselves.

The trend of financial aid thought in Government circles during the past 3 years has not been such that concern for mass. postsecondary education appears to be foremost. I'm certain that many would satisfiedly point to the basic educational opportunity grant program as a concept to refute the foregoing statements.

The claim has been uttered over and over again that BEOG, plus the federally insured student loan program, will form the bulwark of the future against educational costs. Briefly, let us examine the realities as to test the effectiveness of that defense for the future.

As the BEOG program replaces the current campus-based Federal programs, what will occur? First, less aid will be available to address student financial need. This statement is supported on the basis that the qualification standards for the current campus-based programs, in most instances, are less stringent than the qualifications for the BEOG.

Where, then, will the monetary difference be made up? From the federally insured student loan program. Thus, a student from an economically lower middle class home who may, for example, receive $900 per year from BEOG, assuming BEOG were full-funded, will have to borrow an additional $2,000 to $2,500 per year from a bank in the form of a federally insured student loan to meet a college or university budget from $3,500 to $4,000 per year.

Those budget figures, by the way, reflect the cost to exist and attend a public 4-year institution, not the more expensive private ones.

Thus, at the end of 4 years, that student owes his bank between $8,000 and $10,000. The student then finds that in order to make a salary from which he can afford to pay back his loans, he must take out more and larger loans to obtain an advanced degree, and he proceeds into a spiral which, but for the limitation on advanced degrees available, could be endless.

The second situation that appears as the campus-based programs disappear in favor of the entitlement program is the decrease in the ability of the campus financial aid officer to speak to financial needs of students which arise on an emergency basis.

If, for example, a student's father is off work for 9 weeks, or, more dramatically stated, over 2 months, no adjustment is allowed on BEOG. There are only five allowable reasons for a reexamination of the parent's ability to contribute.

The above is not one of them. The financial aid officer, without significant campus-based programs, can offer no help. The odds favor that the student caught in this position will withdraw from school, thus losing the productivity of funds already received by that student.

One further difficulty with the entitlement program, as it now stands, is that not only is the amount awarded dependent on the parent's preceding year's salary, but the same is true for the independent student who decides to enter or to return to school. If that person has been working, probably the only aid available for their first 2 years in college will be the federally insured student loan.

Finally, the BEOG program makes no provision for geographical differences in cost of education. That sum of money to which a student is entitled, is the same whether a student is attending a college or university in Miami as in Wyoming.

This, of course, creates sufficient differential dollar productivity such that students may not be allowed to experience higher education in more expensive areas. Therefore, we respectfully urge that the BEOG program not be funded at the expense of the campus-based Federal programs.

While we acknowledge the past success of the supplemental educational opportunity grant and would hope the program would be continued, we would like to even more strongly advocate the continuation and strengthening of the college work-study program and national direct student loan program.

The college work-study program has been one of the most inspired successes in advancing the financing of higher education. The program has afforded the student the feeling of sharing in the payment of his education while gathering experiences which add to the student's growth.

Added to this is the enriching experience many students have had working in service-oriented jobs in the community through this program. Also, the program develops a work habit under realistic conditions which a student's background may not have provided. The work-study program must not be allowed to wither.

The National Direct Student Loan program also should not be allowed to die before its original purpose has been achieved. A source of low-interest loans must be maintained to help fund those students whose backgrounds militate against their taking large loans at near-commercial rates to pay for their education.

This testimony is also to contend that with diligence and care the rate of collection on National Direct Student Loans can be much better than those experienced by banks under the federally insured student loan program.

The primary reason for this is an ex-student may be appealed to for repayment on an NDSL loan on the basis that the money he borrowed made education possible for him and the time has come for him to repay to make that possible for someone else.

Unfortunately, banks cannot successfully use that line of persuasion, and along with the high amount of the student's federally insured student loan balance, it is my feeling that they will always experience collection difficulties.

The strongest fear is that this high collection failure rate will be used as the rationale for cancellation of that program, leaving nothing but BEOG, and its built-in deficiencies.

It is herewith proposed that a per capita level of lending be established and every college and university be funded to that level with NDSL funds until such time as the annual collections for the college or university equal its level of lending.

The final point we wish to raise is one that no doubt few testimonies presented to you are without. However, the point represents a sufficiently significant problem that it must be repeated.

The recent new Federal financial aid programs have been funded without any administrative contribution to financial aid officers which are significantly affected by those programs.

The processing time is increased, the recordkeeping requirements rise and the need for student advising expands. This is all expected to be accomplished within existing administrative budgets.

The result? None of the above programmatic necessities is done well.

This is not to suggest that the Federal Government should bear the entire brunt of financial aid administrative costs. It is, however, a strong reminder of the partnership developed with the institution in these endeavors and a plea that the partners continue mutual contribution.

Thank you for this opportunity to testify before this subcommittee.

Mr. LEHMAN. Thank you, Dr. Brusha. Your statements about the direct student loans have more incentive to be paid, have you got any comparison figures on the ratio of delinquencies?

Mr. BRUSHA. No, sir, unfortunately I don't have a comparison figure. The basis of this statement was, I was a director of financial aid at the University of California, Los Angeles, for 3 years, and in that office we collected our own national direct student loans.

We appealed to students on this basis. We had a failure rate of less than 4 percent on our loans. We had a rate of somewhere in excess of 50 percent of bankrupts reaffirming their obligation to the national direct student loan.

Maybe it was our approach as opposed to some of the others, but we dealt directly with the student. We had our own skip tracers in the office, and for a sizable program we had an extreme amount of luck with that approach.

Mr. LEHMAN. I can see where if a person refuses to repay $100 to a bank, that this $100 didn't necessarily come out of the pocket of the next student because it competes with commercial loans and every other thing, but if you refuse to pay $100 back to a direct student program, that's going to be $100 less the institution itself would have to loan another student who also needed an education.

It was interesting on the bottom of page 2, top of page 3, how a student goes further into debt in order to pay off what he already owes. You would have to take larger and larger loans to obtain an advanced degree; and the only degree he could obtain would be a masters in business administration in order to be able to handle his own financial problems. Of course it does get a little complex.

Your institution deals with the last 2 years of undergraduate work, and you have students who are no longer usually dependent on their families—the independent student.

What factors should be of concern in relation to your institution in regards to the independent student factor?

Mr. BRUSHA. I think one of the things about our student, unlike some of the students I have been acquainted with in past university experiences, our student is not merely the 19- or 20-year-old who has probably taken his first 2 years and continuing on.

The majority of our students are people who have been waiting who may have taken their first 2 years at a community college 4 or 5 years ago and now decided that it's time for them to continue on in their education.

They are a remarkably conservative group. They are——

Mr. LEHMAN. Economically conservative?

Mr. BRUSHA. Economically conservative at least.

Rather than wait on the outcome of Federal programings, my experience is that they have a tendency to rush early to the banks to take out federally insured student loans, even maybe more than they need, subject to funding, but they are so afraid of a lack of funding for any upcoming year, they feel they would be safer doing this, and they do that.

I think one of the things that I did not mention in my testimony, that students all over the country, and the universities in the place of those students, would find highly, highly effective in financial aid is a year's forward funding, so that we can——

Mr. LEHMAN [interposing]. Forward funding of some kind is necessary because the stop-go funding cycle is clearly causing problems.

Mr. BRUSHA. At this point in time—it is what? June 14. We as yet do not know what our funding is for next year on Federal programs.

Mr. LEHMAN. So if we get forward funding from K through 12, then we'll start to take up forward funding in student assistance, but that's been a problem in all types of education. The only place we don't have forward funding problems is in the Defense Department. Maybe we ought to use some of their techniques.

I just wonder what portion of your students are gainfully employed or working students and what portion——

Mr. BRUSHA [interposing]. Unfortunately I don't have that percentage at hand, but I know the percentage is remarkably high.

Mr. FRANKLIN. Have many of your students, under existing law, reached a point on graduation that they have found themselves with unmanageable loan obligations?

Mr. BRUSHA. In terms of the federally insured student loan, we're not aware of that on the firsthand knowledge. We're aware of it by word of mouth, you know, people saying, you know, I can't—they would come back and say, you know, I cannot make my educational—the demands on me for my educational lending. So I've got to come come back to school and get a higher degree. We get a number of those students.

Since we somewhat in fact lose contact and we're too young a university to have yet established a firm alumni group, we're not getting that feedback directly.

Mr. FRANKLIN. What was your experience at UCLA in that regard?

Mr. BRUSHA. At UCLA it would've been my experience it was very high in terms of the students who were having difficulty. We had a great number of bankruptcies. I'm frankly surprised that students have not used that out more.

Mr. FRANKLIN. Were the bankruptcies a majority of the people?

Mr. BRUSHA. No, no, not a majority. Mostly I think at the B.A. level as they leave school the realization of the debt is just not there, and it doesn't hit them until 9 months later if they haven't entered a graduate school, at which time the realization never hits them until the day that first bill comes in and they realize that they owe $10,000 or more, $25,000.

I understand that there's some talk that the upper limit for the federally insured student loan may go to $25,000, and you can rest assured that if it does, there will be a number of students who will run it up to $25,000.

Mr. LEHMAN. Do you have a graduate program now?

Mr. BRUSHA. Very small one, yes, sir, we're growing. We have three programs now, one in business, one in education, and one in the hotel school.

Mr. LEHMAN. John?

Mr. LEE. For my own sake can you tell me a little more about the size of your school, a little background?

Mr. BRUSHA. We're approximately 9,000 students, and we're an upper division in graduate university. This is the completion of our second year. We had our first full 2-year graduating class last year. We're divided into five schools and a college, the college being arts and sciences, and the schools being education; business; health and social science; hotel, food and travel service and technology.

We're the only—no, let me restate that. We're the first State university to be located in Miami. I don't know if I'm stepping on FAU's toes or not. FAU is in Boca Raton. We're the first State university down here.

Mr. LEHMAN. Florida Atlantic.

Mr. BRUSHA. Florida Atlantic.

Mr. LEE. These 9,000 students, you indicated they're older than in most institutions?

Mr. BRUSHA. Yes, our average age is about 27. Apparently a number of people in—a number of students in south Florida—this part of south Florida, Miami—have waited since the inception of the first talk of Florida International University to come back to school, and they have come back with enormous enthusiasm and in surprising numbers.

Mr. LEHMAN. Much larger than your projection?

Mr. BRUSHA. Right.

Mr. LEHMAN. What had happened obviously is that many people who had gone through the first 2 years in a junior college just couldn't afford the tuition at the University of Miami or were not able to travel back and forth to Boca Raton 50 miles away or to go to the University of Florida or one of the State schools.

So they just delayed the completion of their education until we had a State institution in this area, which is FIU, and FIU is going to, I understand, include a branch.

Mr. LEE. That's all, thank you. This has been helpful to me.

Of those 9,000 students, how many are receiving some form of financial aid?

Mr. BRUSHA. Approximately 2,000.

Mr. LEE. Do you have a lot of part-time students?

Mr. BRUSHA. Considering that—considering the number of students that we have and their work habits, we surprisingly don't have a lot of part-time students. I would guess—I'm guessing—I'd hate to throw out a guess, but it's not a lot, a quarter of the student population, part-time students that is

Mr. LEE. Was I correct in inferring that most of your students are under the federally insured loan program?

Mr. BRUSHA. Yes, many, many federally insured student loans.

Mr. LEE. Can you give me an indication of the size of your college work-study program?

Mr. BRUSHA. In dollars? About $300,000.

Mr. LEE. And do most of them work on-campus?

Mr. BRUSHA. Most on-campus. We're still new enough that our off-campus program now is being run through the local Urban Core Agency, and we hope to expand that possibly either through the agency or if the agency cannot do it, through our own contract because I feel very strongly about a strong off-campus work-study program.

I think it's good for the students. I think it's good for the community. So I would like to see ours expanded.

One of the reasons our financial aid officer, by the way, is not here today is he is on campus for the first time day before yesterday. He's brandnew, so that's why I'm here.

Mr. LEE. How much expansion do you see is possible realistically in terms of college work-study?

Mr. BRUSHA. Realistically if we have timely notification of the amount we can use, I think we could expand easily by a third.

Mr. LEE. Do you run a co-op education program?

Mr. BRUSHA. It has just started. It is not underway yet. As a matter of fact we are beginning to undergo within 2 weeks for that cooperative—director of cooperative education.

Mr. LEE. Is this going to be with Federal funding?

Mr. BRUSHA. I don't know—that I don't know.

Mr. LEE. But you're looking forward to expanding——

Mr. BRUSHA [interposing]. It's not under Federal funding in terms of a grant; no, I know that.

Mr. LEE. There's a small amount of money for development of co-op education.

Mr. BRUSHA. I don't believe—if that's the grant I'm thing of, I don't believe we got that. We applied, and I don't believe we were funded.

Mr. LEE. But you're looking to expand your co-op education program?

Mr. BRUSHA. Oh, yes, yes.

Mr. LEE. As well as your college work-study——

Mr. BRUSHA [interposing]. Our college work-study program, right.

Mr. LEE. And that doesn't cause too much administrative difficulty.

Mr. BRUSHA [interposing]. Certainly if we go to a—if we expand off-campus under the contractual requirements of a work-study program, if we do not work through an agency who does that for us, like Urban Code, who does all the contracting and does all the paper work, it creates quite an administrative hassle.

I know at UCLA we had four people doing nothing but college work-study program because we had a sizable office for the off-campus program that required contracting with individual agencies, some degree of recordkeeping on each student. So we had four people there and a program that was probably four or five times the size of this one.

Mr. LEE. OK.

Then to wrap this section up, for these outside agencies do you think it would be possible to change the Federal matching grant from 80 percent to, let's say, 50 percent? Do you think you could still induce nonprofit agencies to cooperate?

Mr. BRUSHA. I would have to assume, yes. Our experience at UCLA—and I cannot share any experience here because I just don't know—was that the off-campus agencies were very, very fond of having our students.

Now, I didn't get the note in their voice that they were only fond of having them because it only cost them 20 percent, but they seemed to really feel that they were doing a fine job. Assuming they need those jobs done, they were not just providing those jobs—and I did not feel any sense of that either—that even at a saving of 50 percent, you know, that they would be willing to do it.

The Urban Corps, for example, normally charges—at least it did there in Los Angeles—10 percent override, and it had no difficulty in finding people at 70, 30 in essence, and I believe many of the schools in the California area last year were going to a 60, 40 spread. They felt that they had that ability on their own.

Mr. LEE. There was an option?

Mr. BRUSHA. Yes, and they were doing that themselves, and the experience was that they did not have that much difficulty.

Mr. LEE. Thank you.

Mr. LEHMAN. Thank you very much. I would like to see the student work-study program extended to the private sector as I said before because I think the student could get some experience there that would be of value to him, too.

Thank you very much, Dr. Brusha, and I hope that you continue to have the kind of success that you are looking forward to at FIU.

Mr. BRUSHA. Thank you very much.

Mr. LEHMAN. The next witness is Dr. Brown, from Florida Memorial College. I know you're familiar with the problems of the students and the student assistance programs because you're dealing with them every day, and I think you can just go ahead and begin.

STATEMENT OF DR. LESTER B. BROWN, FLORIDA MEMORIAL COLLEGE

Dr. BROWN. Thank you, Congressman Lehman, your colleagues.

I think that Florida Memorial College is no different from other institutions in the Nation as private institutions and the kind of help that the Congress of the United States can give to students who will attend the college is of inestimable value to the institutions.

Now, we are presently participating in the BEOG, SEOG, NDSL and GSL, guaranteed student loans. Now, as of the moment there are only two institutions that are participating in the guaranteed student loan program. Both of those are Federal savings and loan associations, the names of which at the moment escape me.

We are having some problems with the BEOG and the SEOG programs in terms of once the forms are filled out and because of the distances that these forms have to travel before they are processed and before the institutions know the number of students and the amount of aid that they're going to be given, puts us in a strain in terms of having to carry on affairs until such time as we are notified and our students know the amount of aid they're going to get, either through the national defense student loan or the guaranteed student loan or either through the basic educational opportunity grant or the supplementary educational opportunity grant.

Mr. LEHMAN. May I interrupt you?

Dr. BROWN. Yes.

Mr. LEHMAN. What you're saying, I think, is sometimes only a week before the students know they are going to enroll at Florida Memorial, they may come out there, and then for the next 10 or 12 weeks they're going to be enrolled, and you're going to have to kind of carry them on the cuff——

Dr. BROWN [interposing]. That's right.

Mr. LEHMAN [continuing]. Until that time in 12 or 14 weeks later when the decision is made and only then.

It seems to me that these delays are unnecessarily long, and as I said before to the others who were here earlier, if it seems as though it's unusually long, if your student will contact our office, if you happen to live in this congressional district, or whoever their Congressman is, I'm sure they could expedite the application and make it a little easier for you under the circumstances.

Dr. BROWN. Now, one of the other problems that we have had, and I'm not sure it's peculiar to our institution, is in the matter of filling out the parents' confidential forms.

We find that our students oftentime do not necessarily know the income of their parents and the process that they have to go through in getting the parents to sign it and to put down all these——

Mr. LEHMAN [interposing]. A notary public and all that?

Dr. BROWN. Yes, that has posed a particular problem for us as we see it. We've talked about this. We have instituted programs to assist our students in this area in terms of what we do at the college and the financial aid's office, calling assemblies to instruct students in how to fill out the forms and putting them in the mail and of contacting their parents to make sure that they are putting down the accurate family income.

Now, we have a little problem of our students putting down more than their parents actually earn, and this obviously——

Mr. LEHMAN [interposing]. Especially when adjusted income.

Dr. BROWN. That's right, and this affects the level of the BEOG grant or the SEOG grant, as well as the NDSL and GSL loans they get.

Mr. LEHMAN. How many of your students come from out of town? You have a dormitory?

Dr. BROWN. Yes; we can house 501 students.

Mr. LEHMAN. You have 501 enrollees?

Dr. BROWN. Yes, that are from out of town— that live on campus, let's put it that way, because some of the students who live on campus are, say, from Homestead or Perrine or Naranja or somewhere like that that would be most inconvenient for them to travel to and from the school every day.

Mr. LEHMAN.. And how many commute?

Dr. BROWN. Oh, we probably have close to 300 who commute.

Mr. LEHMAN. And most of them live on campus?

Dr. BROWN. Yes; most of our students are residents.

Mr. LEHMAN. So your students have an additional burden because the FIU students and the Miami-Dade students don't have to pay for dormitory space.

Dr. BROWN. That's right, and you see, when the students are on campus, it means the school is carrying them for room and board which is very high—you know—it gets to be quite a burden for the institution to carry students over a very long period of time waiting for one of these to come through or a combination to come through.

Mr. LEHMAN. Mr. Webb, would you identify yourself?

STATEMENT OF ROSCOE WEBB, DEAN OF STUDENTS, FLORIDA MEMORIAL COLLEGE

Mr. WEBB. I'm Roscoe Webb, dean of students at Florida Memorial College.

One thought that we've encountered is that the 18-year-old law is confusing when it comes to filling out the parent confidential statement or the student confidential statement.

A student says to us that, OK, I'm an adult, I'm a voting adult, and then I fill out the student confidential statement, and then when I list that I'm living with my parents, although I'm taking care of myself, then that's——

Mr. LEHMAN [interposing]. Have been probably for several years.

Mr. WEBB. Yes; so what we need is some adjustment there if any can be made or some interpretation of how it should be done because that delays also, you see, because that form has to be filled out before they can be granted any of these financial aids that we're talking about now.

Other than that, what Dr. Brown said is—just about covers our basic problems. The time element is important.

Take for instance now. We have not received in writing the appropriations from many of the financial aid sources. We have received word that there will be X number of dollars for us, but not in writing.

So that in a sense holds us back as to what we're going to allocate for each student when it comes to his work-study and in balancing his total package. So if it could be expedited a little faster, the time span of when the student received it—when we get the information would certainly help us quite a bit.

Mr. LEHMAN. To go back to your—excuse me, Doctor.

Dr. BROWN. Yes; let me identify myself properly. I'm Dean of the College at Florida Memorial College, and I would like to make an additional statement Congressman.

One of the things that's a burden to our students, many of our students are first-time college enrollees in their entire family. Ninety-seven percent of all of the students we serve are on some type of financial aid.

One of the things that affects our students lately is any kind of a loan that has to be repaid. Now, the kind of aid that our students really need has to do with that kind of aid that is not repayable or at least when I say not repayable, we're not asking for welfare, but we're simply saying that in order to break the poverty cycle that the burden that is placed upon our students once they graduate from college to repay large sums of money for their college education is a real burden.

One of the things that we are hopeful of is that the amount of money appropriated by the Congress of the United States for the basic educational opportunity grant and for the supplementary educational opportunity grant would be tremendously increased, and it would certainly be—used wisely and be well worth the time and the effort and the money the Congress would put into it in terms of the number of students who would become taxpayers, rather than tax collectors in terms of the welfare rolls and in terms of food stamps and this kind of thing.

I think that it may be good for our Congressman and his colleagues to know this because this is a very serious feeling among the constituency that we serve.

When a student is the first one in his family to graduate from a college, and obviously he gets out he begins to buy of the people kinds of services like refrigerators and stoves and an automobile to go to work in and this kind of thing, so they consider it an extra burden when they have to go through the loan route, rather than through the BEOG or the SEOG route.

Mr. LEHMAN. I can understand what you're saying, and I know that these young people have multiple financial and economic problems that usually transcend the educational costs of many of the middle class. But at the same time if we can afford them the opportunity of attending college and they do graduate, they do have a profession. If necessary, it's better to owe the money than not to go through at all.

Dr. BROWN. That's right; I agree with that.

Mr. LEHMAN. And I think we'll have to find out which way we can do it best. There must be various pathways we could offer these young people.

To get back to Mr. Webb's statement in regards to the independent status of these young people who have been living away from their facilies for several years and self-supporting for several years, then they go to college, and all of a sudden they find they're dependent on their families.

42-884—75——9

To me, there is something unethical, immoral, or impractical in this because we encourage our 18- and 20-year-olds to be mature; we encourage them to be independent; we encourage them to stand on their own two feet. We tell them to be self-reliant, and we let them vote, and we tell them they can join the military services and, if necessary, they're subject to the draft.

Then all of a sudden they go to college, and they apply for a loan, and then they are asked, What's Mom and Dad making? Do Mom and Dad still owe money on the house?

It destroys their independence and is destructive. To deal with them in this manner is to make them technically financially dependent on their parents' income as to whether they qualify for student assistance.

I know if you remove this, the existing money would be spread out more thinly, but I think the problem is not the way you keep score, but the availability of the funds at this time.

The student from a family in which the mother and father have been careful and have paid off the mortgage on the house, then the student perhaps isn't qualified for a student loan. But if the mother and father have been imprudent and have just mortgaged their house, then for some reason or other the student could qualify for a loan.

Dr. BROWN. Mr. Lehman, one of the things I would like to say personally is that, it is my hope that the Congress of the United States, the leadership like yourself, that somehow a way can be found to provide the opportunity for youngsters such as the constituency that we serve go to college, and at the same time not rip off middle-class America.

I do not believe that we ought to provide legislation that provides for one group, though it is in need, and there is another group that is self-supporting, that is paying the majority of the taxes of this country, and they're not getting the relief.

So we are aware of the problem that you face and of the magnitude of the kind of solution that you must eventually reach, and we just wanted you to know that we're aware of this.

Mr. LEHMAN. I understand, and even though your students may not come from middle-class America, they're going to middle-class America, and time runs off pretty fast.

Dr. BROWN. That's right, that's right.

Mr. WEBB. One last statement is that, although Florida provides an educational grant for our students, somewhere along the lines the counseling or the getting the information to those young people who need to know that this money is available is not getting to our young people.

I don't want to blame anybody, but I certainly want the information to be available—known that it's not getting to them.

Mr. LEHMAN. The pipelines are tough. We mail out to the guidance counselors at the high schools from our office alone hundreds and hundreds of bulletins to pass out to the students, to use with their students in order to find pathways for financial assistance, but somewhere along the lines it doesn't get to them.

Mr. WEBB. I've gone into high schools to do recruiting or to speak to a group of young people and ask them about this, you know, what is it that you know is available for you?

Then I look on the counselor's desk under five books, and I find a stack of applications that haven't been used. I've been a counselor, so I'm not talking about counselors because I'm in counseling and guidance, but I do think that if there is any way that this group can get the information to the students, it will certainly help some young people that don't come to college that would come. That may be the difference in their coming, that $800 or that $1,500 or $1,200, whatever the amount may be.

Mr. LEHMAN. Mr. Franklin?

Mr. FRANKLIN. About what is the ratio of grant aid to loan aid now in the case of a typical student?

Mr. WEBB. One-half, I would say, and that's not good. When a student has to borrow half of his—the money it takes for him to finance his education, he's in debt up to here when he leaves and unable to pay it right away because all these kids may not get a job the first year.

You know, you may get a job, but not the kind of a job in keeping with what you graduated with—the degree you graduated with. I think most of you know that, and it ought not to be just that percentage. Maybe it ought to be one-fourth payback, and the rest of it ought to be a grant, work-study, or something of this sort.

Dr. BROWN. Because in the final analysis once the student gets a job, he can rapidly move into middle-class America, but if he has an extra thing in terms of repayment, it mitigates against the rapidity with which he becomes a middle-class American.

I'm convinced that if we could have more taxpayers, the better off we're going to be.

Mr. LEHMAN. What you're saying, the best way to pay this money back is through income taxes.

Dr. BROWN. That's right, that's right.

Mr. LEHMAN. John?

Mr. LEE. Do you find that a lot of your students aren't able to get the federally insured loans who might want to take them out because lending institutions don't cooperate?

Dr. BROWN. That's a part of the problem. We don't have an overwhelming majority of the lending institutions participating in the program, at least for the constituency that we serve.

Mr. LEE. And you have NDSL loans?

Dr. BROWN. Yes.

Mr. LEE. Which you can file?

Dr. BROWN. Yes.

Mr. WEBB. But you know that's not going to be soon. NDSL is going to be replaced, going out altogether.

Mr. LEE. In terms of the people knowing about loans, I know that the Office of Education has made an effort this year to try to make that program more generally known and advertised in many different kinds of ways.

Has it seemed to improve for the students——

Mr. WEBB. We're still having problems with it.

Mr. LEE. Could you specify?

Mr. WEBB. They're not getting the information as to the availability of the funds, and it is my thinking that on certain of those grants the information ought to begin at high school—lower than high school, you know. Those students, when they get to the tenth grade, they ought to be knowledgeable what there is for them to go to school, what aid they can get, what kind of assistance they can get, and they aren't that knowledgeable.

It isn't because they don't read; it isn't because they don't look at television. It's because somewhere along the line we leave it to the counselor or somebody at that school to tell them, and they aren't being told.

Mr. LEE. So the larger grants are available even though there is a better lead-in time this year because student funding and so on is just starting last year?

Mr. WEBB. I notice that on television they had some information about the various grants and so on. This is going to help some.

Mr. LEE. But you haven't seen it reflected in any degree you would like to?

Mr. WEBB. No, no.

Dr. BROWN. No.

Mr. LEE. Again I'm not from this area, and I'm at a disadvantage because I'm not too familiar with your college. Do you have a college work-study program?

Mr. WEBB. Yes.

Dr. BROWN. Yes.

Mr. LEE. And I take it this is helpful to the institution?

Dr. BROWN. Very helpful to the institution. As a matter of fact we need the appropriation raised tremendously—we definitely need—you see, at Florida Memorial College we firmly believe that a student ought to work for his education, not a handout, but the college work-study program at our institution ought to be raised by three or four hundred thousand dollars a year above its present level.

Mr. LEE. Which is?

Dr. BROWN. Which is about $349,000.

Mr. LEE. So you think double the amount——

Dr. BROWN [interposing]. Double.

Mr. LEE [continuing]. Of the college work-study would provide the kind of experience for your students that you would like?

Dr. BROWN. Yes; that's true.

Mr. LEE. And does that include co-op education?

Dr. BROWN. Well, a cooperative educational program of ours under title III this year—for next year was not funded. We had a small grant of $35,000 for the year that we operated on now that expires June 30.

So that we are in the process of preparing a proposal under the new title for next year in the amount of at least $75,000 for a cooperative educational program.

Mr. LEE. I see.

Mr. WEBB. I would hope that some consideration would be given to upgrade that program in the amount of money we get. You see, what happens is——

Mr. LEE [interposing]. This is cooperative education you're talking about?

Mr. WEBB. The cooperative education program—they gave us about $10,000, $12,000 to begin a program with a couple of years ago. You can't do that. You can't start a program with $10,000. That's a salary almost, you know, in a sense.

Dr. BROWN. You can't hire a good, competent person.

Mr. WEBB. For some reason they expected us to do tremendous work with that, and we just could not do it. We did the best we could, you know, with the staff that we had that was a part of another program, but you just can't take a program and begin it. Now, I can imagine after a program has started and is well on the road we could do with less than $100,000 or something like, but with $10,000—12—I think it was about 15; wasn't it?

Dr. BROWN. It wasn't much more than $15,000.

Mr. WEBB. We received about $15,000 to begin a program as important as co-op education in Dade County.

Dr. BROWN. And, you see, one of the things as a part of our curriculum we believe that every degree granting department ought to have students as a part of their experience work in the real world.

For instance business administration, no student graduates from the division of business administration unless he works in a bank or he works in some business doing something. The same thing——

Mr. LEHMAN [interposing]. Do you give academic credit for that?

Dr. BROWN. Yes; we give academic credit for it.

Mr. LEHMAN. Can they take that academic credit and transfer to another college?

Dr. BROWN. It depends upon the institution and their outlook on things and so forth.

There are some things that we're trying to do that I think would be of interest in terms of—in other words when a student graduates with a degree in accounting, as the result of having worked with Alexander Grant Accounting Firm or Touche Ross or somebody, he ought to be willing and ready then to sit for the C.P.A. exam immediately after he gets out, and then also if he gets a job with Touche Ross, they don't have to spend so much money training him because he knows the accounting procedures that are used at that company and so on. So this is the kind of thing that we're trying to do.

Mr. LEHMAN. It makes the transition easier.

Dr. BROWN. Yes.

Mr. LEHMAN. I thank you gentlemen for coming up and giving us another slant on the way that you're trying to work the problems out at Florida Memorial. Tell Dr. Puryear that—send him my best regards.

Dr. BROWN. Thank you, Mr. Lehman.

Mr. WEBB. Thank you, Mr. Lehman.

Mr. LEHMAN. Now, that concludes the regular witnesses on the agenda, but I do have a gentleman here who has requested to make an appearance.

Mr. John Miskoff, if you would like to come up, and we will enter your testimony into the record.

STATEMENT OF JOHN MISKOFF, MIAMI, FLA.

Mr. MISKOFF. Thank you, Mr. Chairman, for giving me this time.

I'm a naturalized citizen, who has been blessed by God and this country to be of such means to have established an educational foundation that is operating right now in nine different institutions in this country and abroad.

My purpose in coming——

Mr. LEHMAN [interposing]. Could you identify yourself as to your name, your address the name of your company for the record?

Mr. MISKOFF. I'm John Miskoff, individual, naturalized citizen, nothing more. I live in 665 Northeast 58th Street, Miami, Fla., and I have been there of course for the last 40 some years.

My purpose in this trying to give you an idea what I am doing, which I think is as good as any human being to do something for this country for the human race which is exactly what my purpose in establishing those educational funds.

My funds are available to any person who is mentally and physically fit, who is of such character that by receiving this help he is willing to pay it back to the institution which is educating him so that somebody else can use it.

In other words after I give it to the institution, I'm through with it, but I have like anything else rules and means to govern the funds.

When I saw this in the paper, as soon as I saw it I called up and came over here. I figured this was one chance that also it sounds like a small way, a joking way you might say, a competition with the Government.

It is a program that can literally flourish and grow up everyday because my funds will be going to those institutions indefinitely. Every year those funds will go in, and if you stop to figure that those people that receive those funds will give them back to the institutions, with about 25, 50 or 100 it's easy to grow up to a tremendous affair.

That's exactly what my will provides, that those funds will go onto people that are worth of it. My intention up here is possibility that the Government might be interested as insuring those funds on me like they do with others with the banks and other people, I mean you know, to the institutions, not to me, so as to create more or less a psychological incentive on nothing else for those people to try to pay it back.

Anymore than that, as far as your organization is concerned, as far as the Government is concerned, it really doesn't matter except the fact that by this being known it may wake up some others to do this in the same position that I am that may do something like that.

I don't have to tell you if enough of them do this, I mean you know, it can go up to a tremendous affair.

Mr. LEHMAN. This is an interesting concept. I wonder about some of the ramifications such as whether you could loan my son money to go to college and get it government insured, rather than my son going to the institutions to borrow money for the same amount.

Mr. MISKOFF. Not me, the institutions.

Mr. LEHMAN. You give the money to the institutions?

Mr. MISKOFF. Once I give it to the institutions, it's not my money.

Mr. LEHMAN. Well, the institutions get a certain amount of Government guarantees now on their direct loans; don't they?

Mr. MISKOFF. Not on mine.

Mr. LEHMAN. That's right, they have to come from the Federal Government first.

Mr. MISKOFF. You're right. That is only the purpose I'm up here.

Mr. LEHMAN. I see.

Mr. MISKOFF. And as I say, just two purposes only two things that brought me to this meeting. That is one of them.

The second thing is if this is advertised and known, there must be another peoples as crazy as I am, you know, to establish something similar to this and not like it.

Mr. LEHMAN. Well, I'll request counsel on both sides to meet with you after this meeting, to get some more details on it, and when they go back to the Capitol to look into this matter see what the feasibility of this could be.

Mr. MISKOFF. I'll be happy to cooperate in any way I can.

Mr. LEHMAN. And I can see that it's a whole new area if it can be administered and if it is legal and it certainly could be productive.

Thank you for taking the time to come here and planting a new germ of an idea.

Mr. MISKOFF. Thank you for giving me the time.

Mr. LEHMAN. At this point I just want to once again thank everybody for coming. I think these hearings have been productive, and we're going to take this information back to Washington and hopefully incorporate it in the legislative action that this committee will soon complete in regards to student assistance in higher education.

Thank you very much.

[Whereupon, at 2:45 p.m., the subcommittee adjourned.]

STUDENT FINANCIAL ASSISTANCE
(Miscellaneous)

MONDAY, JUNE 24, 1974

HOUSE OF REPRESENTATIVES,
SPECIAL SUBCOMMITTEE ON EDUCATION
OF THE COMMITTEE ON EDUCATION AND LABOR,
Washington, D.C.

The subcommittee met at 10:10 a.m., pursuant to recess in room 2261, Rayburn House Office Building, Washington, D.C., Hon. James G. O'Hara (presiding).

Present: Representative O'Hara, Brademas, Gaydos, Lehman, Benitez, and Dellenback.

Staff present: Jim Harrison, staff director; Robert C. Andringa, minority staff director; John Lee, minority staff; Elnora Teets, clerk.

Mr. O'HARA. The Special Subcommittee on Education will come to order.

This week the subcommittee plans to hear from distinguished spokesmen from four of the groups who have been looking at post-secondary education over the last several years and have issued recommendations which, whether we agree with them or not, form part of the context within which the subcommittee will have to deal with student financial assistance, and indeed, with most of the other issues we will have to deal with in the next year or so.

Today we will hear from four gentlemen who are involved in the studies that led to the issuance in October of 1973, by the Committee on Economic Development of a report entitled "The Management and Financing of Colleges."

Present with us today for the Committee for Economic Development are its president, Mr. Alfred C. Neal, Mr. William Eberle, the Special Assistant for Trade Negotiations for the President of the United States, Dr. Sterling McMurrin, former U.S. Commissioner of Education and now dean of the Graduate School of the University of Utah, and Dr. David Mundel of the J. F. K. School of Government at Harvard University.

Gentlemen, we would be very pleased to hear from you and are looking forward to a stimulating discussion this morning.

STATEMENTS OF ALFRED C. NEAL, PRESIDENT, COMMITTEE FOR ECONOMIC DEVELOPMENT; STERLING McMURRIN, DEAN, GRADUATE SCHOOL, UNIVERSITY OF UTAH; DAVID MUNDEL, J.F.K. SCHOOL OF GOVERNMENT, HARVARD UNIVERSITY; AND WILLIAM EBERLE, THE SPECIAL ASSISTANT FOR TRADE NEGOTIATIONS, EXECUTIVE OFFICE OF THE PRESIDENT

Mr. EBERLE. Mr. Chairman, I am Mr. Eberle. If it is agreeable with you I would like to simply file this statement with you and to paraphrase it with some of the more important parts and then the four of us would be prepared to answer any questions.

Mr. O'HARA. Without objection, the statement will be entered in full in the record as will your original report, and you may proceed in whatever manner you please.

[The statement referred to follows:]

STATEMENT BY WILLIAM D. EBERLE, CHAIRMAN, SUBCOMMITTEE ON MANAGEMENT AND FINANCING OF COLLEGES COMMITTEE FOR ECONOMIC DEVELOPMENT

Mr. Chairman, I am William D. Eberle and I am appearing here as chairman of the CED subcommittee which directed the studies and produced the policy statement on *The Management and Financing of Colleges*. My colleagues and I appreciate this opportunity to discuss the part of that statement which is concerned with issues of student financial assistance. Our discussion will be within a framework which is designed to provide adequate financing for the colleges.

If it is acceptable to you, I will deliver an abbreviated version of the written statement which you have before you. The four of us will then undertake to respond to any comments or questions that you may have. My colleagues are, from my right to left, Alfred C. Neal, President of the CED and at one time a college professor; Sterling M. McMurrin, project director of our study, Dean of the Graduate School of the University of Utah, and former Commissioner of Education; and Professor David S. Mundel, of the John F. Kennedy School of Government, Harvard University. This team represents, as did our subcommittee, experienced professional educators as well as business and college executives. The names of those responsible for our study are listed in the appendix to my testimony.

Let me say first that CED took on this project for what we consider good and valid reasons. Most of the CED trustees are in fact trustees of one or more colleges, and have a very sincere and dedicated interest in college education of the United States, in both private and public institutions.

As business people, the trustees know that the single largest ingredient that contributes to productivity in the business sector is education. Also we have a high regard for the contribution that higher education makes to society as a whole. For these and other reasons our purpose is to preserve and strengthen the colleges. I say "colleges" because our focus was on undergraduate education.

I might add that CED has done five previous statements on education, so this is no new field for us.

In the last few years, it has become increasingly apparent that the nation's higher education system—including institutions, governments, parents, and students—has had and still must face serious financial problems. The first public evidences of these problems were the reports of college budget deficits and expenditures of capital funds to cover operating costs. Subsequent developments indicate that the character of the financial crisis facing American higher education is both larger and more complex than the simple difference between college revenues and expenditures. During the course of our research and deliberations, we identified several dimensions of financial trouble that led us to recommend changes in the financing of undergraduate higher education. Among the more important dimensions were the following:

college costs have grown more rapidly than inflation and will probably continue to do so in the future unless very significant improvements in productivity

can be made. Our working assumption was that increased support for the colleges would be limited to (a) offsetting inflation in the economy, and (b) covering only increases in costs resulting from higher enrollment.
public colleges find it increasingly difficult to secure needed increases in funds from state governments that face growing demands from other sectors.
private colleges find that tuition increases produce diminishing financial yields unless substantial changes in their student body characteristics are accepted.
government support has not been as well directed as it might be toward high priority socially-desired goals.

Given these dimensions, we sought to develop the outlines of a financing system that would overcome or, at least, ameliorate the impacts of this continuing financial crisis. We sought to identify the social and private objectives that higher education has been seeking to achieve; the social and private objectives that can be more fully achieved by alternating the patterns of support; and the system of financing that government support should seek to establish in order to further agreed upon purposes.

Six general purposes are served by higher education. Each of them relates to individual, institutional, and societal objectives and consequently each therefore serves as a basis for both private and public support. Public support policies should be carefully designed to maximize the achievement of each of these programs. The six purposes that underlie the CED's recommended policy are:

1. *Generating and stimulating knowledge and learning.*—The primary functions of an undergraduate education are teaching and learning. The generation of knowledge and the discipline of the intellect should be the principal orientation of college and university undergraduate programs.

2. *Providing education for the achievement of specific social objectives.*—Not only does education itself produce publicly-desired outcomes but it creates important manpower capacities to achieve other public objectives.

3. *Creating an educated citizenry.*—The strength of democracy in the nation depends to an important degree on an educated citizenry. The development and implementation of public policy and the discriminating intelligence essential to civic leadership generally demand more advanced, collegiate education.

4. *Supplying trained men and women.*—An important aspect of undergraduate education is the training of young men and women in order to increase their career performance in business, industry, education and government.

5. *Advancing economic growth and productivity.*—Economic growth and productivity are important determinants of the quality of life available to the nation's citizens. Without the increasing resources that result from educationally-induced growth and productivity advances, social and private wants will not be adequately fulfilled.

6. *Increasing equality of opportunity.*—Education beyond high school is an important factor in determining an individual's chances of achieving economic and social success. *Equality of postsecondary educational opportunity, therefore, is essential if individuals are to have a fair chance of moving into the mainstream of Americn life regardless of their family circumstances.*

Each of the six basic purposes can be achieved by a wide variety of public and private financing mechanisms. No one mechanism appears best suited for supporting the achievement of all of these goals and consequently we recommend a mixed system of funding for both institutions and students.

Three criteria proved useful in arriving at our recommended financing policies: appropriateness, effectiveness, and efficiency. A funding mechanism or system is appropriate if it directs resources toward agreed-upon goals. It is effective if it moves us toward those goals. It is efficient if, with the resources available, it uses the way that moves us farthest toward our goals. Because of the complexity of the higher education system, applying these criteria is often more difficult than defining them.

These criteria indicated that the direct funding of institutions is the correct method for furthering the achievement of many of our goals, especially the first two. Education is, and should be, the principal purpose of undergraduate institutions. The most appropriate means of stimulating more education—both in terms of quality and quantity—is direct government support of colleges and universities. The effective and efficient means of delivering this support from state and local governments appear to be direct grants or appropriations to public institutions based on undergraduate enrollments and programs and direct contracts with private institutions where the capacity of public institutions is inadequate and private capacity is underutilized.

Although many reactions to the CED report have focused on its recommendation that tuition cover fifty percent of instruction cost in public institutions, the remaining fifty percent of instructional costs in public institutions would be provided largely by state and local government support of institutions. In fact, a majority of state and local funds would be supplied as direct institutional assistance within the CED-recommended financing scheme. The National Commission on the Financing of Postsecondary Education estimated that a financing proposal similar to that recommended by CED would result in 81 percent of state and local support being in institutional form by FY 1980.[1]

Both federal and state governments should support the expansion of programs designed to produce educated manpower necessary to meet specific social goals and solve particular social problems. These programs usually need to be developed prior to enrolling students and consequently government support of these programs should be directed to the institutions that provide them. The effectiveness and efficiency criteria point toward a recommendation for categorical grants for specific manpower development programs in higher education institutions. Minimizing the cost of producing additional manpower should be one criterion for awarding these grants; consequently, both public and private institutions should be eligible for such categorical assistance. Thus, the CED recommended:

> . . . a system of federal and state categorical grants to both public and private institutions to fund special educational programs designed to meet particular social objectives where those programs cannot be financed from regular budgets or private grants.

The third, fourth, and fifth purposes of higher education are ones in which an individual's quest for education parallels society's interest in more education for higher citizenship, more skilled manpower, and greater economic growth. Given this mutuality of interest, the criteria of appropriateness point toward government support through direct assistance to students. Student assistance is also more appropriate for achieving these purposes because it is more likely to encourage colleges and universities to be responsive to the education goals and needs of individual students. Thus, student assistance is likely to complement, rather than compete with, the basic desires that motivate individuals toward education and result in higher achievement of these socially-desired outcomes.

The effectiveness and efficiency criteria for these three goals argue for forms of government financial assistance to students that are targeted toward students and families whose choices will be most influenced by support offered. Evidence presented by the National Commission[2] shows that the impact of financial support on student decisions is greatest for those with low family incomes and diminishes at higher family income levels. Although they are not based on behavioral studies, the financial aid advisory services of both the American College Testing Program (ACT) and the College Scholarship Service (CSS) estimate that student and family capacities to pay for higher education increase with increases in family income.

Table 1 (below) shows that the current system of supporting students does not demand dramatically different proportional support from families at different income levels. Effectiveness and efficiency call for a government assistance policy which provides additional resources for higher education rather than one that simply replaces private resources that students and families would have provided in the absence of government support.

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[1] *Financing Postsecondary Education in the United States*, NCFPE, p. 265.

[2] Financing Postsecondary Education in the United States, Chapter 8. Carlson, et al., "A Framework for Analyzing National Policies for Financing Postsecondary Education," May 1974 (draft).

TABLE 1.—SOURCES OF DIRECT SUPPORT PER COLLEGE STUDENT [1] (1971 72/1972–73)

	Reported family income								
	Less than $6,000			$6,000 to $12,000			Above $12,000		
	Public 2-year	Public 4-year and university	Private	Public 2-year	Public 4-year and university	Private	Public 2-year	Public 4-year and university	Private
Support from—									
Parents	$197	$267	$494	$252	$474	$731	$446	$943	$1,716
Summer and term employment	954	801	1,138	1,158	1,055	1,107	1,165	1,039	1,056
Grants and scholarships	104	301	890	65	200	812	42	71	460
Loans	96	286	434	72	259	491	58	183	323
Total [2]	1,351	1,655	2,956	1,547	1,988	3,141	1,711	2,236	3,555

[1] Derived from "Student Resource Surveys" conducted by the College Entrance Examination Board.
[2] Totals do not include allocation of indirect government support; e.g., through income tax deductions for dependents nor support through government benefit programs to families; e.g., social security.

The average awards resulting from current grant and scholarship programs shown in Table 1 are both small and relatively-weakly targeted. Approximately 95 percent of these grants result from government sources of support.[3]

In order to be effective student grant programs need to be carefully designed and easily understood by prospective students and their families. The federal government's existing predominance in student assistance should make its programs the basis on top of which state student assistance programs are built. Because of the generally small and undeveloped character of state student assistance programs,[4] we recommend that increases in tuition in public institutions be phased in over a period of five to ten years. This time period will allow the recommended state student assistance programs to be fully funded and operational, before the full impact of the recommended tuition increases is felt.

In order for student assistance to have a maximum effect on students from low income families and to have a minimum influence on decisions of unassisted students, students and families from all income levels must have access to loan funds. Table 1 shows that average support from loans is currently small and relatively constant across income groups. If middle- and upper-income students and families are to finance a greater share of their college costs, as we believe appropriate, the loan market must ensure that these families as well as low- and moderate-income families have access to capital. Consequently, the CED recommended:

. . . an expanded federally operated student-loan system to provide students and their families access to supplemental funds.

The sixth purpose of higher education is equalization of opportunity. In spite of increasing discussion and agreement on this goal, and the frequent justification of current government financing policy on the basis of furthering it, the enrollment rates of low- and moderate-income students have remained far below those of students from higher income families and the disparities have not been reduced. This pattern, presented in Table 2 (below), shows that college enrollment rates of 18–24 year olds is more than three times higher for those from families with incomes of $15,000 or more than for those from families with $5,000 or less.

[3] "Financing Postsecondary Education in the United States," NCFPE, page 9.
[4] The National Commission on the Financing of Postsecondary Education estimated that only $348.2 million of state resources was allocated to student assistance in 1972–73. "Financing Postsecondary Education in the United States," NCFPE, page 96.

TABLE 2.—PERCENT OF PRIMARY FAMILIES IN SPECIFIED INCOME GROUPS WITH DEPENDENTS ENROLLED FULL TIME IN COLLEGE[1]

[18- to 24-year-old dependents only]

Family income[2]	Percent with full-time enrollees 1967	1972
Below	17.0	17.6
$5,000 to $15,000	37.7	35.6
Above $15,000	58.0	56.1

[1] Derived from U.S. Bureau of the Census, P-20, No. 260, p. 5.
[2] Income in constant 1972 dollars.

There are many reasons for this pattern of enrollment rates. First, the principal mechanism that society has used for increasing the enrollment of low- and moderate-income students—i.e., low cost public institutions—is extensively used by higher income students. Table 3 (below shows that 44.9 and 55.8 percent of the freshmen at public four-year colleges and universities, respectively, are from families with incomes above $15,000. Thus, the principal existing mechanism of assisting lower income students provides significant quantities of resources to higher income students.

TABLE 3.—INCOME DISTRIBUTION OF FRESHMEN IN PUBLIC INSTITUTIONS[1] (FALL 1973)

[In percent]

Family income	2-year colleges	4-year colleges	Universities
Less than $6,000	15.4	10.2	5.2
$6,000 to $8,000	8.2	6.2	4.2
$8,000 to $10,000	10.6	8.4	6.6
$10,000 to $15,000	32.9	30.2	28.1
$15,000 to $25,000	24.0	31.1	33.3
More than $25,000	9.0	13.8	22.5

[1] Derived from Astin, et. al., "The American Freshman: National Norms for Fall 1973," American Council on Education University of California, Los Angeles, 1973.

Equality of educational opportunity can conceivably be achieved in several ways. College costs for students who could not otherwise enroll can be reduced through (1) general grants to institutions, whether based on enrollment or on some other criterion; (2) grants to institutions based specifically on enrollment of low- and moderate-income students; or (3) direct grants to these students. Which funding mode will most efficiently support the goal of equalizing opportunity?

General grants to institutions, the most common form of aid, can result in any of the following: an increase in institutional quality without an increase in tuition, a general reduction in tuition for all students, or an institutionally administered selective reduction in tuition for low- and moderate-income students. Only if the latter result occurred would the advantage of public support be distributed in terms of need. For this reason we prefer the method of direct aid to low- and moderate-income students. It ensures that public resources will in fact lower the personal cost of college attendance for the grant recipients. A program of grants to low- and moderate-income students can effectively concentrate public resources on the goal of equality of educational opportunity and at the same time provide additional support for the colleges. Because tuition typically does not cover the full cost of education, we believe that direct student grants should be accompanied by institutional grants to cover a part of the additional cost incurred by the enrollment of students receiving grants.

The way that present government support (plus endowment support) is applied to various income groups is shown in Table 3a. Subsidy per student is virtually the same—between $1,000 and $1,100—for family income groups of less than $5,000 up to $25,000, and even for students from families with more than $25,000 income the subsidy is only slightly less—$806. Clearly, vast amounts ($2.3 billion to students from families with incomes over $15,000) are being provided to students who would attend college without subsidy, and those needing the most help get no more than those who need little or none.

TABLE 3A.—DISTRIBUTION OF HIGHER EDUCATION SUBSIDIES

COMPARISON OF CURRENT SYSTEM OF LOW TUITIONS IN PUBLIC INSTITUTIONS WITH CED RECOMMENDED GRANT-TUITION POLICY (1973-74)

Family income	Number of undergraduates (thousands)	Subsidies[1] resulting from low tuitions in public institutions		Subsidies resulting from targeted grants and ½ cost tuition	
		Total[1] (millions)	Average per student	Total (millions)	Average per student
Less than $5,000	773	$837	$1,083	$1,309	$1,693
$5,000 to $7,500	751	802	1,068	1,174	1,563
$7,500 to $10,000	881	964	1,083	1,167	1,325
$10,000 to $15,000	1,973	2,045	1,036	1,806	915
$15,000 to $25,000	1,598	1,625	1,017	1,051	658
Above $25,000	762	675	806	439	576
Total	6,738	6,900	1,030	6,900	1,030

[1] Subsidies total was derived from the average instruction cost minus tuition for students in public institutions multiplied by the number of students in public institutions. They therefore include both government support and support from endowment.

The same total amount of subsidy, if distributed according to our recommendation of targeted grants to students on the basis of need, coupled with an increase in tuition to one-half of instruction costs, would greatly increase aid to students from low income families and reduce aid to those from higher income families. Table 6 in the Appendix shows how college costs for students from various family income classes would be affected.

On the basis of this analysis, the importance of these education-related and equality of opportunity goals, and a desire to encourage institutions to be more responsive to student educational objectives by making financing more related to student decision, we recommend:

. . . that federal funding to undergraduate education be primarily through grants and loans to individual students in accordance with their ability to pay.

. . . that the funding pattern of state governments place more emphasis on grants and loans to students according to the same criterion, but that the states have a wide range of choice between direct student support and support of institutions.

The shift to increased federal and state funding through direct student aid instead of funding by grants to institutions would alter the support patterns and tuition requirements of individual institutions. If their tuitions remain unchanged, most colleges may not recapture the amount of institutional support they may lose as a result of the shift of funding. *Thus, as resources are shifted from institutional to student assistance, colleges will have to increase their tuitions to maintain or increase revenues.*

If student assistance is appropriately targeted toward low- and moderate-income students, the necessary tuition increases will be significantly smaller than the average grant awards because unaided higher income students will also be paying higher charges. Thus, tuition increases coupled with targeted student grant awards will result in increases in institutional revenues. We estimate (in Appendix Table 5) that the total college support could be increased by $2.5 billion per year in this way.

A second reason for increasing tuition and fee charges is to redistribute the eventual burden of higher education support from federal and state taxpayers toward higher income students and families who have greater capacities to provide support. If tuition does not become a greater source of revenue and if the current constraints on government support continue to exist, the real revenues of colleges will decline and their capacities to produce privately- and socially-desired education will diminish. Only if government support becomes more directed toward social goals and the reliance on relatively ineffective subsidization policies—e.g., unjustifiably low tuitions—declines, can higher education fulfill the purposes for which it is supported and, consequently, increase the likelihood of greater public and private support in the future.

Consequently, we recommend:

. . . an increase in tuitions and fees as needed until they approximate 50 percent of instructional costs within the next five years. For two-year community and technical colleges, the increase should be phased over ten years. Most of the tuition increase may be expected to occur in the public sector.

In summary, the CED recommendations are designed to:

increase revenues to higher education by targeting public support and by increasing support from those students and families who have greater abilities to pay.

increase the capacity of students and families to pay for higher education by ensuring access to higher education loan funds.

increase the achievement of important public objectives—e.g., equality of opportunity—by targeting public resources appropriately, effectively, and efficiently toward their achievement.

If implemented as a package, the recommended changes in financing would accomplish these aims.

APPENDIX

Perhaps the best way to understand the impact of the CED recommended package of institutional grants, student assistance, and tuition increases is to examine what changes they would cause if implemented, in full, during a particular academic year. Table 4 shows the tuition levels in public institutions which would result in 1973–74 from increasing tuition to 50 percent of instruction cost. Given that the remaining 50 percent would be provided by gifts and endowment), Table 4 also shows the average amount of institutional support per student that public institutions would receive. Tuition and institutional support will have a strong relationship to instructional cost if the CED recommendation is followed.

4.—EFFECTS OF RASIING TABLE PUBLIC INSTITUTIONS' TUITION AND FEES TO 50 PERCENT OF INSTRUCTIONAL COSTS,[1] 1973–74

	2-year colleges	4-year[2] colleges	Universities
Estimated instructional cost per undergraduate student	$1,418	$1,727	$2,344
Tuition and fees equal to 50 percent of cost	709	864	1,172
Average actual tuition and fee charges	251	411	565
Increase in tuition and fees required to bring level to 50 percent of cost	458	453	607

[1] Sources: Carnegie Commission, "A Supplemental Statement to the Report of the Carnegie Commission on Higher Education on 'Who Pays? Who Benefits? Who Should Pay?' " Mar. 1974. Carnegie Commission, "A Classification of Institutions of Higher Education," 1973. Suchar, et al., "Student Expenses at Postsecondary Institutions," college entrance examination board, 1974.

[2] Includes comprehensive universities, comprehensive colleges, liberal arts colleges.

Table 5 shows that $2.48 billion in additional tuition and fee revenues would result from these increased charges. If these resources allowed an equal quantity of additional federal and state resources to be allocated to student grant funds, these funds could be distributed in several alternative patterns. Three potential grant patterns are shown in Figure 1.[5]

Pattern A is a grant program highly targeted toward low and moderate-income students. Pattern B results in lower awards for lower-income students and extends eligibility for grants to students whose families have $15,000 incomes. Pattern C extends eligibility to students from $17,500 income families. Each of the alternative grant programs would cost approximately $2.48 billion.

[5] The patterns in Figure 1 are based on the assumption that no enrollment changes are induced by the tuition increase and student grant policy. Clearly this assumption is wrong. Nevertheless, the patterns provide a rough estimate of alternative grant vs. income systems.

TABLE 5.—INCREASES IN REVENUE RESULTING FROM RAISING PUBLIC INSTITUTION TUITION ANO FEES TO 50 PERCENT OF INSTRUCTIONAL COST, 1973-74 [1]

	Undergraduate enrollment (thousands)	Tuition increase per student	Resulting gross revenue increase (millions)
2-yr colleges	1,763	$458	$807
4-yr colleges	1,705	453	772
Universities	1,483	607	900
Total increase in revenue (rounded)			2,480

[1] Derived from Carlson, et al., "A Framework for Analyzing National Policies for Financing Postsecondary Education, May 1974 (draft), and Bureau of the Census, P-20, Number 260.

Figure 1

PATTERNS OF GRANT AWARDS
UNDER ALTERNATIVE GRANT PROGRAMS

(each costing $2.48 billion)

(1973-74)

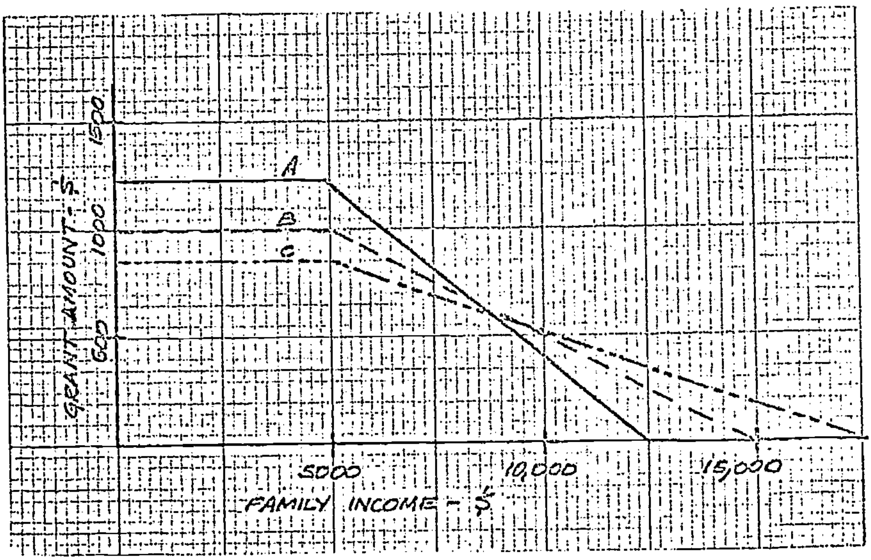


TABLE 6.—IMPACT OF RECOMMENOEO GRANT PROGRAM ANO TUITION INCREASES ON PAYMENTS BY STUOENTS (1973-74) [1]

Family income	Net change in payments to— Public 2-year colleges	Public 4-year colleges	Public universities	Private undergraduate institutions
$5,000	−$537	−$542	−$388	−$995
$7,500	−288	−293	−139	−746
$10,000	−40	−45	+159	−498
$12,500	+209	+204	+358	−249
$15,000 and above	+458	+453	+607	0

Assuming option B grant program.

42-884—75——10

Mr. EBERLE. Mr. Chairman, let me start by saying that the CED is made up of trustees who are heads of larger companies as well as small companies and we took on this project for what we considered to be good and valid reasons.

Many of our trustees are trustees of both public and private colleges. We know that education contributes to productivity more than almost any other factor. We felt that our expertise is in the management and financing of colleges. We felt that we should take a hard look to see if we could be of help.

I might add the CED has done five previous statements on education. This is not a new field for us. Although I will be directing my comments today to the financial side, in the report we made public a year ago, half of it emphasizes the need for improved management.

If we can have improved management in our institutions it will help control the rising costs.

In the policy statement our objective was to recognize that we wanted to have quality education in this country, and to see how we might help improve both the financing and management of colleges.

It didn't take us long to identify some of the problems. It became very clear that there were serious financial problems. Not only were the public schools and universities beginning to have more and more difficulty in obtaining funds from the legislatures, but the legislatures were, in fact, questioning the overlapping of the various systems under their programs.

On the private side we found substantial college budget deficits, and on both sides we found capital expenditures being used, capital money being used to offset operating income.

All of this pointed up a very serious problem because when we made this report it was before we had double digit inflation and the costs were rising at double the rate of inflation then, and you could foresee the tremendous change that was going to take place.

It became clear that with college costs growing at twice the rate of inflation the chances of really making great improvements may be small.

We made several assumptions; one is that the increased financial support for colleges will be limited to offsetting inflation in the economy and covering increases in costs resulting from higher enrollment.

It became pretty clear. In 1967, the part of the GNP going to higher education was 1 percent. In 1972, it was 2.7 percent, a very substantial increase. If you simply keep up with inflation and the increased students, not in percentages but actual numbers, it is going to take quite a bit of more money just to do that.

We also noted that the increased difficulty in obtaining funds, both public and private for colleges. We tried to identify the objectives of a financing system which would improve the situation.

We came up with six general purposes of higher education. The first was generating and stimulating quality knowledge and learning. The second was providing education for achievement of specific social objectives.

The third was creating an educated citizenry. Fourth is supplying trained men and women for whatever their avocation or profession may be.

Five, advancing economic growth and productivity, and sixth, increasing the equality of opportunity.

Here I might add the equality of postsecondary educational opportunity is essential if individuals are to have a fair chance of moving into the mainstream of American life regardless of their family circumstances.

We took these six basic objectives and then we said, "How do you propose a financial system that will fund it and give better funding and, at the same time, carry out these objectives in an appropriate, effective and efficient way?"

It was very clear that the criteria indicated that direct grants to institutions was probably the correct method for the achievement of many goals, particularly the first two I mentioned.

On the other hand, the effective and efficient means of delivering support from State and local governments on a direct grant or appropriation to public institutions based on undergraduate enrollment and programs and direct contract with private institutions may be better where you can give the grants to the individuals.

The CED report has been criticized primarily because of the recommendation that tuition cover 50 percent of instructional cost. And let me point out here that we made no judgment as to the difference between how much the students and parents should pay and how much the society should pay.

But let me remind you that 50 percent of instructional cost is about 35 percent of total cost of education, so that even if one-third were being paid by students and parents through tuition, together with some individual subsidy, there remains two-thirds of the cost of college education which is being paid for by society in general.

As we began to work on a plan we discovered that both the Federal and State supports have been primarily in form of institutional grants. We are proposing here that we move grants from the Federal Government from the present institutional grants to individual grants.

Such a change would allow more equality in the system because it gives more flexibility to those with lower incomes to enter the system.

And second, it brings about, as it did with the GI Bill of Rights after World War II, more choice for students. They can select their colleges and there would be more market opportunity for the schools.

We make no distinction between public, private or the vocational or profit schools because in developing a program of total education you need all of these schools to give the diversity you need.

In doing this, we have proposed a number of different recommendations we think will be helpful. First of all, the money that is now going to support education to students, according to the National Commission evidence, shows that the impact of financial support on student decisions is greatest for those with low family incomes and diminishes at higher family income levels.

And although they are not based on behavioral studies, the financial aid advisory services of both the American college testing program and the College Scholarship Service estimate that student and family capacities to pay for higher education increases as the family income increases.

Table 1 in the full testimony shows that the current system of supporting students does not demand dramatically different proportional support from families at different income levels. Almost regardless of family income range the support remains approximately the same.

The average awards resulting from current grant and scholarship programs shown in this table are both small and relatively weakly targeted. Incidentally, 95 percent of those grants result from Government sources of support.

In order to make an effective student grant program work the programs must be carefully designed and easily understood by prospective students and their families. We think that because of the generally small and undeveloped character of State student assistance programs, we recommend that the so-called increase in tuition in public institutions be phased in over a period of 5 to 10 years.

In saying this we also recommend that as the higher tuition is brought in that it be done at the same time as student loan funds become available. They must go hand in glove.

I might point out that what we are suggesting here, at the end of the full phase-in of increased tuition, again, at 1972 levels, we are talking about an increase of about $500 per year per student.

Over 4 years of college we are talking about a $2,000 increase. Of course, there is a great deal of comment that this is going to hurt the middle-income people. We recognize that what was middle income 2 years ago may not be middle income today.

But let me suggest to you that what we are talking about here is roughly $2,000 plus or minus, depending upon the school the student selects. Based upon an economic study of what a college education can do for an average individual student as compared with a student who goes through high school, the study shows that it increases their annual earnings from between $1,500 and $3.000 per year throughout their entire lifetime.

What we are talking about here in increased tuition is something a little over 1 year's increased earnings that would be charged and have to be paid back. In order to have the maximum effect here we feel that when the grants are given to students they must reach students whose families have lower incomes who are the most unassisted today.

As a result of this, we have made a number of recommendations; first, an expanded federally operated student loan system to provide students and their families with sources of supplemental funds.

We think, in this way, that with increased tuition you not only get more funds into the system but you provide a method for families to pay for tuition.

To make the point I simply call your attention to table 2 which shows that students in the 18-to-24-year-old bracket in families with incomes of $15.000 or more are three times more likely to be in college than those students from families with $5,000 income or less.

This is why we think we need this targeting on a more direct basis. I think it is interesting to note that in our table 3, showing where the students came from you will note that for present students well over half of them are from families of $15,000 of income or more.

What is happening today is that students who have higher family resources are still taking advantage of the lower tuitions in the public schools so you get a double kind of subsidy here.

Equality of educational opportunity can conceivably be achieved in several ways. College costs for students who could not otherwise enroll can be reduced through general grants to institutions, whether based on enrollment or on some other criterion or by grants to institutions based specifically on enrollment of low- and moderate-income students, or through direct grants to these students. Which funding mode will most efficiently support the goal of equalizing opportunity?

The question of which funding mode would be most efficient was considered in our study. We concluded that general grants to institutions, which are the most common form of aid, could result in three different things.

It could result in an increase in institutional quality without an increase in tuition, a general reduction in tuition for all students, or an institutionally administered selective reduction in tuition for low- and moderate-income students.

Because this could be used in so many different ways we really concluded the most efficient and effective way was to move a substantial part of the Federal grants from the institutions to the individual.

If you look at table 3a and note that the subsidy per student is pretty much the same—between $1,000 and $1,100—for family income groups of less than $5,000 up to $25,000, and even for students from families with more than $25,000 the subsidy only drops to about $806.

Clearly, vast amounts of money would be needed if we are going to provide all of this money to all of these students. We noted that a subsidy of $2.3 billion for students from families with incomes over $15,000 is a very high figure and if you are going to simply add to that, that is why we came back and said the best approach we thought—and we are not locked in at the $12,000 or $15,000 level because when we made the study $15,000 looked like a real breaking point. Today it may have to be somewhat higher.

The fact remains that there is reason, under our system, where there is limited money and tremendous demands upon all Federal and State funds, to find a way to bring more money into the system, and that is why we recommended that individual grants be made and that tuition be increased.

I might point out that there is some shift in resources here. The shift in resources we have recommended allows a lot of flexibility. You had about 70 percent institutional grants and 30 percent individual grants. We feel that there is always a place for the institutional grants and that it should be around the minimum of 30 to 40 percent, and then, depending on the situation, the balance could be used for the individual grants.

What this amounts to is that as resources are shifted from institutional to student assistance directly colleges will have to increase their tuitions to maintain or increase their revenues.

In other words, if colleges are to attract the tuition from these individual grants they will have to raise it, and as they raise tuition to offset the drop in institutional grants they will get more money because there will be more money coming into the system.

You would have the same Federal funds coming through individual grants but you would attract more funds from the private and the loan sectors which could be used to fund the higher tuition.

We estimated, as in our table 5, that the total college support could be increased by $2.5 billion per year through this system, and we think this can be done in a way that will give equal opportunity and not jeopardize the opportunity of students to go to college because of the increased cost because you simply raise the opportunity to borrow funds for those people who need it.

And you are taking the opportunity for those families with higher incomes to help contribute to the system, still recognizing that well over two-thirds of the total cost of education will still be paid for by society even under our program.

So, in summary, the CED recommendations are designed to increase revenues to higher education by targeting public support and by increasing support from those students and families who have the greater ability to pay;

Second, to increase the capacity of students and families to pay for higher education by insuring access to higher education loan funds; and, three, to increase the achievement of important public objectives; equality of opportunity by targeting these public resources effectively and efficiently toward their achievement.

These three goals go hand in glove. We don't increase the tuition until the loan funds have come up so there is no basic hardship in this kind of program. I think that covers the subject generally. I think there are a couple of short comments from each of my team.

Mr. Neal, I think you wanted to make a short comment.

Mr. NEAL. Mr. Chairman, when we completed this policy statement, in fact, before it was published, we felt we ought to market test it so we set up meetings in five different regions of the country; Boston, Atlanta, Denver, Chicago and San Francisco.

To these meetings we invited members of the boards of trustees of colleges, the executives of colleges, members of the faculty and students. These meetings ran between 100 and 150 people. Each meeting took a day and a half. Virtually one whole day was filled with the discussion, by workshops of about 20 each, of the proposed policy statement, or, as time went on, it became the issued policy statement.

I thought you might be interested in what this very careful consideration in these various groups resulted in in terms of the discussion groups' support or lack of support of the financial recommendations, particularly as it relates to this committee's work.

It is precisely the package that Mr. Eberle has just described. This looks like a fairly close election so far as these groups were concerned. On a block-vote basis we had nationwide 13 of the groups in favor of the financial recommendations. We had 9 groups opposed, but we had 14 groups undecided.

Mr. McMURRIN. Mr. Chairman, I was very pleased to comment on two or three things which Mr. Eberle has already referred to. I am particularly interested in calling attention to what the CED report does not recommend because there are certain emphases that are made so strongly in it that one can easily get a wrong impression.

Mr. Eberle has already made this point but I would like to re-emphasize it, that the report does not recommend an increase in tuition in advance of the increase in the ability of prospective students to pay that tuition.

The thrust of the report has to do with getting money into the hands of students in order that the students would be able to pay for their education. It is not a report that is geared primarily to the increase in tuition.

It is geared to equality of students and making it possible for universities and colleges to pay their expenses and to maintain and achieve high quality. But the increase in tuition is intended by the CED recommendation to follow and not precede the establishment of the ability of the students to pay the bill.

I would like also to re-emphasize a point that Mr. Eberle has mentioned on the matter of cutoff points for Federal grants and loans to students. The CED is very flexible on that point and, as a matter of fact, it is about 2 years now since the committee talked in terms of a $12,000 cutoff point in loans.

My own feeling is that if the committee were now discussing this issue the figure would be considerably higher and, at no time was it intended that this be taken as a kind of inflexible cutoff point.

Another matter is the question of institutional grants. I personally am strongly in favor of the preservation of institutional grants for colleges and universities, and there is no intention in the report, though it has sometimes been interpreted in this way, to get rid of institutional grants.

The emphasis of the report is that Federal money for colleges and students, quite apart from money for such purposes as research, that Federal money be placed primarily, not exclusively, but primarily in the hands of the students, and then the States might very well move more of their money into student hands rather than to follow institutional grants as a format.

But there is no suggestion here that States do away with institutional grants. Quite the contrary, it is assumed that institutional grants be continued and the extent to which States may increase grants to students would be a matter of the discretionary policies of the States, a matter of the habits of the States in the financing of institutions.

The report, for instance, recognizes that in some parts of the country there is more of an inclination in one direction than in another. It takes all of that into consideration, so that it would be in error to suppose that the CED report is an attempt to get rid of institutional grants.

Another thing that is worth noting, it seems to me, is that the CED policy statement has to do entirely with undergraduate education and in discussing the costs of instruction, the costs of instruction referred to here are the costs of undergraduate instruction and do not include in any sense the costs of graduate instruction, which are much greater.

And these discussions do not include the other educational costs, including such matters as moneys for research. One or two other items, Mr. Chairman; I am personally not an economist and a large number of economists have worked on this as you well know and have been involved in interpretation of this report, comparisons of it with other recommendations.

It is my impression that the differences in many cases here are due to differences on assumptions with regard to the economy, as to what the present state of the economy is in terms of the ability of the Nation to finance higher education and what the future, both the immediate future and the long-term future, is likely to be.

I would say that the Committee for Economic Development has taken a comparatively conservative view of the situation from both the standpoint of expansion of institutions in terms of enrollment and finance higher education and what the future, both the immediate ate future in relation to its ability to finance higher education.

There is a general assumption here that if higher education is to have the kind of money that it needs to achieve higher quality and maintain the quality that it now has, it is not going to get it unless it gets it by the route that is here recommended.

I am well aware that some highly competent economists would make a totally different assumption, but I think that the differences that you are likely to find between the various recommendations that are being made are due not totally, of course, but certainly in part to the differences in these assumptions.

I might simply mention also that the report that you have before you in Mr. Eberle's testimony has some upgraded statistics that will not be found in the policy statement. Mr. Mundel may care to comment on it. So it would be rather important that you recognize the new statistics since it is several months since the original policy statement was produced.

Thank you, Mr. Chairman.

Mr. O'HARA. Thank you.

Mr. Mundel.

Mr. MUNDEL. I think, first of all, to correct a small wording, the statistics are updated. I am not sure they are upgraded.

Mr. MCMURRIN. I meant to say updated. I am sorry.

Mr. MUNDEL. I think three points should be mentioned to complement the comments of my colleagues.

First, the tuition, and especially the financial aid recommendations that the CED has made have not been simply targeted toward low-income students. Throughout the analysis of the initial report and the subsequent analysis which is in the appendix of the testimony we carefully targeted money toward low- and moderate-income students, increasing the eligibility of grant funds up to what we judge or what we think about as something in the middle class.

Second, with regard to institutional support, even if all the recommended tuition increases were allocated into tuition supplements or student financial aid, if all the additional $2.5 billion had been allocated that way, some estimates by the National Commission on a report on a model of our proposal describe that fully 81 percent of the State and local support for higher education would continue to be allocated in the form of the institutional support.

Approximately 3 percent of State and local revenues are now allocated toward student assistance. Under our recommendation that would increase to 19 percent, a substantial increase. But institutional assistance would still remain the predominent characteristic of State and local support to institutious and to higher education as a whole.

Third, in terms of adequacy of financial support for the sector as a whole, let me quote from a report by the American Association of University Professors, looking at the state of the economy in the sector as a whole:

> The interesting implication of the Carnegie and CED approaches—

That is, tuition increase and targeted student assistance—

> is that each dollar of tax revenue channeled through student aid will generate a greater total flow of funds than the tax dollars distributed directly to institutions. A slower growth of subsidies that go directly to institutions requires higher tuitions, hence, a greater contribution by the families of students who do not receive grants.

In the view of some of us who have looked at the variety of reports, this increase in revenues is not the result of depression or a hold steady mentality trying to cut support for the sector.

I think that is an important consideration in deciding on the implications of this sort of report versus other kinds of financial schemes.

Mr. O'HARA. Thank you very much.

In your report, table 5 shows $2.48 billion in additional tuition revenues would result from these increased charges if these resources were allowed in an equal quantity of additional Federal and State resources to be allocated to student grant funds, and these funds could be distributed in several alternative patterns. Three of them are shown in figure 1.

Pattern A is a grant program highly targeted toward low- and moderate-income students. Pattern B results in lower awards for low-income students and extends eligibility to students from $15,000 income families, and pattern C extends eligibility to students from $17,500 income families. Each of these cost $2.49 billion.

Assuming how many students, and so forth?

Mr. MUNDEL. Those curves are based on the assumption, admittedly inadequate, that the enrollment of students in these various income classes in fiscal year 1973–74 would remain the same.

If these programs had their desired effect and the enrollment increase among the students who would face net price decreases there would be more students. The grant programs or the total amount of the grants you could give to any student would decrease proportionately by the tuition and fee revenues of the institutions, given the increase in enrollment, would also increase.

Mr. O'HARA. But these three alternative grant programs which show grants ranging from about $850 up to $1,300 for the lowest income student, are all based on the hypothesis that not a single additional student would be attracted into higher education.

Mr. MUNDEL. Those particular curves are based on that hypothesis. That is not hypothesis we would believe holds true. We just didn't have the capacity to do the enrollment projects accurately enough.

Mr. O'HARA. And if you did attract more than these figures it would all come down, the amount per student?

Mr. MUNDEL. If the size of the grant program, $2.5 billion remains constant and you follow that sort of curve then the grants in each of the income group would increase as there are more kids over whom that money is being distributed.

Mr. O'HARA. Table 6 shows, assuming the same set of assumptions and using option B, which would apparently envision possible eligibility up to $15,000 family income. It would still result, according to table 6, if I make it out correctly, in an increase in cost to families between $12,500 and $15,000.

Mr. MUNDEL. If the only grant and aid programs that existed for the State and local grant programs financed by these increases in tuition and resulting increases in institutional support, that would be true.

But, given the current changes in Federal authorization and allocation policy there are grants in all programs which would effect those students and not cause these tuition increases to be as high as they appear.

Mr. O'HARA. That is introducing another element into the thing. You would say, yes, under our proposal, just looking at it alone. But if someone were to come along and try to make up for the deficiencies in our proposal then it wouldn't be true.

Mr. MUNDEL. That is not really the case. In fact, our proposal is both to increase the allocation of state and local money in to direct student assistance and to help Federal resources go predominantly through student assistance.

They do already. Table 6 only includes the effect of the State and local resources. We recommend that it doesn't include the traditional Federal sources.

Mr. O'HARA. If we assume no change in the Federal program and most of the Federal money already goes out to direct assistance, very little other than that, even the pattern of one of your more generous proposals would be to increase tuition starting at around $10,000.

It is hard to figure that out. It is somewhere between $10,000 and $12,500, the increased total cost, even though you might be eligible for a grant. In the end it will cost you more, except at private undergraduate institutions, where it would cost you less, of course, in all income categories.

But in the last one there there would be no difference.

Mr. MUNDEL. I think that is true as long as the targeting of student grants, which we showed in table 1, remains essentially flat across the income of students. Remember that the grant and scholarship money in table 1 is 95 percent Government and given the distribution between Federal and State allocations to student assistance, grant and scholarship money in that program is really primarily Federal.

If that money remains allocated, as it has been, I think the inference is true that people in this income group would experience increases in their net prices, but we have also said that that money should be more targeted toward the same sort of people toward whom State and local resources would be targeted.

And if the Federal change occurs simultaneously with the State and local changes, it is our prediction that people in this income group would not face net price increases as a result of our package of Federal-targeted, State and local targeted and increases in public institution prices.

Mr. O'HARA. I think your recommendation is really one directed almost entirely at State governments, as I understand it. In effect, you say, reduce institutional support and shift the funds into student assistance.

Right now, Uncle Sam isn't really engaged in the business of institutional support. I guess the people you are really talking to are the State governments and local governments, who are the ones that support the public university system, State college system, the community college system and so forth.

What institutional support would you suggest Uncle Sam drop in order to move into more student assistance?

Mr. EBERLE. I don't know that we are recommending that. I think there is a major side to the Federal change and that is to broaden the student loan programs so that as the States make their shift to grants and the tuition gradually goes up that money is available and pulls into the system these additional dollars.

That change, plus the change that Professor Mundel is talking about, and that is the targeting of the student grants themselves on the Federal side, would move and bring more of this money in and, at the same time, give equality, so it takes the Federal system to start to move to bring about the change at the State level.

Mr. O'HARA. Of course, we have already. We enacted, subsequent to your report, between the time you issued your report and the time you appeared here, the Congress did adopt legislation that liberalized the loan programs making it possible for students from families having adjusted family incomes of less than $15,000, which worked out for a family of four to an adjusted gross of $20,000, to make a guaranteed loan with interest subsidized without determination of need.

Mr. NEAL. Mr. Chairman, could I pay a compliment to most of the members of your committee. When you say our program is addressed primarily to State and local, it is because of the wisdom of the Congress in passing the educational opportunity grant program, which follows exactly the lines we are recommending here.

I would like it to be noted we think very highly of the decisions you people have made.

Mr. O'HARA. We are looking at those decisions now to see if we are doing the most effective job possible, which, of course, is the reason you are here. But, I would like to say one of the reasons it was possible for the Federal Government to make the kind of decision that was made to concentrate assistance to higher education and student assistance was because most of the States had provided a foundation of low-cost public higher education upon which such assistance could be built.

Now, in effect, you gentlemen are recommending we move the foundation which may make the edifice rather shaky. Some of our findings have been that the extent to which students are able to take advantage of student assistance programs is very greatly influenced by the availability, at no cost or low cost, of public higher education.

For instance, we found in connection with the GI bill programs which provide a higher level of student support than any other Federal program or State program that I know of, that those programs are utilized to a reasonable extent only in the States that have very low-cost or no-cost public higher education.

For instance, the utilization of the GI bill in California was between two and three times the rate at which it was utilized in one of the New England States because there was available a system of low tuition or no tuition in State colleges and universities.

We also find, and I think your own exploration should suggest to you that a great number of students who might qualify for one of these student assistance programs do not apply.

For one reason or another they do not seek and obtain student assistance funds. Significant numbers of them are found in very low-cost institutions in metropolitan areas primarily, but also in rural areas if they are within commuting distance.

So, in terms of efficiency of delivery, you have a model that looks more efficient but I am not sure it actually brings in more people.

Mr. NEAL. Could I make a small qualification? When we recommended an increase in tuition of 50 percent of instruction cost we said, "as needed." We didn't just opt for the increase whether you need the money or not, so that it may be a long time before some of those low-cost institutions get a tuition——

Mr. O'HARA. You are not advocating the States come up with new appropriations. You are advocating that they shift funds out of institutional support into student assistance and, in order to do that they have got to raise their tuitions presumably and make it up somewhere.

For instance, what would happen to the California community college system if they now went from zero tuition up to half the cost of instruction? It would be a tremendous change, even if you phase it in over the period you recommend.

Mr. EBERLE. Mr. Chairman, let me comment on two things. First of all, I don't disagree with what you have but I have some qualms about where we are headed. If you take the University of California, which, under the GI bill of rights, has a very low tuition.

Today, that system, not the community college system, has approached the very recommendation we talked about. They found it is the only way they could give this kind of education and get the funds in.

The head of the California Community College system, although, generally opposed to this recommendation, has indicated there is a need to have a tuition program in the California system.

What I want to ssay is you are getting to a point where we are getting the bad result of increased tuition without a program of either targeting these funds or having a way for these low- or middle-income students to go to college.

They are going to be faced with these tuition increases anyway because that is the only way State legislatures are going to be able to face the problem. That is why we feel this kind of targeted approach which takes into consideration where the money is going to come from and still have quality education makes more sense.

Mr. O'HARA. That last one disturbs me. If that is the case, if they are going to increase the tuitions anyway, your recommendation should have taken the turn, no tuition increases without corresponding increases in student assistance.

Mr. McMURRIN. As a matter of fact, Mr. Chairman, this is the recommendation.

Mr. O'HARA. Yes, but you put it the other way around, tuition increases and increased student assistance. I am very much afraid some of the State legislatures are going to take half of your recommendation.

Mr. McMURRIN. I am afraid they are too, but actually, if they followed our language they would not do that. But it is very obvious that the tendency of people is to see the rates and then tend to more or less ignore the other side of the picture.

Mr. O'HARA. I know my colleagues are interested in getting into this thing. We have here a distinguished member of the Commission on the Financing of Postsecondary Education. I have several other questions but I am going to withhold them and give the other members of the subcommittee an opportunity.

Mr. Brademas.

Mr. BRADEMAS. Thank you very much, Mr. Chairman.

Let me add my own welcome to our distinguished witnesses here today. I would like to make a few comments with respect to what you said, gentlemen.

I notice Mr. McMurrin observed in his statement that it might well be the differences on these matters are in large measure linked to differences in judgment on the future development of the economy.

I am sure that is, to some extent, true. But I would suggest to you that perhaps there are still more substantial differences related to differences in underlying values and judgments about what is appropriate public policy in respect of support for postsecondary education generally and particularly in respect of, in this instance, the support of students.

I think, also, Mr. McMurrin, you made the statement that the only way for higher education to get additional money would be from tuition increases. I think Mr. Eberle just referred to the situation in the same vein.

Therefore, we come back to my first point, namely, the question of values. I don't understand why that should be the case. Why do we not take a more optimistic view of the place of education generally, of postsecondary education in particular, and still more particularly, of student support, in our national priorities.

I don't know that we ought to have such a gloomy outlook with respect to the long-term posture of public support for higher education. I could well see the prospect, for example—and I don't say this in any particularly partisan tone—of a different Congress coming to this town next year which would not take the point of view that we ought to have so slender a slice of the gross national product allocated to postsecondary education or to student support.

I would be willing, at the drop of a hat, to vote more money for student assistance and less money for certain military expenditures that I could easily point to. So, I think I am in very strong disagreement with the perhaps understated presupposition of your analysis that the only way in which we can meet the increased costs of higher education in this country is to impose a greater burden on students and their families.

A third point I would make also has to do with value judgments. It has been the view of members of this subcommittee on both sides of the aisle, including, I think, Mr. O'Hara and myself, that we need not make a choice between low-income students and middle-income students with respect to provision of student assistance from the Federal Government.

Indeed, as a consequence of the passage of the 1972 education amendments and the new basic opportunity grant program we don't even talk about the matter in that way any more on this committee.

Rather, we talk not about the income of the family and the student, but we talk about the student's need. That is a more real world way to go about making a judgment on the matter, and I don't think I need to repeat the theory on which the BOG program is based, but it seems to me that targeting assistance on need is much more reasonable and sensible than to look at income which is only one of the several criteria that ought to be taken into account.

Then a fourth point I would make has to do with what I take to be your position of placing greater reliance on loans. I was struck by Mr. McMurrin's statement that last year when your report first came out you spoke of a $12,000 cutoff, but I think you said that figure would now, if my memory is not wrong, be considerably higher.

That you can make that kind of statement indicates to me the somewhat ephemeral nature of your proposals to rely heavily on loans because the world changes, doesn't it, gentlemen, and it changes very rapidly.

We didn't have 11½ percent prime interest rate when your report came out, and I am very dubious indeed about a proposition that would move from financing student assistance by the tax mechanism over to the private loan mechanism at a time when interest rates are out of sight.

Nor do I find myself altogether persuaded by another unstated presupposition of your proposal which is that most of the benefits from public assistance to students go to the students.

You certainly reviewed this whole argument of the difference between societal benefits and individual benefits. I must say I have always been surprised as a member of this committee how zealous some people are in wanting to be sure that they wring every last ounce out of the students, but we don't have so militant or CPA-like an approach when it comes to being sure that the industrial or business community, for example, takes a subsidy from the National Government.

Then I haven't even raised one other concern I have, which is the question of the transfer—as Dr. Van Alstyne pointed out in an extended analysis—the question of the transfer of the burden of payment of student assistance from one generation to another.

I think you have not sufficiently taken into account that particular question. I think, as you can judge from my own reactions—and if I have misrepresented you I am sure you will tell me—why I have, as one of our former colleagues in this place said in a debate, "minimum high regard for your proposals."

Mr. NEAL. Mr. Brademas, in these discussions that I refer to that we had around the country, it seems to me we got more and more sophisticated as we went along and your comments were reflective of that same degree of sophistication.

I would like to comment a little bit about the kind of stereotype that, unfortunately, we have in this report because we dealt only with undergraduate college education.

Postsecondary education is a lot bigger thing than undergraduate college education and by the time we got to California, as Mr. O'Hara stated, using the GI bill and so on, the people wanted to discuss postsecondary education.

When you take the whole range of possibilities into account, the fact that you don't just have a student who goes to college for 4 years and gets a degree, we have lifelong learning, we have people coming back who have a high school education coming back in their thirties and forties and taking a college degree.

We have training programs financed by the Federal Government, training and retraining programs in which postsecondary institutions provide a great deal of the training. I think we are up to about $6 billion on training programs.

In addition, we have those things that go along with the unemployment compensation system and with welfare systems in some States, some other training programs, not all postsecondary.

But there is still a third system of education which probably is as big as the public one and that is the business-directed training and education. My purpose in broadening out the discussion—we did not cover the whole area of postsecondary education—but my purpose in raising it is to make just one point and that is colleges and universities have become educational service institutions serving a wide variety of clientele and they are probably the most effective instrument for that purpose and they need to be kept in being.

This is another reason for the institutional grant approach, that with as big a variety of the clientele that they serve, it seems to me almost impossible that the support should not be related to the student and the training that he gets.

As we are evolving toward a more individualized system of education, toward a more extended, repeated, et cetera, system, toward an upgrading through life, it seems to me there is only one way you can run that kind of system and that is on a kind of charge-for-service basis, and that says more from tuition and less from other things.

Mr. BRADEMAS. The analogy that leaped into my mind was the U.S. Postal Service. Do you want me to spell it right out: Payment for services rendered; don't let the public subsidize it—a great system.

I am not impressed. You see, you missed the whole point of my statement about the needs of society. You walked right out in the minefield and stepped right on the mine. Do you see my point?

You talk as though the only point of education in this country is the need of the individual person. That was completely the tone of your response.

Mr. NEAL. Could I repeat myself, sir? I said a great diversity of clientele justifies the continued institutional support of the institutions that are best qualified to supply the services.

Institutional support—that is the societal reason, sir, that you are saying I am overlooking.

Mr. BRADEMAS. Is diversity the reason? What is diversity? That is not the point, is it? Are you trying to tell me that the length of the list of kinds of institutions of higher learning in this country justifies societal support? You don't mean that seriously? What does that have to do with it?

I should have thought that one might want to ask questions about the benefits that society derives whether you have one kind of institution of higher learning or a hundred kinds of institutions of higher learning; that is the point.

Do you see what I mean? I would like to get a somewhat less simplistic analysis of these matters.

Mr. EBERLE. I would like to come back to your point. I don't disagree with that and I don't want to take away from your colleague's question but, unfortunately, when you have a brief statement and not a full report——

We also know that you have such a broad variety, not only of institutions but of students' desires, the way you get that is to have the student help set the market and let the student have the time to select.

I will give you an example where you have public institutions in a State—a student, where the money is granted solely on institutions, is going to go to the closest one. That is where their money decision has to be made as opposed to having the funds themselves and maybe go to one a little further away because he has additional support where he got more what he needed.

It is a question not only of recognizing the great benefit to society but how do you target in on the student and get that student the kind of education he wants. I think that diversity is absolutely essential to developing the kind of quality students and quality society we want.

Mr. BRADEMAS. No one is arguing about the need for diversity. That is not, I take it, an issue here. Everybody is in favor of diversity in higher education, just as everybody is in favor of motherhood and apple pie. That is really moot.

I am getting into a far different proposition. What if I were to say to you, Mr. Eberle, that every time you hire a college graduate, you are going to pay a bounty? You are going to have to pay the bounty out of the pocket of your particular firm, because you get the benefit of his higher education. In other words, because you are saying here that the student ought to pay higher tuition since he is getting the benefit, I am saying that your company will have to meet a percentage of the cost of whatever that student paid to go to college. How do you like that?

Mr. EBERLE. The answer to that is a very simple one. If you look at the incomes of students that go to college on the average and those who don't, it is already built in. The only difference between your suggestion is that you do it directly instead of indirectly.

Mr. BRADEMAS. It is not true at all. I say you pay for it. You are getting the benefit of that student's higher education.

Mr. EBERLE. Who do you think pays the salaries of these people?

Mr. BRADEMAS. I am suggesting you don't.

Mr. EBERLE. The businesses do.

Mr. BRADEMAS. But I want you to pay more.

Mr. EBERLE. That is different.

Mr. BRADEMAS. Of course it is different. That is my point. It breaks down when you turn the corner of the side.

Mr. EBERLE. The principle is established. It is only a question of how much. I accept that. It is already done.

Mr. BRADEMAS. I don't think it is done because we are now getting to the value judgments, the unstated presuppositions.

You want that student to pay more and you want a redistribution of income within the educational system, but you are not so much interested in giving me an affirmative response when I go outside the educational system. That is a different ball game.

Mr. EBERLE. I would like to come back to that because the recommendations we made are not only an increase of $2.5 billion on the private side but also we say there should be more Federal and State help.

We did go outside. We recommended it. The problem we have is in trying to be realistic. As a practical matter, Congress is going to have the opportunity to vote more money for education, whether you give more money to increase the quality, because there are going to be more students and you are going to have to vote it.

We made a decision that just to keep up with inflation and the fact that education grows at twice the rate of inflation and the increase of students. Realistically, that may be the amount of money that can be expected.

If that is the case, how do you go outside the system and get more money in? And if you don't vote more money and you don't want to go to the private side and you don't want the public side, then you have a real crisis.

Mr. BRADEMAS. That is not what I said at all.

Mr. EBERLE. That is what the facts are in State and Federal financing to date.

Mr. BRADEMAS. You can argue from the descriptive to the normative and vice versa but you can't pass a freshman logic class that way, so let me come back and say I am not going to let you set up a false dichotomy between the private and public.

What you have just told me is if you need more money to meet the problems of inflation you either go to tuition increases or the public sector. That is what I read you saying.

Mr. EBERLE. Lower your costs.

Mr. BRADEMAS. But there are other ways of going to the private sector, and I gave you one just a minute ago, not that the student pays for it but whoever hires the student pays for it. That is another way. I don't say I am for it, but I only raise it to show the fallacy of the proposition that the only alternative to increased reliance on the tax mechanism on public support for meeting inflation and other student costs is by raising tuition on the students.

I don't think you have made that case.

Mr. NEAL. Could I add just a footnote? We do say that business support of the colleges ought to be continued and increased and, as you know, sir, it is the practice of a great many businesses to make grants to colleges from whom they draw their students and, in fact, many others also make scholarships available for the sons and daughters of children.

Some of this has even gotten into collective bargaining contracts.

Mr. BRADEMAS. Are you proposing this is a matter of law?

Mr. NEAL. No, I am not, I am saying this is being done.

Mr. BRADEMAS. That would really be impressive.

Mr. NEAL. On a voluntary basis it is being done. The way you do it in law is that you impose taxes on these companies and then you in your wisdom decide how much you are going to give to students, and we are right back where we started from.

We think you should make those decisions.

Mr. BRADEMAS. I think we have developed a very interesting alternative here.

Sterling, you wanted to say something.

Mr. MCMURRIN. Yes, Mr. Brademas, I would like to make this comment.

Mr. BRADEMAS. Let me interrupt and say I am deliberately teasing you and provoking you to some extent to make you go back and look at your own suppositions. I am not persuaded you have done so.

Mr. O'HARA. You have done a good job.

Mr. MCMURRIN. A very good job. The thing I wanted to say, just two points, in the preparation of the policy statement and in the policy statement you find very considerable discussion of the societal values of education. I am referring to your reference to the issue of values here.

And, as a matter of fact, the committee, in setting up the proposal which it has made, used the social values of education as the justification for a large Federal and increased State program of grants and loans.

So, the very point you are making, I think is a point that has received a great deal of attention. The other thing that interests me in your comments, the very first statement you made, is a rather, to use your terminology, dismal economic appraisal of the situation.

I personally am inclined very much to agree with you on this. My point was, there is a conservative economic assumption behind the CED report which was based upon the kinds of input which CED has been receiving from economists, and I am very much aware of the impressive statements of criticism that have been made of this, particularly by Dr. Van Alstyne, whom you mentioned, and by Dr. Howard Bowen, a very distinguished economist in the field of education.

Both of them essentially were saying what you have said, "Why not be more optimistic about the future of funding of education than we seem to be?" What I want to say is simply this; regardless of which group of economists or appraisers of the economy may be correct, the kind of assumption that is made in the CED statement is the kind of assumption that is now being made, as I am sure all of you gentlemen realize, by the leaders of colleges and universities.

The presidents of colleges and universities have this same feeling.

Mr. BRADEMAS. I think your point is well taken, Mr. McMurrin, but you didn't get the point. I didn't express it very clearly. I wasn't talking economics. I was talking politics.

Mr. MCMURRIN. I get your point. I can understand that.

Mr. BRADEMAS. However the economy develops in the next several years, the point I was making is it is not unreasonable to project that there will be elected to public office in this country persons with different value judgments about the way which the GNP ought to be divided, whichever way the economy goes.

I just wanted to make that distinction.

Mr. GAYDOS. Would you yield? I have got one point.

Because a college professor says it is right is it right because they all agree upon it?

Mr. MCMURRIN. Not at all. As a matter of fact, that may be a pretty good indication it is wrong.

Mr. GAYDOS. You can hang your hat on your other argument, on the presumption that they are correct.

Mr. MCMURRIN. What I am saying, gentlemen, is simply this, the typical university and college today is being administered on the assumption that legislatures are not likely to raise appropriations, that the Federal Government is not likely to increase its appropriations and therefore, you are going to have to find your money somewhere else.

So that what we have attempted to be here is somewhat realistic in terms of the outlook of educators themselves, though they may be wrong and I hope they are wrong.

Mr. BRADEMAS. I appreciate that observation.

Mr. MUNDEL. Even if they are wrong and the political situation changes, the kind of targeted support that we spoke about in the report, even in an expanded Federal and other Government budget still makes a great deal of sense.

I think it is a mistake to consider that the recommendations, the targeting of money, the raising of tuitions, the expansion of loan programs, and all predicated solely on the assumption that the amount of social resources for higher education will be fixed.

Mr. BRADEMAS. I appreciate the thrust of that. That is very helpful. In other words, what you are saying is this is what you think ought to be done no matter the political or economic outlook.

Mr. MUNDEL. We did our calculations assuming fixed numbers because, in fact, these and the numbers available.

Mr. BRADEMAS. Mr. Chairman, I want to thank the witnesses. I hope they don't think I have been too hard on them. I just wanted to elicit some responses to some of these underlying questions.

Mr. O'HARA. Mr. Gaydos.

Mr. GAYDOS. I don't want to carry the discussion any further because I truthfully haven't had an opportunity to analyze and assimilate your report and prepared statement.

I do not want to make several observations and I think the response of the gentleman somewhat verified what I had been thinking. I am referring to your page 3, the second point you make, that public colleges are finding it increasingly difficult to secure needed funds from the States and other sectors.

I had thought for a while you had forgotten about our difficulties with our revenue sharing, a $30 billion 5-year program coming up for consideration within a year, and also difficulties we are having generally in the Federal Government with other needs we face such as the States demands from other sectors.

We have the same problem. For a while I though you had forgotten about that similarity between us and the State people, but I am glad you did remember and am eternally grateful to you.

I would like to ask a very practical question. I would like first to make one more observation. You talk about going to the private sector for support. All of that has to be an assumption that might not materialize.

For instance, I find it difficult to assume that the private sector should contribute substantially in some areas of scholarship aid, direct endowments, setting up funds, business contributions, which are tax deductible, and all the other paraphernalia, somewhat on the same lines I resent having to contribute to the cancer fund when I pay substantial taxes and I should assume as a citizen there need not be a private solicitation of funds to help cure such a dreaded disease.

I have a deep resentment myself in that area and I have drawn a parallel between the great need for an acceptable type of educational approach solving our problems, solving our international, social, internal domestic problems with a good educated population.

But why should be have to depend upon the private sector? To me it doesn't ring true and I know I am in a distinct minority because we have lived with it for so long and the assumption is that is where we should go.

Possibly Mr. Brademas and I are diametrically opposed as far as our thinking is concerned. I don't like to go into that sector but I try to draw a very simple comparison. I am not talking about cancer research. I am talking about other things.

Either your government discharges the responsibility to society, or any terminology you want to use, or it doesn't. That is how I feel about it. Personally, it doesn't amount to a bag of beans, I understand that. But I hope I can encourage some support along those lines.

In the Pennsylvania delegation we have college professors on a regular basis appearing before us to discuss their problems, their financial problems, practical problems, et cetera, and invariably at all of these delegation meetings we make it apolitical.

We have some people who have reached some prominence come and speak to us from all the universities. We have asked them and they have admitted, and I wonder if you could verify their position; have the universities and colleges done their share; have they analyzed truthfully and painstakingly what they have been doing and what they have done or accomplished to date; can they justify their trip to Washington to ask us to do our share?

Mr. EBERLE. I think we can give you some parameters, and that is, like every other case you cannot generalize but you go all the way from where they have done nothing or very little to where they have done a great deal.

This moves right into the whole first part of our report which went to management. Frankly, on balance, they have not picked out what their mission is. They can't be everything to everybody.

You will find overlapping Ph. D.'s granted among the State institutions. Every professor, and I will give this back to my good friend Sterling, wants their own programs. It is nice if you have lots of money and we recommend it.

On the other hand, the management of how do you get the best use out of buildings—Do you buy new buildings or can you lease them back and forth between institutions that aren't full?

I see this in my old home State of the University of Idaho and Washington State leasing the dormitories back and forth because one had too many and one had too little. There are so many things that can be done that haven't been done.

That is why I made my comment. I didn't want to lose sight of this because one answer is to be sure the universities, public and private, set their mission on not everything to everybody and do what they do best.

There is a tremendous amount of improvement that can be done there. There are some that are excellent, others that are very poor, but on balance there is a great deal of improvement that can be done.

Mr. GAYDOS. That is why I prefaced my remarks with the self-serving observation that I didn't have time to read your statement. You are, I presume, referring to the fact that in many colleges and universities of great repute you have a library fantastically supplied, almost as good in comparison to our library here in Washington, yet it is unutilized 20 percent of the time.

You dare not go on the campus to utilize that library because you don't belong to the student body or to the professional staff. I am wondering if they have made a new approach in critical self-analysis to getting the full use out of what you spend your money for and what you have physically in existence because there is a lot of selfishness.

Again, this is before you come here and ask us to respond to you. We want some response from you.

Mr. MCMURRIN. I agree with your point 100 percent and with Mr. Eberle's reply. Colleges and universities have not done what they could have done and certainly should have done to increase their effectiveness, efficiency and productivity.

The only thing that can be said on the other side of the picture is that right now there is far more activity in this direction being generated within the institutions than ever before and I think there is a real indication that in the years ahead the money will buy more and better education than it has in the past because an increasing number of institutions are leading out in innovations to change the old habits and to do new things to increase the educational productivity of the institution.

As things now stand, they are not in good shape, but at least there is a movement in the right direction.

Mr. GAYDOS. I would like to close, Mr. Chairman, with one observation, and that is in regard to a comment made by one of you gentlemen dealing with these lifetime students, where a person goes after graduation, a housewife picks up a degree, maybe a supplemental degree, again, along the same lines we were talking about.

That could very well be done without utilizing any of the facilities; heat, electricity, college professors, books. Outside of a TV program, the whole new modern approach in conjunction with some type of central coordinating board is changing the concept of what we are talking about.

I would like to see if a case could be made out for full utilization of personnel, plant facilities, your whole philosophy meshed together. Then I would say when you come before this committee and this humble person individually, I think we would be not more prone. but it would almost be an obsession on our part to respond and recognize your request because then I would say you have earned that right.

I am not saying that you haven't but I am saying in some of these areas—some areas are somewhat lacking as far as a good full report and exposé.

I do want to compliment you gentlemen for coming. I assure you of this and speak on behalf of the whole committee, particularly the chairman, we are going to try to solve this problem.

Mr. O'HARA. We are working at it.

Mr. GAYDOS. Let me conclude with one question. Do you have the same type of feedback I am getting, and I am sure most members are getting, from the people grossing $20,000 and $25,000 and complaining bitterly and giving us facts that they aren't being treated fairly as far as the amount of assistance they are receiving in comparison to underprivileged students and families, and maybe even in comparison to those that are over that?

That is where I am getting most of my flack. I am very practical. I am a political animal like the rest of us. I wonder if you can give me a very fast observation or conclusion on that.

Mr. O'HARA. If the gentleman will yield, the Wall Street Journal the other day had an article about the $22,000 a year college teacher.

Mr. MUNDEL. I think, in terms of upper-middle and upper income families the general finding, althought the complaints have been loud, vociferous and repeated. First, the complaints have been that these kids are no longer going on to school.

The census and other evidence shows that the proportion of students enrolling from these income groups has not dropped. The proportion of them enrolling among schools of different costs, except where public schools have expanded dramatically, has not changed and the amount of parental contribution, the actual amount that parents are paying for these students enrolled in school, in fact, has not increased more dramatically than the simple rate of inflation.

Although our tables show a targeting of the resources toward low- and moderate-income students the recommendations recommend the targeting of grants to students who, in the absence of those grants, would not have the ability to pay for college.

There are some people in the income distribution up to 30, perhaps up to 40, who, because of family circumstances cannot contribute to their kids' education and following our targeting strategy they too would be eligible for assistance.

We talk about ability to pay, capacity to contribute, but in our representation of the gross or average effects of these programs we show them statistics on an income rather than on an ability to pay criteria.

Mr. GAYDOS. You make a good argument. I am going to try to reduce that down to two sentences when I respond to these thousands of complaints that I receive. I think I get the drift of what you are saying but it is very difficult to convey that back.

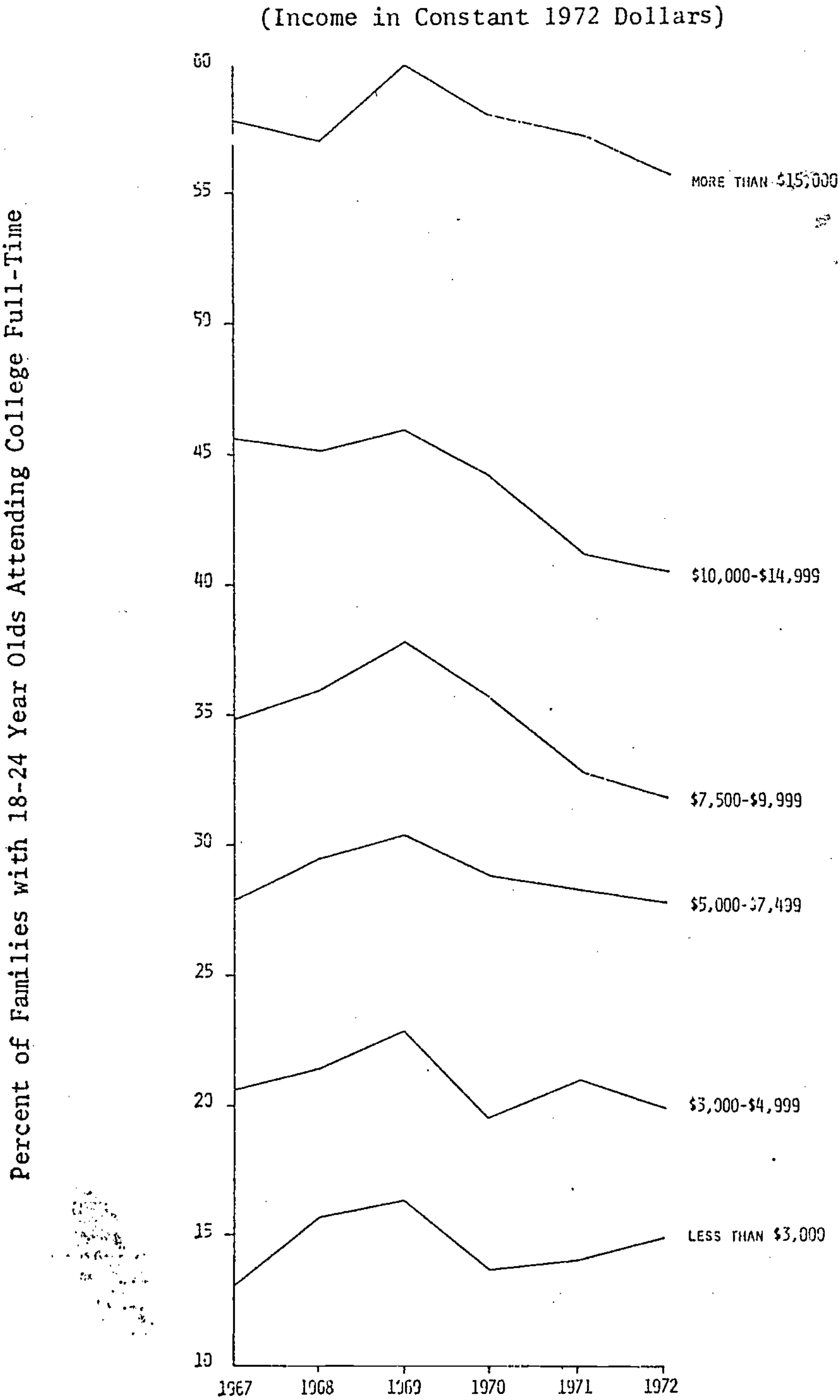
Mr. O'HARA. If the gentleman will yield, this business about who attends, here in the report of the National Commission on the Financing of Postsecondary Education, on page 27, it shows the participation rate of 18- to 24-year-olds by family income, 1967 through 1972, showing a drop in every single group except those with incomes of less than $3,000.

Let's take table 1–B on page 27 of the Commission's report. It shows a drop in the more than $15,000, a drop from——

Mr. MUNDEL. The drop is from 58 to 56.1 percent.

Mr. O'HARA. Then in the $10,000 to $15,000, the drop is from 46 to 41, and in the $7,000 to $10,000 it is from 35 to about 32.

FINAL REPORT OF THE NATIONAL COMMISSION ON FINANCING POSTSECONDARY EDUCATION



F[illegible]URE 1-B.—Participation rate of 18 to 24-year-olds by family income, 1967–72.
[illegible]urce: U.S. Bureau of the Census, unpublished data.

Mr. MUNDEL. I think these figures showing a drop can be based on several factors that are going on. One is a decision by lots of people, or by some small percentage of people to not go on, whether for financial reasons or otherwise.

And, given that predominant amount of enrollment was coming from the people at the top the decision to not enroll immediately after high school as a result of the change in the draft or elimination of the draft could cause quite dramatic changes, or what appear on a curve to be reasonably dramatic changes in numbers for very small numbers of people moving on.

The other thing which has gone on during these same years is that because of the relative times during which both rates decreased more rapidly and earlier for higher income families as opposed to lower income families, the children who are 19 to 24 at the end of that period, at the higher end, are disproportionately older and are out of school so they are not counted as enrolling because, in fact, they have aready gone on, have attended and although still dependent family members, are no longer enrolled in undergraduate education.

Mr. GAYDOS. If I may respond at that point, I have to presume something based upon many factors that I wouldn't have knowledge—I don't know what you have taken into consideration in deriving those statistics and conclusions, but I think we should ever be vigilant that we don't have reverse discrimination and I would hope that would be your feeling, where we would discriminate against middle and upper income because of cost factors and have a less percentage proportionately of the families of those eligible to attend our institutions of higher education.

I would be just as vehement in making an attempt to protect that aspect as I would where we should not discriminate, where we have for centuries in this country against the low-income students.

Mr. MUNDEL. I think where those students in those income groups have dropped out because of a lack of capacity to pay, and we can develop an appropriate set of criterion for determining that capacity, we can move those figures back up following the kinds of recommendations——

Mr. GAYDOS. I have no more questions. I do apologize for taking more time than I should, especially when we have another member present. I give you my apology and promise not to do it again.

Mr. O'HARA. Thank you, we enjoyed your contribution, Mr. Gaydos. Mr. Lehman.

Mr. LEHMAN. I was concerned that we voted on the House floor Friday to eliminate the use of food stamps for so-called dependent students. I just wondered what kind of effect that is going to have if that is left out in the final passage of the bill.

There would be x number of dollars removed from a student's support. I noticed, Mr. Chairman, in the Record this morning there was no one speaking for or against the amendment that disallows food stamps for these people.

Mr. O'HARA. There was no possibility to. Your chairman was ready to speak on the subject but there was no chance to get time.

Mr. GAYDOS. Will my friend yield on that? I want to say this publicly. I did commend our chairman before my other colleagues and in 2 minutes he made the most telling logical remark and argument I ever heard.

He made it in a very concise fashion. Because of the limitation of time he did the job for all of us in 2 minutes.

Mr. LEHMAN. I apologize to the chairman. I knew how he felt about it. I was looking at the Record this morning.

Mr. O'HARA. Yes; it is a very bad situation. That amendment went in with no debate and it says if a family or individual's eligibility is in any sense based on the income and assets of a person of 18 years or over who is a student, then no food stamp eligibility.

He could be an unemployed loafer and a pool hall bum, that's OK; but if he is a student, then, no, he is beyond the pale.

Mr. LEHMAN. If his family takes him as an income tax deduction, is that right?

Mr. O'HARA. That is right.

Mr. LEHMAN. To me, that has abuses. Somewhere along the line this is going to hurt.

Mr. EBERLE. We have nothing to add except what your chairman has already said.

Mr. O'HARA. I thank the gentleman from Florida.

Mr. Benitez.

Mr. BENITEZ. Given the time, I just raise one simple question which comes out of your testimony. Admitting the need for a change, reform, improvement and a trend toward a new initiative and individualization, is it your position that such improvements in the colleges can be achieved best through raising the tuition and obtaining more income than by direct grants to the institutions?

Mr. EBERLE. Let me try to put it in total perspective. Without taking away what the institutions can do for themselves in management, they have got to do that. Fundamentally, they have got to improve their management.

Two, we are hopeful that there will be more Federal funds involved in this program. Third, we think, in spite of both of those, you are going to need a combination of more money going to grants and as those go to grants the tuition should go up.

In this way you will pull in more money from the outside, so in that context our answer has to be yes.

Mr. BENITEZ. I don't think you have come to grips with the point I raised. Just to restate it briefly, the point is whether in your judgment, or your assumption, the increased tuitions or increased moneys coming via the student who is receiving an education, will more likely provoke educational reforms, or whether these will take place better if the moneys for such purposes go directly to the institutions?

Mr. MUNDEL. Taking a less sanguine view than my colleague as to the likelihood of great improvements in our institutions, I think that there are many things that public financing, the financial system or many mechanisms of the financial system should seek to use to encourage us to change, I think that categorical programs from the Government which provide or demand changes in performance on our part are a necessary stimulant.

I think that were we more reliant on student-controlled resources, both student-brought grants and student-brought tuition payments, we would be much more respondent to the use of students' time to the production of educations which they value and we would think about that a lot more in the way we run our institutions.

I think it would cause it to be more likely a combination of these two things. I think it would cause us to be more likely to increase our productivity and do things differently on behalf of education than we have done in the past.

Mr. BENITEZ. I will declare my prejudice to have been the president of a public university for many years where we had a nominal tuition system. The implication of your position, it seems to me, is that in the question of financing universities or financing education, we should move toward a private rather than toward a public philosophy, and that we assume the basic approach to be the quid pro quo of the tuition as the leverage for the quality.

Mr. MUNDEL. I think the movement we would propose would be toward a mixed philosophy and some increase in the stimulus on our institutions which is a result of student-controlled resources not moving totally toward the private nor totally toward the public philosophy as incentives toward changing these institutions, but moving more in the direction of a balanced and mixed system of incentives to make us more responsive.

Mr. BENITEZ. My position is that there will have to be much more funding for the whole process of education than there is at present. The issues, as I understand it, involves the additional funding or distribution of additional funding and what source is most effective to achieve the objectives of better education, a renewed education and more broadened education than we have at present.

As I understand it, your position is that this is best accomplished through the round-about way of getting the money to the university via raising the tuition than getting it directly to the university.

Mr. MUNDEL. By raising the tuition and increasing the grants, the Government grants which students bring to institutions.

Mr. MCMURRIN. Mr. Benitez, may I comment on this because I don't entirely agree with the position of Mr. Mundel and I would like to state simply this, that insofar as the issue which you have raised has to do with the question of a market approach to education, I personally feel that this has great dangers.

I am not of the opinion that an institution will be better off in terms of strengthening the quality of education because it gets its money from students rather than from appropriations.

I personally think that the issue of tuition is not an issue of what is the best way to finance an institution. It is the question of whether we are forced by economic, political and social circumstances to move in that direction.

I am not of the opinion that you are going to have better institutions because, in some way or another, you are dealing with the money of individuals rather than with money made through State appropriations.

Mr. BENITEZ. Aren't you saying then that your recommendation is based on the assumption that the congressional ears will be more sympathetic to this approach than to the other?

Mr. MCMURRIN. I think that is part of the picture; yes.

Mr. BENITEZ. And then we hope that you are mistaken as to the phonetics.

Mr. NEAL. Mr. Benitez, could I just say we have the highest regard for Mr. McMurrin. He was our project director, but we noted in the report that our project director did not agree with some parts of this report and he has just stated one of the parts he doesn't agree with, but I have to tell you that the committee responsible did agree substantially with implication that Mr. Benitez drew from the testimony.

Mr. BENITEZ. The only thing I would say is that in my judgment, the history of education in the United States has been one where the stringency of having the institution depend upon students' support has not been the circumstance enhancing the educational performance in this Nation.

And, quite the contrary, whenever you have established a basic equivalent of "you get what you pay for" you bring about an inferior type of education.

Mr. EBERLE. Maybe we concur with that and that is why we only talk about a shift, maintaining the base institutional grant but keep the top, which gives you both the flexibility and some incentive.

Mr. O'HARA. It is an interesting exploration. You might look at that whole question of whether or not shifting support over the student results in a better education or a poorer education.

Before I yield to Mr. Dellenback, let me recognize the presence in the room of the distinguished president of the University of Puerto Rico, Arturo Morales-Carrion, and the Chancellor of the State college system in the State of Minnesota, Ted Mitau.

Mr. DELLENBACK. First, my apologies to the panel for not having been here for the full hearing.

Without going over the points that have been raised in the questions and dialog between my colleagues and the panel—and without being thought to be defending the report—I just want to be sure about the frame of reference that Mr. McMurrin has been using.

Do I understand that your group, as it put together this report and did the research that led to the report, was confining its study to the field of education and was not looking at the totality of Federal Government spending; is that correct?

Mr. EBERLE. Four-year college education, not a postgraduate college education.

Mr. DELLENBACK. But the thing I am focusing on in particular is that you were not attempting to follow the thesis proposed in earlier questioning; namely, don't worry about limitations on expenditures in the field of education because you should take funds out of some other area of Federal spending—the military or something else.

Do I understand that you were starting from what you estimated might be available in the field of Federal spending for education?

Mr. EBERLE. My answer is yes, although we assumed there would be additional Federal-State funding for the increased students, for the growth of inflation, but what we call the additional money which would have to come in would have to come from someplace else at this point.

Mr. DELLENBACK. The concern that I feel is the constant constraint that we in the Congress must labor under as to the availability of moneys. If we had a money tree and didn't need to worry about how many dollars we could appropriate, what we might do given that situation would be considerably different than what is demanded of us due to the pragmatics of the real world.

All I am trying to do is establish the frame of reference for your study in this particular regard. It was my understanding that as the

CED went into its research and came forth with this report, it was not assuming limitless funds. Rather, you were realizing the stringencies of the economic circumstances as they now exist, and you were saying against that background, this is what the committee recommends. Is that correct as the basic frame?

Mr. McMURRIN. As things now exist and as we might anticipate the picture in the next few years.

Mr. DELLENBACK. . . . which will be without the gigantic increases that some of us would like to see for postsecondary education.

Mr. EBERLE. It is on page 15 of our recommendation in the bottom paragraph: "This means that we expect Government support of higher education on a per student basis to remain more or less constant in real terms."

Mr. DELLENBACK. I think that is important for us to have in mind as we read your report. Otherwise, if one were to interpret your report as suggesting we can do what we want to—we can move moneys around between fields, we can get whatever we feel we want, or at least what we need for education—it would be subject to strong attack. In fact, I might be leading part of the attack.

However I read your report as saying something very different; you are starting from a different premise. I think those of us who might find ourselves in disagreement with some aspects of it at least have to understand the premise on which you are operating. And it isn't a valid criticism for us to attack the report on the grounds that you should have been suggesting taking away X billion additional dollars from defense and pouring them into education because that hasn't been part of what you used as the framework for your study as I understand it. Am I correct in this?

Mr. EBERLE. Yes, sir.

Mr. NEAL. Yes, yes.

Mr. DELLENBACK. The other question is—though hypothetical—if you could count on the funds you want, would you still be making the recommendations you made?

I think the answer, if I read it correctly, is that you would not be wedded to these recommendations if that were the frame of discussion.

Mr. McMURRIN. May I comment on that? This is a little hazardous to say because I am trying to represent opinions that were not fully explored against that background. But I believe that it was more or less the position of the committee that the function of the Federal Government should be to fund higher education.

We are talking about undergraduate education, to fund it through student grants and the guarantees of loans, and so on. There was no strong disposition in the committee to say that assuming even though there might be limitless money that the Federal Government should enter into a large-scale institutional grant program.

The feeling of the committee was that the function of the Federal Government is best handled by way of students, the State governments handling institution grants.

Mr. DELLENBACK. That is helpful to me because you are now answering another facet of the question I was putting to you. The consensus you reached was that the Federal Government should not move principally and substantially to institutional grants as the modus operandi of financing. That is part of your framework.

Mr. McMURRIN. There are reasons for that. The traditional position of institutional funding coming from States. Second, the assumption that one of the large problems is the equalization of educational opportunity and that this could best be achieved if it were done on a Federal level, and therefore, there is concern for equalization of opportunity which became one of our major considerations and we thought especially of the Federal Government in this connection.

Mr. DELLENBACK. You are not suggesting the Federal Government, in undergraduate education, not be involved in any institutional grants? I am just talking about the preponderance of effort—the principal concentration of it.

Mr. NEAL. We also recommend, Mr. Dellenback, federally funded categorical grants to institutions, especially in the perceived manpower and professional training areas that were in the national interest to be stepped up.

I think that would be a major exception. But those are limited and targeted also toward the particular professions and skills that are in short supply.

Mr. DELLENBACK. I appreciate that. I must say that in looking at the roster of those who made up the Subcommittee on Management and Financing, and looking at the Research Advisory Board most particularly, the only concern I had—and I must confess, like Mr. Benitez, my own prejudice in this particular regard—is that as a Yale man I see an unfortunate preponderance of Harvard scholars involved in this operation.

I appreciate your being here today and appreciate this chance at being involved.

Thank you, Mr. Chairman.

Mr. O'HARA. Gentlemen, let me just get to a couple of points.

I don't want to gloss over the net effect of your recommendation. As shown on page 21 of your statement, what you are advocating is tuition be doubled or tripled on the average.

Because it is on the average, in those States that have done a better job of supporting higher education, it would be more than double the tuitions at public higher education institutions.

It had a tremendous impact. As I say, it has the greatest impact on the States that have done the best job and the least impact on those States where the tuitions are already very nearly 50 percent, so it doesn't make much difference whether you comply with your recommendation or not.

But, in those States that have done the better job it has had the most fantastic impact. And on the average, as you point out in your report, on page 84 of your report:

> The students whose family incomes were below $8,600 will have grants exceeding the average tuition increases for all types of public institutions, as shown in Table 3.
>
> Thus the enrollment of these students would be positively stimulated by the policies recommended in this statement.

Of course, the obverse is also true. The net effect for students whose family incomes are over $8,600 a year, it would cost them more to attend public higher educational institutions, even with your grant program.

Mr. MUNDEL. No. I think if you look at our upgraded, updated numbers on page 25 of the testimony, in the academic year that we have just finished, 1973–74, students at $10,000 family income, the median income of students has increased, the kind of grant program we have used as a representative case has eligibility higher up.

The students at the $10,000 level, except in public universities, would effectively have net changes downward in their price and their enrollment would be stimulated, again, only in the State program.

Mr. O'HARA. Your page 84 is talking about those students who are attending public institutions. You very much weight your figure on page 25 by throwing in private undergraduate institutions because in all income groups the cost would be less to them.

Mr. MUNDEL. I weighted on the fact that in public 2-year and 4-year institutions where a predominant share of students with that $10,000 in 1973–74 terms annual income are enrolled, they would experience net price decreases even if only the State and local resources were put into this sort of targeted student assistance program.

Mr. O'HARA. Is your option B the option you were talking about on pages 83 and 84?

Mr. MUNDEL. Option B cuts off at essentially the middle or median income of students in academic year 1973–74, and the option in the report, which is 1969–70 numbers which cut off at about $12,300–$12,500, cut off at the middle income for students in that academic group.

That is not a recommended program. That is a representative program.

Mr. O'HARA. Let's take that statement on page 84, with respect to students and just keep the statement the same and insert the correct figure in there. Would you do that for me?

Mr. MUNDEL. Under option B, where the grant program—It is that middle line on Figure 1, and the tuition increase as they are shown on the page 21, the maximum increase being the $600 and $700 increase in public universities, then students of about $9,000, no student with a family income of $9,000.

If the program worked that way and there were no Federal student assistance, no student with a family income of $9,000 or if you want to convert that into a capacity to pay, would experience a net tuition increase.

Mr. O'HARA. But if Federal assistance policies remain as they are, every student in public institutions or the average student in a public institution from a family over $9,000 would have increased tuition.

Mr. MUNDEL. In a public university, but not in a public 4-year or 2-year institution.

Mr. O'HARA. On page 18 you give a second reason for increasing tuition and fee charges

to redistribute the eventual burden of higher education support from federal and state taxpayers toward higher income students and families who have greater capacities to provide support.

Do you think that $9,000 family can afford it better than the taxpayer can?

Mr. NEAL. Mr. Chairman, that depends on how far beyond the basic assumption that Mr. Dellenback was quizzing us on you wish to go. We are not limiting ourselves to $2.5 billion. That is in by way of example.

If you fellows want to put more money in you don't have to cut it off at $9,000, but that means giving up something else.

Mr. MUNDEL. In fact, we made a calculation that if you wanted to increase the grant program so that no student at a family income of $12,500 would face a price increase except in public universities. It would cost approximately $900,000,000 more.

Mr. EBERLE. While he is looking for that number, another thing is, the 5- to 10-year period for the change pushes that actual income quite a ways out on what you are doing. My guess is you would take the $9,000 and have some figure well up.

I don't know whether it is 12, 14, or 15. That was given you to give you the parameters of what we looked at in 1969–70.

Mr. O'HARA. The CED is not recommending increased taxes to increase support for public education?

Mr. EBERLE. Not in this document. What we did say——

Mr. O'HARA. Would you advise me to hold my breath until you do recommend it?

Mr. EBERLE. No.

Mr. O'HARA. Then you are talking about, in fact, shifting the burden more onto individuals and less—that is the plain meaning of the first sentence of the second paragraph on page 18, more onto families and individuals and less on the public support.

Mr. EBERLE. That is correct.

Mr. O'HARA. The whole business of effectiveness and efficiency, in finding much greater effectiveness and efficiency for student assistance than decreases in tuition or whatever, is based on an economic model that I am not sure is valid because I think it probably assumes too much rationality in the consumer, saying that if the consumer could get $102 by way of grant then he would prefer that to a $100 tuition decrease.

I don't think that is so. I think there are a lot of people who would be attracted by the $100 tuition decrease that would not be attracted by a direct grant program. There is the whole business of redtape and handout and so forth. It turns a lot of people off.

I think the efficiency and effectiveness of your case is overstated. And with respect to that, I hope you are aware of the experiment conducted out in Wisconsin at two of the university centers during this past academic year, where they found that each $100 decrease in tuition resulted in an enrollment increase of between 4.8 and 12.2 percent of the average increase for the Wisconsin system. A substantial number of the additional students who enrolled said they could not have attended college at all except for the combination of low tuition and geographic access, commuting distance.

I am not at all sure, especially in light of the community college experience, that there isn't a lot to that. It may not be as rational as the model but it may be more realistic.

In any event, I will want to emphasize I am happy to see your recommendation of the committee.

You would advocate, one, "that Federal funding to undergraduate education be primarily through grants and loans to individual students in accordance with their ability to pay;" and, two, "that the funding pattern of State governments place more emphasis on grants and loans to students according to the same criterion, but" and it is the but I want to get some emphasis on because I don't think anyone really has read this into your recommendation.

I know it is a part of your original recommendation because your argument is all the other way, but that the States have a wide range of choice between direct student support and support of institutions.

Presumably, if a State wanted to go in a direction that places much heavier emphasis on providing easy access to low- or no-cost public higher education, and wanted to put more into their institutional support, that wouldn't be disagreeable to you gentlemen.

Mr. EBERLE. That is right.

Mr. O'HARA. I want to thank you very much for coming.

Mr. EBERLE. Mr. Chairman, thank you for the opportunity for my colleagues and myself to be here. I would simply close by saying I think we have a common objective which is more support for quality education.

We may differ on some of the ways, but the crisis is here and we are going to have to move fairly quickly or both public and private schools are going to be under even greater pressure than they are today.

Mr. O'HARA. I want to assure you the committee is moving. It will take a little while.

Thank you very much.

The subcommittee will stand in adjournment. We will meet again at 10 o'clock tomorrow morning in this room to hear from witnesses from the Carnegie Commission and the Newman Task Force.

[Whereupon, at 12:22 p.m., the hearing recessed, to reconvene at 10 a.m. Tuesday, June 25, 1974].

STUDENT FINANCIAL ASSISTANCE (Miscellaneous)

TUESDAY, JUNE 25, 1974

HOUSE OF REPRESENTATIVES,
SPECIAL SUBCOMMITTEE ON EDUCATION
OF THE COMMITTEE ON EDUCATION AND LABOR,
Washington, D.C.

The subcommittee met at 10 a.m., pursuant to notice in room 2261, Rayburn House Office Building, Hon. James O'Hara presiding.

Present: Representatives O'Hara, Dellenback, Lehman, and Benitez.

Staff present: Jim Harrison, staff director; and Elnora Teets, clerk.

Mr. O'HARA. The Special Subcommittee on Education will come to order. Today the subcommittee will continue taking testimony from organizations that have been doing research and making recommendations in the area of our own current concern, that is, student assistance programs.

Our witnesses today are going to be representing the Carnegie Council on Higher Education and the Newman Task Force. But before we turn to the witnesses speaking for the Carnegie Commission and the Newman Task Force, we are privileged to have with us this morning one of the Nation's outstanding public servants and educators, Arturo Morales-Carrion, president of the University of Puerto Rico, formerly Deputy Assistant Secretary of State for Latin American Affairs.

President Morales-Carrion has asked to be heard briefly on the issues as seen from the point of view of his institution and of the Commonwealth of Puerto Rico.

Mr. President, would you please take your place at the witness table. We would like very much to hear from you.

STATEMENT OF HON. ARTURO MORALES-CARRION, PRESIDENT OF THE UNIVERSITY OF PUERTO RICO

Mr. MORALES-CARRION. Mr. Chairman, members of the subcommittee, as president of the University of Puerto Rico, I am very appreciative of the opportunity to make this brief statement before the U.S. House of Representatives Special Subcommittee on Education regarding the needs of Puerto Rico in the student assistance program.

I am grateful for the subcommittee's interest in the subject and reassured by the presence on the subcommittee of the Resident Commissioner of Puerto Rico, Hon. Jaime Benitez, one of our top experts in the field, particularly knowledgeable in all matters pertaining to the University of Puerto Rico, which he led for many years with marked distinction.

I am coordinating with Mr. Benitez our efforts to present to the Congress full information on the student assistance program as well as on the overall needs of our university system. I have given the Resident Commissioner a long statement in Spanish which I recently presented to the Commonwealth legislative assembly concerning the urgency of additional funds for the university, so that both he and the committee are well informed as to our present situation and our critical needs. I regret, sir, that I don't have a translation at this time to insert into the record.

I am submitting for the record a letter I wrote on June 20, 1974, to Chairman O'Hara in which I outline the operation of our student assistance programs, financed by both the Federal and the Commonwealth Governments, and adding up to a total, in round figures, of over $14 million. Approximately half of this amount—$7,240,000—comes from Federal sources while the other half is funded by the Commonwealth. The Commonwealth contribution, however, and I would like to stress this point, is mainly for scholarships—$6,746,-000—while the bulk of the Federal money goes to work and study aid—$1,600,000—or Federal guaranteed loans—$2,667,000.

The Commonwealth legislative assembly has appropriated over the years generous sums for student scholarships, as evidence of Puerto Rico's faith and interest in higher education. This steadfast public support has enabled the University of Puerto Rico to evolve into an islandwide, State system of higher education. Its dynamic growth is attested to by the fact that we now have over 50,000 students in three campuses, six regional colleges, which are the equivalent of community colleges on the mainland, and one university college; and we expect, if projections are correct, to have 23,000 additional students by 1980.

We are facing this great challenge of growth basically with our own Commonwealth sources. The Federal contribution is less than 15 percent of the university's operational budget—a proportion significantly smaller than that received by an average State institution on the mainland. May I remind the subcommittee that according to the report of the National Commission on the Financing of Postsecondary Education, 27 percent of the income of postsecondary educational institutions on the mainland was received from the Federal Government—page 130.

We need an increase in resources for both student assistance and institutional development. We must strengthen in Puerto Rico our educational offerings at all levels: Undergraduate, graduate and professional, and in the critical area of manpower raining for short careers, technologically oriented. Alongside with broad emphasis on a liberal education, vital to the understanding of a modern democratic society, we must stress technical education leading to productive employment in an increasingly industrialized economy. And we must seek new ways to make education available to all, through the expansion of extension services or the new emphasis on continuing or further education.

Dollars invested by the Federal Government in Puerto Rico's higher education, therefore, will go a long way in helping the Commonwealth at a critical stage in its development. Really our main assets, gentlemen, are our human resources. The more we train them, the more they can contribute to develop in Puerto Rico a productive, healthy, democratic society. They are, we think, a great multiplier of effort and hope. We shall do our utmost with our own limited fiscal funds, but the Federal Government can give us a good helping hand in our endeavor.

Mr. O'HARA. I might say that you have a champion here on the committee. The University of Puerto Rico is certainly not going to be overlooked with our good friend, the Resident Commissioner, Mr. Benitez, as a member of the committee. He is going to make sure we don't overlook the needs of the university, or of the people of Puerto Rico.

I am concerned with respect to the statement in your testitmony pointing out the lower level of support for the University of Puerto Rico than the average level of support from Federal sources for post-secondary instruction on the mainland. I wonder if—and I don't happen to have a report of the Commission right before me, but I wonder if you could recall for us any reason why that might be the case.

Mr. MORALES-CARRION. There are several reasons. For one thing, sometimes we are unaware of possibilities of Federal aid to the Island. There are programs which have been extended to Puerto Rico but sometimes we don't have sufficient information on the nature of the programs, the conditions that have to be met in applying for Federal aid, the deadlines and so forth.

We have to develop the art of grantsmanship in certain areas in the sense that we, in the competitive grants, have to prepare our proposals according to certain formats which are devised here in the United States. Sometimes we get information too late. It is sent by surface mail and we get this informataion late and there is practically little time for us to get together and work out our proposals.

But, in general, I think many of the problems that we have in the field of higher education have not been realized by the Federal agencies here and we are trying now, with the help of the Resident Commissioner here in Congress, and with the help of the Office of Puerto Rico in Washington and with our own personal efforts, to establish more of a Puerto Rican presence before the educational agencies of the Federal Government.

Mr. BENITEZ. Will you yield for a moment, Mr. Chairman?

Mr. O'HARA. Yes.

Mr. BENITEZ. I may add two or three reasons why this is so. In the first place, the University of Puerto Rico, until quite recently, has not been a doctorate university and it has concentrated preeminently on the B.A. degrees and the professional schools. Now, most of the Federal funds available are on a competitive basis for research purposes and for the postgraduate student, which we are developing now.

The reason why I was so interested yesterday in the discussion concerning whether there should or should not be direct grants for the college program is because certainly I believe that the college programs are paramount. But this is one of the fundamental responsibilities of education which gets blocked out of assistance, if you don't have supporting postgraduate and graduate programs.

To go on to the other point, President Morales-Carrion is making is that most of the higher education grants are at present on a rather competitive request basis and in Puerto Rico, because we have been outside of the mainstream, we don't participate as the others do.

Mr. O'HARA. I notice, Mr. President, that there is rather a substantial program of scholarships?

Mr. MORALES-CARRION. Yes, that is right.

Mr. O'HARA. On what basis are they awarded? Is it financial need or academic promise?

Mr. MORALES-CARRION. Basically financial need, and academic performance are taken into consideration. But the basic criteria is related to the financial need of the student. We are trying to see that every student who requests some financial assistance is able to get some kind of aid from the University. As we describe in the letter, we have a rather complex system of combining the legislative aid provided by Puerto Rico with the different types of aid from Federal sources.

Mr. O'HARA. Mr. Dellenback, do you have any questions?

Mr. DELLENBACK. Thank you, Mr. Chairman.

Mr. Morales-Carrion, we welcome you and are grateful for your statement and for your coming to us and giving us the benefit of your knowledge. I would join, as need be done, the expression that the chairman already put in the record about the concern and interest that Dr. Benitez has shown. He really does follow this carefully and I am sure he is on the subcommittee because of his own deep interest as well as his very extensive experience in this field of postsecondary education.

We consider him a very valuable member of the subcommittee and if there is any question about that among his home constitutiency, we hope that you disabuse them of any concern and let them know how valuable we consider him as a member.

I note that in line with what this subcommittee is looking at, you have confined your dollars testimony to the question of student assistance programs.

Mr. MORALES-CARRION. Right.

Mr. DELLENBACK. I note from what you say that the total figure of about $14 million is split about 50–50—50 percent from the Commonwealth funds and 50 percent from the Federal money.

Do you have any figures for us that would deal with more than the student assistance programs? I gather when you get down to the percentage of total income you are not dealing just with student assistance funds, but rather you are there dealing with total income when you say the Federal contribution is less than 15 percent to Puerto Rico whereas it averages 27 percent of the income of postsecondary institutions on the mainland. What is the total Federal contribution? Do you have a figure on that?

Mr. MORALES-CARRION. I don't have that. It depends on the programs you see, because we have scholarships and we have contributions made to the Nuclear Center which add up to nearly $3 million. We have a very substantial contribution made to the medical sciences and different grants, smaller grants, I should say, and then there is a substantial contribution to the agricultural agencies which have a long history behind them.

If we add all of the contributions that we get to our operational budget, including, let's say, contracts with the Commonwealth by different agencies, and contracts with the Federal Government, or these grants from the Federal Government, the total would come to be around $160 million. The figure I got yesterday from our budget officers is that the Federal contribution would be in the neighborhood of $24 million out of $160 million. It is in the neighborhood of 15 percent. But that is adding the contributions made to the agricultural agencies, which is a contribution mainly for the support of extension work. So, we cannot consider that too much of the contribution.

Mr. BENITEZ. Will the gentlemen yield? I unfortunately have a good memory and can remember very well the distribution of these funds when I had to deal with them. The principal sources of income is for the experimental stations, agricultural experimental stations, and the extension service, and these would add, now, under the terms of what Mr. Morales-Carrion speaks of, about $8 million.

Then you have the contribution to the medical center. We have a very large medical program in the school and we would be getting something like $8 to $10 million as far as the research work that is going on in the medical school. Then the rest includes this fund for student assistance and programs that get special support, such as in education where we have a number of programs which complement the classroom such as work-study programs and so forth.

But, basically, the extraordinary thing about this is that there is very, very little Federal funds going directly into the support of the institutional education program of these 50,000 students at the university level. The medical schools is limited, and with respect to the agricultural school we are talking about a very small group, and likewise funds going for a nuclear science is for research on atoms for peace. So very little of the moneys go directly into the educational process of the 50,000 students.

Mr. DELLENBACK. Excuse me. Go on.

Mr. MORALES-CARRION. We have a very small, limited number of grants in that particular area, but nothing significant.

Mr. DELLENBACK. That is helpful in giving me the total dollars but what I am thinking of also, Mr. Morales-Carrion, and I say this to my colleague, Dr. Benitez, as well, are we finding that we have in existence Federal programs from which schools on the mainland benefit in which the University of Puerto Rico is unable to participate because of the nature of the law that we have constructed?

Are you aware of any substantive laws where, because of the way we have constructed the authorizing legislation, there is a favorite? Or, is the difference insofar as percentages on the island versus percentages on the mainland because of the types of things you referred to, for example, an inadequate flow of information?

I am trying to make a distinction in my mind between what we have to do legislatively to modify laws already in existence, and what needs to be done to be sure the provisions of those laws are made known to students on the island.

Mr. BENITEZ. If I may, I think we will have to look specifically into this question, which I think is a very fine question and we will try to give the answer directly.

Mr. DELLENBACK. I would be very supportive of making changes if there are blocks in our authorizing legislation whereby students of the Commonwealth are not privileged to participate for one reason or another.

Mr. BENITEZ. The program of the student assistance is not the key problem. This to which we refer now is the overall budget responsibilities of the university.

Mr. DELLENBACK. We appreciate your testimony again, Dr. Morales-Carrion.

Thank you, Mr. Chairman.

Mr. O'HARA. Mr. Lehman, any questions?

Mr. LEHMAN. No.

Mr. O'HARA. Thank you very much, Mr. Morales-Carrion.

Mr. MORALES-CARRION. Any other information, I will be happy to present to you.

[Materials submitted by Puerto Rican institutions.]

UNIVERSIDAD CATOLICA DE PUERTO RICO,
Ponce, Puerto Rico, June 14, 1974.

Hon. JAMES G. O'HARA,
Chairman, Subcommittee on Special Education,
Washington, D.C.

DEAR SIR: By way of an official request from the Honorable Jaime Benitez, Resident Commissioner of Puerto Rico, the Catholic University of Puerto Rico is presenting to the Sub-Committee on Special Education, for the purpose of the public hearing on Federal economic aid programs our reflections on said program based on our experiences.

For fiscal year 1973–1974, the Catholic University of Puerto Rico obtained in Federal monies for the purpose of student aid the following:

National defense student loan	811, 970
Supplementary educational opportunities grant	364, 477
College work study	402, 969
Basic education opportunities grant	361, 130
Coop education	15, 000

In addition to federal aid this institution was granted, during the same period, from state scholarships the amount of $389,020. With a student population of over 6,500, 87% received aid, without which they could not have continued their education, and the university could not have survived. Therefore, Catholic University of Puerto Rico supports the legislation which help the students reach their higher education goals.

Considering that the family income of over 80% of the student population is under $6,000, and with the ever increasing cost of living in Puerto Rico, we recommend that the guide lines governing the awards of student aid reflect not only the family income but also this extreme increase in the cost of living in Puerto Rico.

Another problematic area for the Catholic University which concerns student aid, is the delay in the BEOG forms coming from Washington. Aid packages prepared for our needy students must be re-done because of BEOG's aid could not have been considered at the time aid packages were prepared. If this problem could be rectified we could avoid the present duplicity of work and facilitate to our needy students a more efficient process.

Again, on behalf of the Catholic University of Puerto Rico, I endorse the legislation now under consideration by your Sub-Committee which provide federal assistance to the millions of needy students striving for higher goals in education.

I remain

Cordially,

FRANCISCO J. CARRERAS,
President.

UNIVERSIDAD DE PUERTO RICO,
Rio Piedras, Puerto Rico, June 20, 1974.

Hon. JAMES G. O'HARA,
Chairman, Special Subcommittee on Education,
Washington, D.C.

DEAR MR. CHAIRMAN: In compliance with a letter of the Honorable Jaime Benitez, Resident Commissioner of Puerto Rico, with regard to the public hearings being held to examine and evaluate the Federal Student Assistance Programs, I am submitting a series of observations on how these programs are faring in Puerto Rico. Also included in this report is a table which presents the Financial Aid Programs, the number of recipients and amount awarded for the fiscal year 1973–74.

There is no doubt that both the Federal Student Aid Program and the Scholarships Program, provided by the Commonwealth Legislative Assembly have been very effective, since they have afforded an opportunity to a large number of students to begin and continue their college education.

The vast majority of our students come from low-income families and it would be impossible for them to attend institutions of higher education without receiving some type of financial aid. It is necessary for many parents to borrow money in order to meet the basic educational needs of their children, creating in this way, another burden in the financial situation of many Puerto Rican families.

At the University of Puerto Rico, there are three types of basic financial aid program for students: *scholarships* (becas), *work* and *study* and *loans*. The main difference between them is that in the first type—*the becas*, the student receives financial aid or payment exemption, and does not have the obligation of repaying the funds received. Nevertheless, he could have the obligation of rendering some services while benefiting from the *beca*. The second financial aid program is the *work-study* program, in which the student works in-campus or off-campus for a number of hours a week and receives payment for his services. In the third program, the *loan program*, the student receives money but must assume a repayment obligation, under very favorable payment conditions in terms of amount and dates for repayment, type of interest and possibilities for reduction of payment (such as cancellation of part of the debt or its totality). It must be pointed out that the vast majority of students must reimburse the whole amount.

At the University of Puerto Rico, every effort is made to provide financial aid to the student who requests assistance. However, the students have a marked preference for the *becas* because they do not have to repay the funds received. The funds for *becas* are not sufficient, and once exhausted, the student is offered work, federal loan or a package aid, according to the amount of funds the institution has available. Those who do not receive assistance due to lack of funds are offered the opportunity to apply for bank loans federally guaranteed (FISLP) to meet their costs of education. For this reason, all students applying for assistance receive some type of financial aid from one source or another, or from a combination of sources (package aid), depending in the student's particular financial condition.

We are making all efforts to convince the students that *work* as well as *loans* are financial aids. But for various reasons, they prefer the aid received through *becas*.

As to date, we do not have the exact figures available for the number of students who do not enroll due to the lack of some financial aid. On the other hand, in many cases once the students are awarded financial aid through the programs of work or loans, they abandon their efforts and do not continue their studies.

Neither do we have exact information to determine if the reason for discontinuing their studies is of a financial nature, since this is rarely indicated in the withdrawal form that the students must fill out. We are studying this aspect of the problem, for we believe that financial needs are the cause for many drop-out cases.

Without federal funds, our institution will not be able to provide financial aid to the large number of students who apply for such assistance. But in an institution such as the University of Puerto Rico, which for the present year, 1973–74, has an enrollment of 50,500 students, the existing resources, both state and federal, are not sufficient to meet the demand of all needy students. Many students receiving financial aid are not receiving enough, and many others are not receiving any. The aid given covers the basic expenses such as tuition and fees, books, room and board, and transportation, but does not cover laundry, clothes and personal expenses. This would permit their enrollment, but their stay would not be guaranteed.

Several problems arise in the implementation of federal programs. For example, the Basic Educational Opportunity Grant Program, (BEOG) controlled directly from Washington, uses only one standard for determining the eligibility of all the nation's applicants without taking into consideration the variations in the costs of education and the differences in the cost of living of the different places. The allocation as well as the determination of eligibility should be in the hands of the institution of higher education.

With respect to the Federally Insured Loan Program (FISLP) it is necessary to find a way to speed-up the procedures to obtain the loan, for on several occasions a considerable amount of time has elapsed from the date of application to the date on which the first check is received. When a loan is applied for, the bank should only receive the recommendation of the institution and the promissory note specifying the amount recommended. Emphasis must be given to the need of establishing an office in San Juan to handle applications from Puerto Rico and the Virgin Islands.

Finally, the creation of a single application is recommended. This application should be in the hands of the institution of higher education. The institution should determine the eligibility of students and should recommend the program or programs that better adjust to the financial condition of each applicant. More flexibility should be allowed in determining the eligibility of the students and a better evaluation of the students college-related expenses should be made. It is also recommended that the elements used to determine the needs of a Puerto Rican family be obtained from actual facts and not from theoretical conclusions, and that uniform methods for determining need be established for all Federal Student Aid Programs.

I trust this information will be of help to the Sub-Committee in its determination to examine and evaluate the Financial Student Aid Programs.

Cordially yours,

ARTURO MORALES CARRIÓN.
President.

Enclosure:

UNIVERSITY OF PUERTO RICO, OFFICE OF THE PRESIDENT, ESTIMATED FINANCIAL AID AWARDED TO STUDENTS, 1973–74

Programs	Number of recipients[1]	Aid awarded
Legislative Becas	11,500	$6,326,247
Supplemental educational opportunity grants	2,500	997,734
Basic educational opportunity grants	2,954	1,300,000
Other grants	150	120,000
Subtotal	17,104	8,743,981
College work-study program	3,000	2,000,000
National direct student loans	715	400,000
Federal granted loans	2,700	2,667,000
Health professions student loan	230	290,000
Cuban student loans	66	58,430
Others loans	125	8,000
Subtotal	3,836	3,423,430
Total	23,940	14,167,411

[1] Please note this is not a single count. The student's needs are satisfied by a financial aid package.

Mr. O'HARA. We will be in touch with you, you can be sure. We are interested in seeing that equity is provided for the university.

Our next witness was a member of the Newman task force, a group of distinguished higher educators who were asked some time ago by the Department of Health, Education, and Welfare to examine the state of higher education and to report on its needs. Dr. Russell Edgerton, who is also deputy director for the fund for the improvement of postsecondary education will speak for the task force.

However, a word of clarification is in order with respect to Dr. Edgerton. He was invited to testify with regard to the report of the Newman task force and he has been assured that the subcommittee is not going to attribute any statement he makes in that capacity as being the views of the fund. As difficult as it may be to distinguish the private and public views of people in public office, I have assured Dr. Edgerton I will do my best to do so and I hope those present at the hearing today will likewise realize that Dr. Edgerton is not representing the fund for the improvement of postsecondary education.

Mr. EDGERTON. Thank you very much, Mr. Chairman. I am sorry I have been abandoned by my colleagues, Mr. Newman and Bill Cannon. But rather than reschedule the hearing at a different time, your staff decided that we should go ahead and I am happy to do my best in presenting some of the views which the task force has come forward with.

Mr. O'HARA. I might just interject that I think it is a very healthy thing that we have views formally presented because I am sure we are going to have them urged upon us by Dr. Andringa, who was one of the distinguished members of the task force and is very much a part of all of our deliberations and discussions. I am sure he is going to make sure that the task force's views are well attended to, before he is through. But, we would like to hear just what you have to say.

STATEMENT OF RUSSELL EDGERTON, DEPUTY DIRECTOR, FUND FOR THE IMPROVEMENT OF POSTSECONDARY EDUCATION, APPEARING FOR THE NEWMAN TASK FORCE, ACCOMPANIED BY MARTIN CORRY, EXECUTIVE DIRECTOR, NEWMAN TASK FORCE

Mr. EDGERTON. Thank you. I would like to introduce Martin Corry, who was the executive director and coordinator of the task force for the past several years and the cement which kept us all together.

Two introductory points. The Newman task force is different from the other groups which have presented testimony to you, in that it was initiated by the executive branch and included an interesting mix of independent educators and Government officials. It was charged by the executive branch to speak to and not for the Federal Government or certainly for the Department of Health, Education, and Welfare. So we have constituted ourselves as a kind of ongoing public-private seminar on higher education for about 4 years now, and have profited greatly from the mix and exchange of views and the kind of partnership which has developed between the Government representatives and the independent representatives.

Let me reinforce and reiterate your generous point at the beginning that I do not speak for the administration or the Federal Government, but for the Newman task force.

Second, we assessed our comparative advantage not in terms of undertaking the kind of sophisticated economic analysis which has been done by groups such as "CED," such as the National Commission on Finance and Postsecondary Education, but rather we decided that our comparative advantage lay in reflecting upon the changing conditions in society and in higher education and relating those conditions to rationales and forms and procedures of Federal support toward higher education.

The product of our thinking over the last 4 years has been two task force reports, one issued in March 1971, now called the first Newman report, and the second one issued in October 1973, which is referred to as the second Newman report. But we also have in addition to that, a number of occasional papers, background studies to justify our particular recommendations, such as the "G.I. Bill for Community Service," which I will mention this morning.

Three of our specialized papers have been published, "The G.I. Bill for Community Service," "The Report on Graduate Education" and "The Report on Data and Decision Making."

Several others are short of being in publishable form. We still have ambitions of finishing them, but we find that the task force efforts go on, and on, and on, and at some point we have to stop and call it quits. We are about at that point.

Thinking about what we have written and how it bears upon your concerns with title 4. I would like to synthesize our views around three topics. One, the implications of what we call the paradox of access. Second, the implications of the so-called new domain of postsecondary education. And third, the implications of the increasing pressures for accountability, particularly reflected in the policies of State governments, but also revealed in the commission on financing postsecondary education, and of great concern to the Federal Government in the exercise of increasing management responsibilities over higher education.

Let me turn quickly to the implications of what we call the paradox of access. We were very impressed with the fact that as college opportunities are made more and more available, as college becomes an expected part of growing up in America, going to college becomes less and less a matter of deliberate self-conscious choice on the part of young students. Rather, many students, we found, were drifting from high school into the 13th and 14th year of college without really stopping and going through a kind of process which one would hope one would go through, before one utilizes the kind of expensive public resources for higher learning which are involved in a college education.

So, the problem we posed for ourselves was, "How does one, in a society becoming increasingly equalitarian in character, preserve college as a place for students who are really motivated to learn?" Stated differently, as the Federal Government incrementally removes the barriers of the lack of income to go to college, and as college removes the barriers of selective admission policies, on what basis does it become reasonable to select new students to attend higher education?

Our concern about these problems was reinforced by the fact that preparation for adulthood generally in our society is becoming more and more a matter of formal schooling. School is becoming more and more an inclusive social institution within which people grow up, relative to other institutions.

Jim Coleman, in a recent study for the President's Science Advisory Committee, which I commend to this committee, entitled "Youth to Adult: Institutions in Transition," focused a lot of analysis on this very problem. Schools institutionalize young people in relatively passive roles. Higher education is, in a sense, a spectator sport. Opportunities for leisure activities outside higher education institutions are increasing, but opportunities for young people to contact or come into contact with the productive aspects of American society are decreasing, through minimum wage legislation, difficulties in getting jobs and all sorts of other phenomenon which the new Coleman report describes.

So, this reinforced our concern about the tendency of the paradox of providing increasing opportunities for students, the paradox being that those opportunities might be less valued then they were previously. In addition, we were impressed with the fact, although this is a controversial point, that direct experience, stopping out for a time in one's educational career, produces a more motivated student in returning to college than would otherwise have been the case if the student had stayed in school.

We have done, on Martin Corry has done, a fair amount of investigation of the experience of World War II veterans coming back to college. Many educators argue tnat this was the "hayday" of American higher education, that these people coming back from World War II were the most highly motivated and effective students American higher education ever had. So, coming off of those various concerns, we have recommended that the Federal Government give consideration to a new basis for supplementing existing student aid programs, a new basis for award of student aid, based on the analogy of the GI bill; that is, allocate student aid funds to students who stop out for a period of service, not military service, but domestic service and various voluntary and social action programs. These students would accrue benefits on a monthly basis for their service similar to the benefits which people in the military service accrue. Then these benefits would be applied against tuition requirements when they reenter postsecondary education.

In addition, we have some recommended modifications in the work-study program, based on the proposition that work-study is now essentially a technique of financing access to college. It could become a technique for making the learning and work experience more integral in nature and more effective as a part of the student's college career, particularly if one could recapture some college work-study funds and provide them on an incentive grant basis to colleges for making those work opportunities really meaningful. Here we could learn something from the university year for action program about the value we would get from these increased student aid dollars.

Second, the implications of the new domain of postsecondary education. You, on this committee, have wrestled with this problem. And I remember early in the deliberations of the National Commission on Financing hearing rumors that the first two or three meetings were spent trying to draw the boundaries of the enterprise the Commission was supposed to study. It is a very tough problem.

In your consideration of the student aid program, title IV, eligibility considerations run all through your deliberations. The issue—what are the implications of this new domain of postsecondary education for drawing eligibility requirements for student allocating and institutional aid?—is a subject which we feel is of urgent importance and not sufficiently discussed.

Increasingly, since 1952, this committee and the programs under its jurisdiction, has delegated to professional and regional accreditating associations the responsibility for determining eligibility for a variety of educatonal programs. We are impressed with the burdens which have been put on this system of accreditation. Let me mention three in particular.

Accrediting agencies are by nature fraternal and exclusionary organizations of peers, with a natural tendency to resist emergence of new professional groups or occupations, and thus to lag behind in their inclusion of membership the new kinds of institutions and new forces that are emerging in society. Even the 2-year colleges had to fight to be included in the regular accreditation system.

With the professional societies, the conflicts and disputes between established groups and emerging professional groups are even more important. So the first problem is that there are the institutions that might be eligible for Federal funds that are not now included in the jurisdictional purview of existing accreditation organizations.

The second problem is that the interests of the accrediting agencies are really in the quality of the academic programs, not the new concerns and accountability responsibilities of the Federal Government for policing a whole variety of new institutions for fraudulent practices. Truth-in-lending practices, defaults on the guaranteed student loan program, and other issues, are really too much to expect peer membership associations to undertake in behalf of a Federal responsibility. In short, the interests of the Federal Government exceed in some areas the appropriately legitimate and expected activities which we can ask of the accreditation agencies.

The third problem is less noticed than the problem of loan defaults and the concerns of articles one reads in the Washington Post by reporters such as Eric Wentworth. It is that, in some cases, the concerns of the professional and regional accrediting agencies exceed the concerns of the Federal Government. Various professional and regional organizations are concerned about a range of academic input standards—the quality of books in the library, the number of credentials of faculty members, the characteristics of the plant—which are not necessarily related to the ability of those institutions to provide cost-effective education for the students who enroll in them.

So we see, in a number of areas, less than a total coincidence of interest between the accrediting mechanisms and the Federal Government. We believe that there has been a tendency to rely excessively on the accrediting mechanism for the purpose of satisfying a number of eligibility functions at the Federal Government and a variety of program needs. We have a number of recommendations to make about that. We can get into them, if you wish, after my formal remarks.

The final implication I wanted to talk about, in relationship to the particular concerns of this committee, is the increasing accountability pressures which are being converted into demands, by Federal and State Governments, on institutions.

Increasingly, across the Nation, particularly on the part of the States, we are witnessing tighter and tighter budgets, line-item budgets, faculty contact hour legislation, other kinds of cost-time requirements—efforts, in short, designed to specify the resource input requirements in great detail, in the hope of leveraging more efficiency on the part of educational institutions.

Increasingly, we find that reporting requirements are escalating, dramatized by the National Finance Commission's recommendation that there should be uniform cost standards developed for all academic institutions.

Increasingly, States are developing staffs which are more vigorously looking into questions of evaluation and assessment, approving new degree programs, declaring moratoriums on development of new programs, trying to work out jurisdictional treaties between public and private systems.

We feel that there are dangers in this trend if it continues like it has in the last 3 to 5 years. The dangers are the building of internal rigidities into the institutions, and removing the possibility that various educational institutions can compete with one another across jurisdictional lines on the basis of the quality of the services which they offer.

Clearly, State officials and Federal officials use what leverage they have to solve problems which they perceive as important problems. We feel that regulatory activities tend to be easily grabbed hold of and easily misused, and that incentives tend to be too easily forgotten—yet in the long run incentives are effective. Thus, we encourage the States to use incentives such as student aid programs, and incentives such as discretionary grant foundations, to achieve many of the same purposes which they would otherwise achieve by resorting to an increasing variety of regulatory, supervisory, and managerial activities over the educational institutions. This is a general policy proposition. It needs back up, detail and more conversation. But we hope that the debate and discussion concerning both the State student aid incentive programs, as well as the possibilities of encouraging more discretionary grant programs, can be viewed in the overall context of "how does one encourage accountability in higher education?" We hope that simply management techniques, putting the Government in the role of managers of institutions, is not considered the only device for attaining accountability. Accountability can come through a variety of forces operating on an institution, encouraging the institution to move in socially productive directions.

This concludes the three areas which I wanted to identify as the thinking of the task force related to your title IV concerns. I have stated problems rather than specific recommendations. We have some of those and I can return to them in any of the areas you are interested in. Thank you.

Mr. O'HARA. Of course, the series of articles appearing during this week in the Washington Post has aroused new interest in the whole accreditation question. The Post articles are not the first ones to appear on the subject, as you know.

I was wondering if the reports of the Newman task force had any relevance to the questions that are being raised in these articles and, if so, if you can elucidate on that subject?

Mr. EDGERTON. We have some highly generalized statements about the accreditation and eligibility in the second Newman report. We have done a great amount of work in a specialized paper which was published, or, more appropriately, leaked, in draft form in November 1971. We are still refining this paper, and have not yet published a statement of our own position on accreditation and eligibility.

It is discussed, however, in a very comprehensive and important study recently issued in draft form by the Brookings Institution, undertaken by Harold Orlans at the request of the Department of Health, Education, and Welfare, precisely to focus on the issues of the tie between eligibility and accreditation. Some of my information is gleaned from that report more than our own work.

Our basic proposition is that the policy now underway within the Office of Education is going in the wrong direction. The policy now underway is that the accreditation and institutional eligibility staff of the Office of Education is increasingly developing more supervisory controls over the regional and professional associations. trying to encourage them to take seriously the Federal standards, and questions which the Federal Government needs to have answered, and reflected through the accreditation process.

We believe, in contrast, that there should be a clear separation between eligibility, on the one hand, and accreditation, on the other; that the Federal Government, in all of its programs, should clarify the criteria by which eligibility is to be determined (such things as financial responsibility, or on an honest disclosure policy), and then ask the accrediting agencies if they wish to administer these Federal standards in the normal course of their peer review evaluation.

But the standards would be clarified—they are not now clarified—by which the Federal Government is making eligibility decisions. At the moment, the Federal Government has simply procedural controls over accreditation. Congress delegates the eligibility functions to the Office of Education, the Office of Education delegates it to accrediting agencies and nowhere in that process does one define what the criteria are by which the eligibility decisions are to be made.

Second, we feel that too little attention has been paid to the possibilities of protecting consumers by requiring reliable, honest, and data-based disclosure statements from educational institutions. For instance, if there were a requirement—and we would never recommend this without going on an incentive basis and experimenting with it first—that institutions annually disclose the basic characteristics about their educational process (the length of time, the time it takes average students to complete a degree, the faculty-student ratio. a number of indices which are related to the character, quality, and effectiveness of their educational program), and if these statements were available to students seeking to enroll in institutions. students would have a more reliable basis for making intelligent decisions than they do now.

Glossy catalogs of colleges are not necessarily the kind of documents that one would use to make what could be called an investment decision. It may be that there are ways to develop categories of information which could be provided. The professional associations, for example, now, in some of the disciplines, provide information about the average length of time it takes to get degrees. But this information is not pulled together in one place. and it is not built into a kind of informational system which would put more and more responsibility and adequate information in the hands of consumers.

Mr. O'HARA. Like we should get a truth-in-education law.

Mr. EDGERTON. Something like that.

Mr. O'HARA. That is a revolutionary proposal.

Mr. EDGERTON. Less revolutionary and less interventionist than uniform cost standards.

Mr. O'HARA. Well, I would say so, yes.

Mr. EDGERTON. There are a variety of programs that seem to work adequately well, that do not rely on accreditation at all. The social security benefit system payments is one, and most research and development funds and most manpower training program funds do not utilize the existing peer review accreditation system as a basis for determining eligibility.

In particular problem areas, such as the guaranteed student loan program, it may be that what we need is a kind of special purpose eligibility mechanism which takes some of the heat off, some of the responsibility and the burden off, the accreditation enterprise itself to satify those particular Federal functions. This would enable the accreditation agencies to do what they do best. I have always thought that putting an accrediting agency team in the dual role of a cop to the Federal Government and a technical assistance consultant, looking at academic quality and being helpful to the institution, is a very difficult kind of thing to do.

Mr. O'HARA. We could in effect require that the institution be an accredited institution which also has certain specified qualifications in addition to being accredited.

Mr. EDGERTON. The Orlans study recommends that accreditation become one but not the only condition for eligibility. So that in some Federal programs at least, some of the problem ones, one would start with the accredited university and then develop procedures and mechanisms for looking at some of the financial and other accountability interests that the Federal Government has.

That solves, in part, one of the problems, the lack of interest on the part of the accrediting agencies in being policemen for Federal accountability; but it does not solve the other problem of giving accrediting agencies a governmental sanction to increase the number of books in the law libraries around the country, or lean on programs because there are not enough Ph. D.'s in the night law faculties—all this, not in the name of accreditation alone, but in the name of accreditation plus the leverage of the Federal Government's money. That is, I think, a serious problem.

We also believe that NIE, the Fund, and other discretionary grant agencies, could encourage new modes of accreditation. The question in an equalitarian society is: "Who are the peers? Who ought to be the people that review educational institutions, and for what purposes?" That is an interesting question and the question needs to be asked whether content specialists, which is essentially what the academic faculties are who now go out and accredit programs, are the only kinds of specialties or talents, required to make the kind of judgments that we are talking about.

That takes me back to the need to clarify what the judgments are that we are talking about. If we are talking about policing proprietary schools for tuition refund policies, and things like that, academic peers, content specialists, are not necessarily the kind of people you would automatically think of to undertake that task. If we are talking about some other kind of judgment, then academic content specialists might be very valuable for that kind of task. So we need to sort out the structural and functional questions, and develop some special purpose eligibility systems to solve particular problems. We need a special-purpose eligibility system to solve the problems of the proprietary schools and defaults. We need a special-purpose eligibility system to enable new institutions and different institutions to have access to the same benefits which established institutions which are accredited by the membership agencies also have. I don't know if you want to go on with that or not. These are general views, and I can get more specific.

Mr. O'HARA. I have not yet read the Orlans report and I am going to have to do that before we conclude these hearings and get into those questions.

Mr. EDGERTON. I strongly encourage a hard look by this committee into that particular relationship, between eligibility and accreditation. I think an airing of the issue with the foundation developed by the Orlans report would be a very productive thing for this committee to do.

Mr. O'HARA. Well, I have already promised Mr. Dellenback and others that we will consider that question before we complete our investigation and I have an intention to do so.

Mr. Dellenback, any questions?

Mr. DELLENBACK. Thank you, Mr. Chairman.

I must confess that I find this discussion provocative, and it raises a whole series of roads which we ought to walk down before we make a mechanistic or programmatic decision as a recommendation to the full committee.

I have felt very strongly this is a fund that has great potential, and the moneys that I see coming out of the Appropriations Committee at this stage are, in my opinion, inadequate.

Mr. O'HARA. Both you and others have spoken to me on that subject.

Mr. DELLENBACK. Hopefully, it is a real interest which you expressed in the past and where we go will lead to some significant joint action. I think rather than ask questions on specifics, or on the ideas that you have been talking about—which are very valuable—I will not go into the details now.

I have no questions, Mr. Chairman.

Mr. O'HARA. Mr. Benitez, any questions?

Mr. BENITEZ. Well, in the first part of your talk pertaining to paradoxes of providing educational opportunities you talked about the growingly passive role of university education. What are the manifestations of that, if you can give me an answer to that question? Are you saying that education now is more passive than it was in the past? The question is: Is this the consequence of the democratization of the university?

Mr. EDGERTON. No, I think that education is intrinsically an institution in which young people are in a relatively passive role of reading, writing, listening, reflecting, abstract reasoning. That is fine, and there is an interesting debate as to whether or not academic institutions ought to involve themselves in additional kinds of nonintellectual activities or encourage students in them. The point I was trying to make is that this institution, which inevitably instructs people in a certain way, has now been expanded to encompass more than half of all high school graduates in the country; and whereas some people learn best as listeners, and as readers, and as abstract thinkers, there are a lot of other ways to learn, including engaging in problem-solving activity, engaging in work, being asked to be on a task force to study higher education, testifying before a congressional committee—a variety of ways in which learning occurs. What we have done is to expand one style of learning to over 50 percent of the 18-year-olds in the country. That is a little simplistic, and a little strong, but that is the proposition.

Mr. BENITEZ. My difficulty with your explanation is in the assumption that reading a book is passive activity and it would seem to me as a confirmed bookworm, that reading a book can be not only very stimulating, but intellectually active and that in a basic sense we make a very serious mistake if we assume that activity, initiative, imagination, creativity doesn't involve movement and action. Most of the important things that you associate with man's intelligence take place without particular movements. So I didn't want the education involved in operating and working library-tabbed with the implication of passivity.

Mr. EDGERTON. I don't want them tabbed either. I would agree with that.

Mr. BENITEZ. OK. Thank you very much, Mr. Chairman.

Mr. O'HARA. Mr. Lehman.

Mr. LEHMAN. I was just interested in that problem you brought out in which a fellow in national service would come after high school and he could receive the same kind of educational benefits that GI's did at the end of World War II and perhaps the Vietnam veterans are doing now. Would you anticipate any academic credit for this service?

Mr. EDGERTON. No.

Mr. LEHMAN. It would be just a form of equivalent but not military service by which they would gain a certain amount of educational benefits and serve as a buffer zone between what you seem to think of now as a meshing of high school with the 13th and 14th grades and no decisionmaking process?

Mr. EDGERTON. Right. It would be an alternative to national service in the sense it is not a compulsory program like national service has been conceived as being. It would in a sense, be an incentive to legitimate stopping out. A high school student could make an argument to his parents. "If I stop out and work for a year or two, I will accrue benefits that can later be applied to tuition." It may encourage, our assumption is, an additional sense of direction, and sense of purpose and maturity. We found in the various studies that we have done, that this activity is positively related to this kind of maturity.

Mr. LEHMAN. I should say the most motivated people we ever had in higher education institutions were those that came out of the service of World War II. I don't know if we will ever find that group again any place, but what you are trying to do is look for them.

You mentioned college work-study. The problem I found with work-study is that it is too narrowly targeted either for those who work in the school itself or in nearby nonprofit organizations. I certainly would hope to see work-study assistance broadened to include others than nonprofit organizations and also academic credit given for their work rather than, you know, sweeping up a library or raking leaves in the campus grounds where most or too much of this work is now.

Mr. EDGERTON. I respectfully disagree, though, with the notion that work in and around colleges necessarily has to be given academic

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credit. Our recommendation is that a service learning or a work-learning experience can be a very important thing for a student, whether it is recognized with credit or not, that work-study could be encouraged to become more than a financing technique and a genuine kind of educational experience; that somehow we have to provide incentives to colleges not to have students do the kind of mundane things that colleges need to have done, but to make these work experiences a reproductive experience.

I would encourage some coordination and thinking between the university for action program and the college work-study program because I think they have paved the way for some of the kinds of things that work-study could do.

Mr. LEHMAN. Thank you. That whole idea of this national service for the college benefits is something that we really have to look at a long way down the road. We do not have any kind of legislation for this right now, have we?

Mr. O'HARA. They have a provision like that in the ACTION agency. No funds are in it, though. At least we have none this year either, I understand. But they have a program. Mr. Edgerton, I thank you very much for coming before us. I look forward to seeing you again with your other hat on touching on subjects of mutual concern. Thank you.

Our last witness today is Dr. Margaret Gordon of the Carnegie Council on Higher Education which, as you are all aware, has done so much valuable work in the field of higher education. Dr. Gordon will discuss the student financial assistance recommendations of the Carnegie Commission on Higher Education. Her prepared statement will be printed following her testimony.

STATEMENT OF MARGARET GORDON, CARNEGIE COUNCIL ON HIGHER EDUCATION

Dr. GORDON. Thank you, Mr. Chairman.

I would like to apologize for Clark Kerr's not being able to be here this morning. He has had an exceptionally heavy schedule in recent months and it was going to be rather complicated for him to fit this in. I am going to try to be a very imperfect substitute for him.

Mr. O'HARA. We are pleased you can be with us.

Dr. GORDON. Let me say that the Carnegie Commission did its work over the period from 1967 to 1973. It issued 21 special reports, its final report, and a great many other publications. In discussing the issues this morning, I will be presenting the views of the Carnegie Commission, which went out of existence in the fall of 1973, rather than those of the new Council on Policy Studies in Higher Education, because that council has not yet had an opportunity to review all of the issues relating to Federal aid. It will be doing so during the course of the next year and may conceivably move away from some of the commission's recommendations.

I think, if you go over the Carnegie Commission reports, the 21 special reports, and the final report, in which the commission's own policy recommendations were presented, that you will see very clearly that a central and overriding concern of the commission, throughout its 6-year history, was with ways and means of overcoming the barriers to equality of opportunity in higher education for young people from low-income and disadvantaged backgrounds.

Its first report, which was issued toward the end of 1968, recommended substantially increased Federal aid to higher education with emphasis on grants to low-income students and cost-of-education supplements, which would accompany these students, for their institutions. Seven other reports of the commission were primarily or almost entirely concerned with issues of equality of opportunity.

Before getting into what the commission recommended on various aspects of student assistance, I would like to call attention to the fact that very considerable progress was made from the mid-60's to 1972 in increasing the relative representation of low-income students and of minority groups in higher education, but for some reason, this progress seems to have been reversed between 1972 and 1973. I refer you to the chart on page 6 of my prepared statement and the table on page 8. Chart I on page 6 shows a drop in the percentage of freshmen coming from the lowest family income quintile, between 1972 and 1973, and a drop also for those from the second lowest, an increase for the other quintiles.

Somewhat correspondingly, both the ACT freshman data and U.S. Bureau of the Census preliminary data for the fall of 1973, as shown in table 1, show a drop in the enrollment rates of blacks, both male and female.

Now, we don't know exactly what was responsible for these trends, but we know that financial aid offers have been quoted as indicating that they felt some institutions were falling behind or reversing their previous emphasis on opening the doors to low-income and disadvantaged students. We also can speculate that the great delay in getting the basic opportunity grant regulations out, as well as the snafus over the "needs" test in the guaranteed loans program may have had something to do with this drop in enrollment rates for low-income students in 1973. I am going to come back to a few more comments on that at a later point.

Now, first of all, I would like to discuss the basic opportunity grant program. This was a major step, the adoption of this program, toward implementing the principle which the Carnegie Commission has endorsed since 1968, of basic grants that would be structured to increase equality of opportunity for low-income students, but would also encourage free student choice of institution and field of study. Such a program would also represent a form of Federal aid to higher education that would help to preserve the autonomy of colleges and universities. Apart from the very well known fact of extremely inadequate funding, I would like to call attention to several other weaknesses that we see in the BOG program.

It is probably no surprise to point out that the eligibility conditions are very restrictive and, in some respects, through not all, appear to be more restrictive than the College Schalarship Service standards, which have been used widely by colleges and universities.

Second, the limitation of the size of the grant to 50-percent of the cost of education tends to discriminate against low-income students whose most feasible option is attendance in neighboring low-cost public institutions. I think the paper that Hartman did for the Joint Economic Committee brought that out extremely well. The size of the grant for such a student is frequently sharply reduced by the 50-percent cost limitation, whereas the student who is nearer the upper end of the income band of families eligible for BOG grants is much less likely to have the size of his grant reduced because of the cost limitation.

So, in the report, "Who Benefits?"—the actual title is much longer—that appeared in June, 1973, the Carnegie Commission recommended that for lower-division students the cost limitation should be increased to 75 percent. This is in line with the commission's general feeling that financial barriers to participation in higher education should be particularly minimal in the first 2 years of higher education, and I shall come back to that later in connection with tuition policy.

I think that very serious consideration in the longer run should be given to removal of the cost limitation completely from the basic opportunity grant provisions. That would be consistent with what the commission said in its first two reports on Federal aid, where it recommended no cost limitation except that the size of the grant should not exceed the student's total cost.

Now, my third point about the BOG program is that we feel that the $1.3 billion recommendation in the administration's 1975 budget is not adequate, particularly if one considers the highly restrictive eligibility conditions that are involved. In "Who Benefits?" we estimated that adequate funding of the program would range from about $1.7 to $2.3 billion, depending on how many extra students were induced to enroll through the program, and incorporating the 75-percent cost limit for lower division students.

I would now suggest that an estimate of adequate full-funding would range from $2 billion to about $2.6 billion, taking into account increases in cost in the last year or so and taking into account some relaxation of the family income eligiblity conditions, which we would like to see. That estimate, interestingly, is almost exactly equivalent to the one that was included in the Brookings report on the 1974 budget. It was not developed on precisely the same basis, but it comes out very much like the Brookings estimate.

Turning to the supplementary opportunity grants program, I would say that the basic opportunity grants reflect the kind of Federal student aid program that the Carnegie Commission had in mind more clearly than the supplementary opportunity grants, patricularly in uniformity of treatment of all students and encouragement of freedom of student choice.

We would suggest that the provision in the existing legislation, that no basic opportunity grant payments can be made until there is a certain amount of funding of the SOG program, should be removed. I think that very serious consideration and careful study need to be given to the future role of the supplementary opportunity grants program. We have some serious questions about it. I am sure the members of the subcommittee are familiar with the two reports of panels of the College Entrance Examination Board which analyzed the way in which grants were awarded under the economic opportunity grants program which preceded the supplementary opportunity grants program.

I can't go into detail about what those reports said, but the gist of it was that there was very little tendency for low-income students to get higher grants than higher income students under the economic opportunity grants program, and this basically was because higher income students tended to go to high cost and selective institutions and the size of their grant was related to the cost of the attendance at those institutions. These reports also pointed to a very definite tendency for low-income students to be less likely to be admitted, because the grants for which they would be eligible would not suffice to pay the cost of their education and the school was in a position to come up with additional funds.

Hartman makes another point in his Joint Economic Committee paper to the effect that if these grants turn out to be a means of permitting low-income students to attend high-cost private insitutions, this may become a sort of bottomless pit for a Federal Government. In any case, I think that there is a very definite need to consider the relative merits of the supplementary opportunity grants program versus the State scholarship incentive program, which I would now like to discuss.

The State scholarship incentive program, I think, is very consistent with many of the general principles that the Carnegie Commission espoused over the years. In the report which dealt particularly with State government relationships to higher education called "The Capitol and the Campus," the commission endorsed the principle of State aid to private institutions to come primarily in the form of tuition grants to students, which would enable them to attend private institutions, and in fact the commission recommended that a State should have such a program of tuition grants before it considered any increases in tuition.

Furthermore, the Carnegie Commission, throughout its history, emphasized in a number of contexts, that the primary responsibility for development of higher education should rest with the States, where it traditionally has been and that Federal aid should involve minimal interference. For these reasons we would strongly urge funding of the State scholarship incentive program.

The administration budget, as you know, did not include any item for this. The $19 million this year was a small beginning. We think it should go to at least $50 million for another year and should gradually be increased as time goes on.

There has been a very substantial amount of progress in State programs of scholarship aid to undergraduates in recent years. A figure of $72 million represented the total expenditure by the States in 1965–66. That figure was up to about $387 million by 1973–74. I have a table in my statement which shows the total appropriations in States and the appropriations per student enrolled on pages 21 and 21(a). However, I would like to stress the point that the amounts are relatively large only in a few States. They tend to be very, very small programs in many of the States. The total amounts are largest in New York, Pennsylvania, and Illinois. If you look at amounts per enrolled student in the right-hand column of the table, you find that they exceed $100 per enrolled student in Pennsylvania, Illinois, and New Jersey, but at the opposite end of the spectrum there are some States in which the amount per enrolled student is only of the order of $5 to $7. Thus the States need a lot of encouragement, but it seems to me that this program is one which should be developed, should have importance in the future, and that we should aim ultimately at a structure which would encourage the States to view their scholarship aid as supplementary to the basic opportunity grants. But just how this should be done needs more study. I am not content with what has ben said about that as yet.

Now, just a few words about the work-study program. I know that this subcommittee held rather extensive hearings on the work-study program and I have been informed that the committee came away from those hearings with a very definite feeling that the appropriations for that program ought to be increased. The Carnegie Commission has actually consistently recommended more in all three of its Federal aid reports, far more than has ever been appropriated for the programs.

Our most recent recommendation in the report called "Institutional Aid" was for an appropriation of $900 million a year. We think this would come much closer to meeting the needs and would enable colleges and universities and other nonprofit institutions to develop ways and means of educating and using students that would be useful to our society.

We also suggested that grant aid should be relatively more available to lower division students and that the emphasis in work-study ought to be more on upper divisional and graduate students who have had enough experience with higher education by that time so that taking time off for part-time work would not be as detrimental to their educational experience. I think also that serious thought ought to be given to relaxing the family income eligibility standards for work-study, so that that program could play a somewhat greater relative role in aiding middle-income students who are having difficulty meeting the costs of their education.

Now, I would like to spend somewhat more time on loan programs than I have on the other programs, because I think that the greatest and most serious weaknesses in the existing Federal legislation for student aid are found in the loan program.

Let me say first, that the Carnegie Commission does not subscribe to the view of some economists, that students capture most of the benefit from higher education and that therefore students ought to be prepared to borrow because they will easily pay off the debt in later life. Nevertheless, we think that a good loan program is an extremely important part of a good set of provisions for student aid, and that a loan program should play a role in enabling lower and middle income students to attend high-cost private institutions if they are eligible for such institutions. Moreover, a loan program plays a particularly important role for graduate and professional students.

I think very serious thought is going to need to be given to working toward a more satisfactory program, that tinkering with the existing programs is not necessarily going to solve the proglem. To be sure, the recent change in the "needs" test provision in the guaranteed loan program will be a help, but let me just go over what we regard as basic weaknesses in the guaranteed loan program.

It seems clear that students are not; going to enjoy equality of opportunity in borrowing from banks. The credit standing of their families and even in some cases the socioeconomic status of their families in the community will play a role. There is need for special allocations when the market interest rate rises above 7-percent, and even this does not really solve the problem of access in a tight money market when the banks get into a position in which these loans are simply not attractive to them.

There is a basic lack of incentive for banks to follow a vigorous collection program when the Federal Government or in some cases the State governments are guaranteeing repayments. There is also a fundamental question, and I really would like to emphasize this, as to whether interest subsidies, as opposed to deferral of interest, are really appropriate in a national loan program. They are subject to abuse, as you know, and they are inconsistent, it seems to us, with the major purpose of a good loan program, which is to supplement other forms of student aid.

You clearly must have a "needs" test if the program operates on the basis of an interest subsidy, but we feel that a needs test is not necessarily appropriate and would not be needed if interest was not subsidized. Reasonable limits on the amounts that students could borrow, plus the very natural wariness of most people about incurring expensive indebtedness, would impose appropriate restraints.

Furthermore, we would emphasize the disadvantages of a short repayment period if one considers the life cycle in income, that income tends to reach a peak in late middle age for most people. Also, if one considers the life cycle in expenditures, one finds that young people tend to go into debt to acquire homes and appliances in the early years of marriage. Then if one considers the special position of women under loan programs, it is in the early years of married life that women are most likely to be out of the labor force having their children and not in a very good position to repay their debts.

Now, I know that many Members of Congress and probably some members of the subcommittee, have a preference for the direct loan program over the guaranteed loan program. But I would like to emphasize that that program also has its problems. There is a basic and growing problem of inequity when a student can borrow at 3 percent under one program and has to pay 7 percent under the other program. And I am also told that institutions treat students differently under the two programs, that able students are more likely to be favored for loans from the direct loan program, as opposed to certification as to their need for a guaranteed loan, and that institutions are more concerned about credit standing of students in connection with the direct loan program because some of the institutions' own money goes into it, so the risk is of some concern.

Thus, very briefly, the Carnegie Commission recommended a very different approach—a National Student Loan Bank, which would be a nonprofit corporation financed through the sales of Government securities, would have reasonable limits on loans, would have deferral of interest for students while enrolled and in the military service and so on, but no "needs" test. Borrowers would repay on the basis of their income with an estimated annual repayment of about three-quarters of 1-percent on each thousand borrowed and an average repayment period of about 20 years. There would be a somewhat longer repayment period for people with low incomes.

Now, this, let me point out, is not a full contingency loan scheme. It is not redistributive in the sense that higher income people make larger payments than lower income people. Higher income people simply pay off their total debts more rapidly than low-income people under this proposal. Another important feature of the proposal is collection through the Internal Revenue Service, through the tax system. The interest rate would be based on the Government borrowing rate and would not be subsidized except for thé cost of cancellation in case of death of the borrower.

I recognize that there are serious obstacles to rapid progress toward as different an overall approach as this implies, but it seems to me that the accumulating problems of the existing programs are going to create pressure in the longer run. We intend, in the course of the next year, to spell out those recommendations in greater detail. I would mention, of course, the fact that Sallie Mae is going to help on some of these problems, but I don't think it is a total answer to the various weaknesses that we have pointed out.

Just a word about part-time students. Generally speaking, the legislation gives them access to aid, but with limitations on funding part-time students have been disqualified, particularly under the BOG program. We would urge that full funding of student assistance should allow for grants or loans on a pro-rated basis to part-time students and I would merely point to the fact that the percentage increase in enrollment of part-time students in the last 3 years has been very much greater than that of enrollment of full-time students. I give the figures on page 31 of my prepared statement. That is a trend that we think is going to continue, and also, in terms of the equality of opportunity for women, access of part-time students to aid is a very important matter.

Now, very briefly, a discussion of the cost-of-education supplements. This was something that the Carnegie Commission recommended from the beginning. The commission emphasized the point that the cost-of-education supplements accompanying students who held Federal grants would help institutions absorb any increased enrollment that was induced by these grants and would also help institutions meet the cost of special remedial education that some of these students might need.

In the fall of 1971, it became very clear that all of the major associations representing institutions of higher education were supporting a different approach—capitation payments across the board, so much per enrolled student.

This impelled the Carnegie Commission to spend several meetings reconsidering its own recommendation. I sat in on those discussions. The commission came to the conclusion that sticking to the approach that it had originally recommended was clearly what it should do for very compelling reasons. As a result, the report entitled "Institutional Aid" was prepared and issued, with very substantial attention being given to tabulations that showed how various types of institutions would be affected by various Federal aid formulas.

The report also emphasized the point that capitation payments could lead to a monolithic Federal system of higher education, that as the Federal Government moved in with this type of support which had been the traditional approach of the States, the States would inevitably fail to increase their support over time. There would be pressure for larger payments from the Federal Government, and we would eventually have a Federal system of higher education.

I might just mention the New York Times editorial of May 28, 1974, which you may have seen and which stressed the point that the

Carnegie Commission's recommendations on student aid needed also to be implemented by funding of the cost-of-education supplements program. On page 34, I have a quotation from that editorial and I would merely quote the sentence at the beginning of the third paragraph, that "the plan to link aid to the students and to the institution is a tandem that can not run successfully on one wheel."

Now, the provisions as they came out in the 1972 legislation differed and were far more complex than the Carnegie Commission recommendations. Because of this, I have not attempted a careful estimate of the cost of full implementation. I would urge that it should not be less than $500 million. I would also mention that yesterday I had a chance to learn about some work that is going on at the Brookings Institution which suggests that the figure would be somewhat higher than $500 million for full implementation of the present provisions.

Now, I come to the subject of tuition policy, on which what the Carnegie Commission has said has been subject to a good deal of misinterpretation. In general, much of the press reaction suggested that the Carnegie Commission recommendations were essentially similar to the CED recommendations.

Let me just go back and chronologically review what the Carnegie Commission said about tuition policy. In its report on "The Open-Door Colleges," which was isued in 1970, the commission recommended low or no tuition in public 2-year colleges.

In "The Capitol and the Campus" which appeared in 1971, the commission extended that recommendation to encompass low or no tuition in all public institutions of higher education in the first 2 years, that is, the lower division years.

Then, in "Who Benefits?" the commission repeated that recommendation for low or no tuition in the first 2 years and suggested that that should also be implemented, if possible, by private institutions of higher education.

This aspect of the Carnegie Commission's recommendations was largely ignored in the press reaction. Why was the commission so consistent in emphasizing low or no tuition in the first 2 years?

I think the reasoning was very much as follows: that in the first 2 years of higher education a lot of students are trying it out. They are not sure whether they are going to succeed. They are uncertain about their real taste for advanced academic study and therefore they are going to be reluctant to be forced to borrow. The financial barriers therefore should be minimal in the first 2 years of higher education.

Beyond that, as students move up into upper division and to graduate work, they should feel more confident and they should be prepared to work part time or to borrow if that is needed to supplement whatever grant assistance they have.

Now, just a few words about the recommendation that, particularly at the upper division and graduate levels, tuition in public institutions of higher education ought to be increased until it reached about one-third of the educational cost per student.

I think this recommendation has to be interpreted in the light of a background in which many leading economists have been arguing for the last 10 or 15 years that low tuition helps middle income and upper income students more than it helps low income students, that low income students often cannot go to college anyway even with low tuition because they can't afford subsistence costs, or, to put it slightly differently, foregone earnings are relatively much more of a sacrifice for a person from a low-income family than for a person from a high income family.

In other words, targeting of public subsidies through a combination of grants to low-income students and modest tuition charges will result in a more effective use of a given amount of public funds in encouraging equality of opportunity in higher education.

Let me just refer very briefly to the chart on page 42 which comes out of the recent report on "Tuition," showing that existing public tuition subsidies, if they alone are taken into consideration, go, in relatively large percentages, to the two upper fifths of the income distribution in terms of family income. On the other hand, a combination of public tuition subsidies and student aid, as recommended by the commission, would shift subsidy funds more effectively toward students coming from the lower two-fifths, but would result in a not too unequal distribution of subsidies overall. That is in the lower right-hand corner of that chart.

Now, we were really rather embarassed to discover that the increase actually required in terms of the present relationship, on the average, between tuition charges and educational costs was not as large as the original report "Who Benefits?" implied.

We did some new calculations for the new report on tuition and we found that at present that tuition revenue represents about 24 percent of educational costs in public 4-year colleges and universities, but that it may be more like 27 to 28 percent if you adjust for the high cost of graduate and medical education in universities. In fact, for the universities alone, it may be closer to 30 percent on the average. Thus, on the basis of the 24 percent, tuition would need to be increased only 1 percent over and above educational costs per year for the next 10 years to bring it to the one-third level.

But we also pointed out, in the new report on tuition, that there was enormous variation among State systems, that some of them were above the one-third level now and others were far below. Thus, to carry out our recommendation, the actual impact would vary enormously among States.

I am not going to attempt, because I know I have probably taken up too much time, to say anything about support of graduate students, but I have included a discussion of that problem in my prepared statement.

Looking toward the future, we see, as quite possibly a major emerging problem, the possibility of a legal decision which would ban the use of parental income as a criterion for determination of need for student aid. We are already in a situation in which many students are declaring themselves independent of their families. Fortunately, such data as are becoming available suggest that these students are mostly from low-income families, so this tendency thus far is not subverting the general purpose of student aid.

But, if we had a legal decision banning the use of parental income, we would be in a whole new "ball game" and would have to look for other approaches to encouraging equality of opportunity in higher education.

We are working now, and it is my particular staff responsibility, on a report on the "2 years in the bank" or the "2 years of free access" proposal. It is being done in cooperation with the American Council on Education, which is keenly interested in it. One of the problems that we are exploring is how the Federal Government could help to implement low or no tuition in the first two years of public higher education or perhaps all higher education in the States?

This is not an easy problem, because you cannot go about it in terms of having the Federal Government pick up all or part of the cost that would be involved, in view of the enormous variations in tuition levels from State to State. That approach would simply penalize the States that already have low tuition and reward those that now have high tuition. So one has to search for a different kind of approach, and we are exploring Federal grants-in-aid to the States on the basis of a variety of formulas, as one possible approach, but we are, by no means, ready for any recommendations as yet.

Let me finish with just a plea for adequate funding of the basic opportunity grants program as my final word.

Mr. O'HARA. Well, thank you very much. I must begin by commenting that your testimony has been very, very impressive and it shows your thorough familiarity with the subject and your keen insight into the nature of the problem that the subcommittee is facing.

I think your testimony has been very valuable and I appreciate your coming before us today. I am, of course, very interested in the study that you are currently undertaking with respect to ways in which we could promote a low or no tuition program for at least the first 2 years.

I sometimes say it "2 or more years" and I had thought of saying it "14 or more years," but I thought I would settle for 2 or more years.

Dr. GORDON. My comment on that point, Mr. Chairman, is that the Commission on Higher Education that was appointed by President Truman recommended 14 years of free-access to public education and when I was reminded of this I became very curious as to what they said about financing. Essentially, what they recommended was Federal grants in aid to States to encourage them to move in this direction.

Mr. O'HARA. I am going to drag out a copy of that report.

Dr. GORDON. I think it was published in 1947.

Mr. O'HARA. Who was chairman?

Dr. GORDON. The chairman was a man named Zook, who at one time was president of the American Council on Education.

Mr. O'HARA. I would like to dust that off and take a look at it. Now, pursuing that study, you might be interested in an experiment that was done recently in Wisconsin, and I don't know if you are aware of it, where two University of Wisconsin centers, on an experimental basis, made sharp reductions, very sharp reductions in tuition in an effort to determine what effect that would have.

This effort had dramatic effects on attendance, much larger effects than one could have predicted from the suggestion of the Commission on the financing of post-secondary education, that a $100 increase in tuition would result in only a 1 to 3 percent drop in enrollment.

Dr. GORDON. Yes; but that was a very global kind of estimate. I think it needs to be refined before it can be used in actual forecasting.

Mr. O'HARA. Yes. This material from Wisconsin which is just now being refined, it is all very new, we have some of the preliminary findings.

Dr. GORDON. Yes. I would like to look at that, but I might also somewhat hesitantly bring in the California community colleges which have had no tuition all along and which attract, as you probably know, an enormously high proportion of high school graduates in the State.

Mr. O'HARA. Yes; they do. I think that is a very important thing to look at. In fact, Mrs. McCauley, who is a member of the student financial assistance community in California and involved with the junior colleges, indicated that in two of the California community colleges where they knew a very large percentage of the students were of low income, they made a special effort to acquaint the students, the entering students, eligible students, about the basic grant program so they at these two community colleges made sure that every student who was entering for the first time within the time frame prescribed for eligibility had mailed to them or, if they had not yet registered, had handed to them a BOG application together with the complete information about how you go about applying and so forth. And they found a very, very small percentage really of the eligibles applying, which suggested very strongly that the main thing that got them into the community college was, or the main things that got them to the community colleges had to do with the low cost of an accessibility, physical accessibility.

In other words, if it was inexpensive enough and convenient enough, many of them got there. You might want to see that.

Dr. GORDON. I would like to see that. There may be reluctance, you know, to go through the forms of applying.

Mr. O'HARA. I think that is a factor you have to look into.

Dr. GORDON. On the other hand, I can't believe there is not a need, because I know that in one community college in Oakland, for example, which serves a very low-income population there has been great concern about cost of books, and the students have been pressing for special aid to meet the cost of the books.

Mr. O'HARA. I am sure there is great need. We had a student here from the Associated Students of San Francisco State University who told us of the tremendous need that many of those students have and others who would like to be students have, but cannot meet.

So I am not saying that low tuition is an answer, but I think that in this discussion, there has been a tendency to undervalue the impact of cost and convenience, as well as curriculum choice.

I know that some of the institutions I am familiar with, some of the areas I am most familiar with in my own State, the establishment of a community college in the community with a wide range of technical and vocationally oriented programs, more career education, oriented to specific skills and professions and so forth, had a tremendous impact on attendance.

Dr. GORDON. Yes. That is what we believe, of course, and that is why we recommended that there be a community college within reach of about 95 percent of the potential students.

Mr. O'HARA. You know many people complain now, in fact we have heard the complaint here that the effect of our student assistance policy, State and Federal, has been to make it easier for a low-income high school graduate to go on to post-secondary education than it is for a middle-income type of graduate. I know that those fears are sometimes overstated and exaggerated, but I think there is something that we don't take into account in these student assistance programs.

Essentially, what we are trying to do is put the low-income student in the same relative position that the middle-income student is in really and we are trying to say, all right, your family income is very low so we are going to provide you with funds to go on to school. But I am not so sure.

Let's take a student from a family whose income is under $5,000 who is eligible for a BOG grant at full funding. So let's say that BOG grant amounts to $1,400. All right.

Dr. GORDON. Provided he goes to an institution that costs $2,800.

Mr. O'HARA. OK, an institution that costs $2,800. By the way, I agree with your recommendation on that, that the 50 percent does discriminate. If the boy goes to a community college he gets $15 instead of $1400. In any event, here we are, he comes from a family with less than a $5,000 income, so he gets the $1,400 and off he goes.

Let's take the boy from a family, not with $5,000 but with a $15,000 income, does his family really have $1,400 to contribute to his education?

You see, I don't think that most $15,000 families do. In other words, we have this situation——

Dr. GORDON. Especially if there are two or more children.

Mr. O'HARA. Sure. But not only that. They have a choice. You see, when you say to the $5,000 family "We are going to give you $1,400 but you must use that $1,400 for the purpose of sending your child to school, you can not use it to buy a dishwasher, or you can not use it to move the family into a house where the roof does not leak. The only purpose for which you can use this money is for the education of your youngster."

I think that youngster may in that sense have more money actually at his disposal to finance his education than the child of a $15,000 family.

Dr. GORDON. Well, I think that, in the course of my remarks, I did suggest that the eligibility standards should be relaxed somewhat in the BOG program and that perhaps we should try to restructure student aid so that work/study and loans would be more readily accessible and on a more equitable basis to students in middle-income families.

I would like to point out, and this is something I have in my prepared testimony, but did not have time to go into, that one gets a somewhat erroneous impression from one of the charts in the report of the National Commission on Financing of Post-Secondary Education, which shows a sharp drop in the enrollment rate for the group with $10,000 to $15,000 family income in constant dollars between 1967 and 1972.

When I saw this, I wondered what would happen if one recomputed those figures in terms of family income quintiles, that is dividing all families into fifths in terms of income levels, and I discovered that the only income group in which there was a drop in enrollment rates between 1967 and 1972 was the two highest quintiles—which had to be combined because of lack of sufficiently detailed data, and for the other three quintiles there was no drop.

You will find the figures in my statement. What was happening in that period, so that a family with $10,000 to $15,000 in constant income family income level, the higher the rate of increase in income over that period, so that a family with $10,000 to $15,000 in constant income was falling in the income distribution in those years and occupied a relatively lower place in the income distribution in 1972 than in 1967.

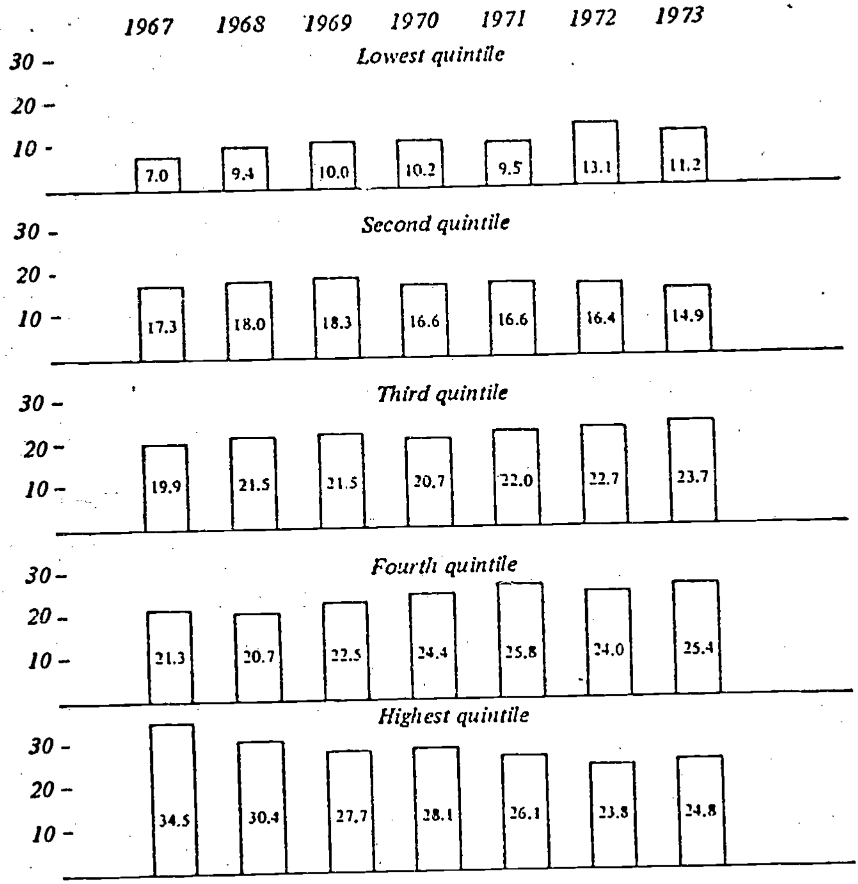
Nevertheless, this does not dispute the fact that undoubtedly young people from middle-income families have had to take more part-time jobs and do other kinds of things to finance their college education in recent years. However, the statement also makes the point, that if one looks at the decline in enrollment rates shown by Bureau of Census data, over the period from 1967 and 1973, one finds that the really sharp drop after 1969 was among young white males. This suggests that of the various factors inhibiting college enrollment, that is, the high cost of attendance, changes in the job market for college graduates, and other factors, that the change in the draft situation was probably very important.

It is hard to explain this sharp drop for young white males, not accompanied by a correspondingly sharp drop for women and for blacks, unless the change in the draft situation was a major factor.

Mr. O'HARA. Well, those are good points and they do very likely modify that, so I think it makes a more valid comparison than the chart, the study, the report of the Commission.

With respect to the other question I raised about which of those two hypothetical high-school graduates has more money available for his higher education, for college education, I really think that, or I persist in thinking that perhaps the full funding level, at the full funding level, the one from the lower income family would have more money available for that purpose, to spend on a college education. Maybe another way of aproaching the whole need-based thing is to take the median income whatever it may be for any given year and through surveying techniques determine what the median income families actually contribute to their children in higher education and then make up that difference.

CHART 1.—Percentage of entering freshmen from each family income quintile, 1967 to 1973.



Source: Carnegie Commission on Higher Education: *Tuition: A Supplemental Statement to the Report of The Carnegie Commission on Higher Education on 'Who Pays? Who Benefits? Who Should Pay?'*, Berkeley, Calif., 1974, p. 30.

Mr. Hartman provided us with a chart yesterday for a different purpose, that it might be useful in doing that. His chart was designed to show that there are no great differences, the difference between the amount of assistance, scholarship and grant they had received, at different income levels, is not very great, but it also shows differences of parental contribution received at different income levels are not all that great.

Dr. GORDON. Yes.

Mr. O'HARA. And it is a very interesting chart. Well, in any event I have enjoyed talking to you. I know that you have other things to do. We will be back in touch and please give my best regards to Mr. Kerr and we have enjoyed talking to you. We will be using you as a resource, if you don't mind.

Dr. GORDON. Yes, thank you.

[Dr. Gordon's statement follows:]

PREPARED STATEMENT OF MARGARET S. GORDON, ASSOCIATE DIRECTOR, CARNEGIE COUNCIL ON POLICY STUDIES IN HIGHER EDUCATION

INTRODUCTION

The Carnegie Commission on Higher Education was established in 1967 by the Carnegie Foundation for the Advancement of Teaching to examine and make recommendations regarding the many vital issues facing higher education in the United States as we approach the year 2000. The Commission conducted extensive studies and issued numerous publications during the following six years. Its final report was issued in October 1973. The Carnegie Commission has now been succeeded by the Carnegie Council on Policy Studies in Higher Education, which has been established by the Carnegie Foundation as a permanent body. My statements on policy issues this morning will reflect the views of the former Carnegie Commission, as expressed in a number of its reports. The new Carnegie Council has not yet had an opportunity to consider these policies thoroughly, but expects to conduct its own study of Federal aid to higher education in the course of the next year.

During its six-year history, the Carnegie Commission issued 21 special reports on a wide variety of problems in higher education, along with a large number of books and other publications. It was, however, in its special reports and in its final report that the Commission gave expression to its own policy recommendations. Each of the reports was thoroughly debated in at least three, and often many more, meetings of the Commission on the basis of drafts and redrafts prepared by the Commission staff.

The reports reveal clearly that, although the Commission covered a wide range of issues in higher education, its central and overriding concern throughout its history was with overcoming the serious barriers to equal opportunity in higher education that have historically beset the path of young people from low-income and minority group families in the United States. In its first special report, issued in 1968, the Commission recommended very substantially increased Federal Government aid to higher education, with primary emphasis on grants to low-income students. To assist colleges and universities in providing expanded places for these students and special educational services for those whose preparation was inferior, the Commission also recommended institutional aid in the form of a cost-of-education supplement for each student grant-holder enrolled in an institution of higher education.

In addition to this first report, at least seven of the Commission's subsequent reports were concerned primarily or largely with equality of opportunity. These were:

A Chance to Learn: An Action Agenda for Equal Opportunity in Higher Education (1970)

Quality and Equality: Revised Recommendations, New Levels of Federal Responsibility for Higher Education (1970)

The Open-Door Colleges: Policies for Community Colleges (1970)

From Isolation to Mainstream: Problems of the Colleges Founded for Negroes (1971)

Institutional Aid: Federal Support to Colleges and Universities (1972)
The Campus and the City: Maximizing Assets and Reducing Liabilities (1972)
Opportunities for Women in Higher Education: Their Current Participation, Prospects for the Future, and Recommendations for Action (1973)

A number of the other reports of the Commission were also concerned partly, though not wholly, with overcoming inequality of opportunity. Special mention should be made in this connection of *The Capitol and the Campus*, which dealt with a wide range of State Government policies toward higher education, including the need for increased provision for student aid at the State level. In addition, in the special report entitled *The Purposes and Performance of Higher Education in the United States*, the Commission identified "the enlargement of educational justice for the postsecondary age group" as one of the five main purposes of higher education. And in its final report, *Priorities for Action*, "advancement of social justice" was singled out as one of the six priorities calling for concentrated attention in the coming years.

In June 1973, the Commission presented its views on how the institutional and social costs of higher education should be distributed among public and private sources and among various levels of government in a report entitled *Higher Education: Who Pays? Who Benefits? Who Should Pay?* In some circles that report has been attacked as inconsistent with the Commission's tradition of concern with equality of opportunity, but I shall argue this morning that the recommendations included in the report were as clearly motivated by concern with equality of opportunity as were all the relevant earlier recommendations of the Commission. Hereafter, I shall refer to that report as *Who Benefits?*

BASIC ECONOMIC OPPORTUNITY GRANTS

The incorporation of the provisions for Basic Economic Opportunity Grants in the Education Amendments of 1972 represented a major step toward adoption of the principle that had been endorsed by the Carnegie Commission since 1968, that Federal Government aid to higher education should be designed primarily to ensure equality of opportunity for young persons in higher education, regardless of the socio-economic status of their families, their sex, or their racial or ethnic origins. In emphasizing this form of Federal aid, the Commission also stressed these advantages:

It would draw forth to the extent possible, rather than merely replace, state and private support.

It would assist both public and private institutions—the latter, of course, for sectarian purposes only.

It would encourage free student choice of institution and field of study.

It would preserve institutional autonomy and integrity.

It would encourage diversity.

And, as an integral part of its contribution to equality of opportunity, it would ensure a relatively large flow of student aid funds to states and areas with low per capita income, and to institutions that enrolled large proportions of low-income students.

Because the funds available for the program in its first year of operation have fallen so far short of the amounts needed, it is all but impossible to evaluate its effects thus far. But some of the specific provisions incorporated in the 1972 legislation hamper the achievement of certain of the objectives that I have mentioned, quite apart from inadequate funding.

Before discussing specific suggestions for adequate funding and for improvements in the legislation, I should like to call attention to the fact that we have made considerable progress in drawing low-income and disadvantaged students into higher education since the mid-1960's, but that this progress was reversed between the fall of 1972 and the fall of 1973. Chart 1 indicates that from 1967 to 1972 entering freshmen from the lowest fifth of families, in terms of family income, gained ground, relatively, as a percentage of all entering freshmen, while those from the highest fifth of families declined as a percentage of the total. Young people from the middle fifth and from the next-to-highest fifth increased their relative representation, while a slight loss was experienced by those from the next-to-lowest fifth. Between 1972 and 1973, on the other hand, there was an appreciable drop in the relative representation of freshmen in each of the two lowest fifths, while all three of the other quintiles gained in their shares of the total.

The same data on entering college freshmen, compiled by the American Council on Education, showed that, for the first time since the statistics began to be gathered (1966), there was a drop in the relative representation of blacks. There was also a decline in the share of all minority groups combined.

U.S. Bureau of the Census data in Table 1 also show that there was a decline in the percentage of young black men and women enrolled between 1972 and 1973, reversing the upward trend that had prevailed since 1967, especially among those aged 18 to 19.

We do not have reliable information on the reasons for this change in enrollment patterns between 1972 and 1973. Sharply rising costs undoubtedly played a role, but in the *New York Times* on February 3, 1974, the director of minority affairs for the College Entrance Examination Board was quoted as stating that "admission and financial aid representatives of many institutions" have been warning "that colleges and universities were backing off from their earlier determination to increase nonwhite enrollments." [1] It also seems highly likely that the unfortunate delay in getting the BOG program under way, and the meager funds available for the program in 1973–74, played a role.

Let me summarize what we believe to be major weaknesses in the BOG program:

TABLE 1.—PERCENTAGE OF PERSONS AGED 14 TO 34 ENROLLED IN COLLEGE BY AGE, RACE, AND SEX, OCTOBER 1967, 1969, 1972, AND 1973

	Percentage enrolled							
	Men				Women			
Race and age	1967	1969	1972	1973	1967	1969	1972	1973
WHITE								
Total, 14 to 34 years	15.0	16.4	15.2	14.2	9.0	9.7	10.2	10.1
14 to 17	1.4	1.6	1.7	1.6	2.2	1.7	2.0	2.1
18 to 19	43.7	47.3	39.6	36.7	33.7	35.8	35.6	32.9
20 to 21	45.5	47.3	37.5	36.1	23.7	24.6	26.8	26.3
22 to 24	21.1	23.5	21.0	19.1	6.7	9.1	8.7	9.7
25 to 29	9.9	11.7	12.4	11.9	2.8	3.7	5.0	5.3
30 to 34	4.8	5.4	5.7	5.2	2.3	3.0	2.9	3.4
BLACK								
Total, 14 to 34 years	6.7	7.3	10.4	9.3	4.9	6.8	8.1	7.4
14 to 17	.8	1.0	1.7	.6	1.0	.9	1.3	2.7
18 to 19	21.8	21.7	23.0	20.6	14.8	24.3	24.7	18.3
20 to 21	19.6	24.8	24.0	24.0	13.4	17.4	16.4	15.2
22 to 24	8.3	9.2	17.1	13.3	4.1	4.5	7.8	9.2
25 to 29	2.7	2.4	7.3	6.8	3.4	3.4	4.6	4.6
30 to 34	2.2	1.9	5.2	6.1	2.6	2.6	5.2	3.2

Source: U.S. Bureau of the Census: Current Population Reports, Series P–20, Nos. 190, 206, 260, and 261, Washington D.C., 1969–74.

1. *The eligibility conditions are clearly too restrictive.*—Student financial aid officers consistently complain that the BOG eligibility conditions are considerably more restrictive than those of the College Scholarship Service that have generally been used by colleges and universities in awarding student aid. Although there are numerous differences in the methods of computing the expected family contribution under BOG regulations and CSS guidelines, a particularly significant difference is the use of essentially the Federal poverty-line standard in the computation of discretionary family income in the BOG regulations, whereas the CSS guidelines make use of both the "austerity" and "modest but adequate" budgets for a city worker's family developed by the U.S. Bureau of Labor Statistics.[2]

The poverty-line budget is an extremely restrictive budget, recently adjusted upward to $4,550 for a nonfarm family of four. In contrast, the recently revised

[1] Quoted in Carnegie Commission on Higher Education: *Tuition: A Supplemental Statement to the Report of the Carnegie Commission on Higher Education on 'Who Pays? Who Benefits? Who Should Pay?*, Berkeley, California, 1974, p. 32.

[2] See U.S. Office of Education: *Basic Educational Opportunity Grant Program: Family Contribution Schedule*, Washington, D.C., June 11, 1973; and College Scholarship Service: *CSS Need Analysis: Theory and Computation Procedures for the 1974–75 PCS and SFS*, College Entrance Examination Board, New York, 1973.

BLS "austerity" budget for a family of four is $8,200, while the budget for a "modest but adequate" level of living is $12,600.

We have been informed that under present BOG regulations, a student cannot expect to receive any aid if his family income is more than about $11,000 to $12,000, except under unusual family circumstances. According to a recent study of the American Council on Education, nearly 80 percent of the awards in 1973–74 went to students with adjusted family income of less than $7,500, with nearly all of the remaining awards going to those with adjusted family income between $7,500 and $15,000.[3] Presumably very few awards went to students in the upper half of the $7,500 to $15,000 range. Adjusted income of $7,500 corresponds to gross income of about $11,700, while adjusted income of $15,000 is equivalent to gross income of about $20,000.

As a guide to determination of need for student aid, the Carnegie Commission suggested that "a maximum grant would often be necessary at the lowest income quartile, that perhaps half of the maximum grant would be the average requirement at the second lowest quartile, and that some grants would be made to students from families on the lower border of the upper half of the income range."[4] We estimate the upper boundary of the first quartile to be about $6,800, the upper boundary of the second lowest quartile to be about $12,500 to $13,000 and the upper boundary of the third quartile to be about $17,000 to $18,000 at the present time—based on data relating to families with children aged 18 to 24. Thus we would urge that eligibility standards should permit aid under normal family circumstances to go to students from families with income up to $12,500, to $13,000, and under exceptional circumstances to those from families with incomes between about $13,000 and $15,000, or possibly, in very exceptional circumstances, up to $17,000 or $18,000.[5]

It is also widely recognized that there is a need for a single, standardized application form for all Federal student aid programs. Differing requirements for family contributions under the various programs could be reflected without affecting the basic information requested from the student and his family. There is also a need for changes in the treatment of assets—apart from those already reflected in the revised regulations for 1974–75—but the Subcommittee has been looking into this matter very carefully, and I shall not make any specific suggestions.

2. *The provision that grants must not exceed 50 percent of the student's cost of attendance should be liberalized.*—As Hartman has pointed out, the cost limitation discriminates against students from low-income families who attend relatively low-cost public institutions and students from lower middle-income families who attend public junior colleges, in the sense that their grants are either sharply or appreciably reduced below the amounts to which the students would be entitled without the cost limitation. On the other hand, students who are at the upper end of the income range eligible for grants are not affected at all by the cost limitation.[6]

In *Who Benefits?*, the Carnegie Commission recommended that "the 50 percent of cost limitation for Basic Opporunity Grants for lower-division students should be raised, perhaps in steps, to 75 percent over the next few years."[7] This recommendation was consistent with the Commission's view, which I shall discuss more fully in connection with tuition, that public policy should emphasize minimizing financial barriers to higher education for students in the first two years.

Eventually, however, we believe that the provision should be liberalized to permit a grant to cover 100 percent of the cost of attendance, up to the maximum size of the grant. In imposing the cost limitation, Congress was apparently seeking to hold down the total cost of the program, but the restric-

[3] El-Khawas, E. H., and J. L. Kinzer: *The Impact of Office of Education Student Assistance Programs, Fall 1973*, Higher Education Panel Reports, No. 18, American Council on Education, Washington, D.C., 1974.

[4] Carnegie Commission: *Quality and Equality, Revised Recommendations* . . . , p. 5.

[5] See National Commission on the Financing of Postsecondary Education: *Financing Postsecondary Education in the United States*, Washington, D.C., 1973, p. 316, for discussion of the effects of relaxing family income eligibility standards.

[6] Robert W. Hartman: "Higher Education Subsidies: An Analysis of Selected Programs in Current Legislation," in Joint Economic Committee, U.S. Congress: *The Economics of Federal Subsidy Programs, Part 4, Higher Education and Manpower Subsidies*, Washington, D.C., 1972, p. 474.

[7] Carnegie Commission: *Who Benefits?* . . ., p. 111.

tion clearly discriminates against the low-income student who, for academic or other reasons, finds that his most feasible option is enrollment in a comparatively low-cost public institution. In its 1970 report on Federal aid, the Carnegie Commission made the following statement: "Although average educational expenses will be significant in determining the amount of the grant, educational costs at a particular institution will not affect the grant, except that a student could not obstain financial aids totaling more than his actual educational expenses." [8]

This same principal was endorsed by the Panel on Financing Low-Income and Minority Students in Higher Education of the College Entrance Examination Board in 1973.[9]

The Carnegie Commission also recommended (in *Who Benefits?*) that the $1,400 ceiling on Basic Opportunity Grants should be raised gradually in line with increases in educational and subsistence costs.

3. *To provide adequate student aid under the standards that we have recommended, the $1.3 billion recommended by the Administration in its 1974–75 Budget is seriously deficient.*—The Commission's most recent estimate of the cost of fully implementing the BOG program, developed in 1973 and reflecting the modification of the cost limitation to 75 percent for lower-division students, ranged from about $1.7 to $2.3 billion, depending on how many "extra" students, who would not otherwise enroll, are induced to attend college because of the existence of the program.[10]

To reflect the modification of family income eligibility standards suggested here, as well as cost increases between 1973 and 1974, the estimate should probably be increased to about $2.0 to $2.6 billion. That this estimate is generally in the right "ball park" is suggested by comparing it with estimates presented in the Brookings Institution report on the 1974 Budget.[11] The Brookings estimates, like the Carnegie Commission estimates, assume certain modifications in the existing BOG legislative provisions, though not precisely in the same manner. But their estimates are remarkably similar, ranging from $2.0 to $2.6 billion for fiscal 1974 and rising to $2.6 to $3.9 billion for fiscal 1978, the latter range depending partly on differing assumptions about the number of "extra" students who would be induced to enroll by the grant program.

Although these suggested amounts are large, it is important to keep in mind the fact that, on the assumption of continued progress toward world peace, expenditures on veterans' educational benefits—by far the largest student aid item in recent budgets—can be expected to decline in the coming years, as the number of veterans enrolling in higher education declines. An expectation of such a decline is already reflected in the Administration's 1975 Budget. The fall in financial obligations for veterans will greatly facilitate adequate financing of the BOG program, although we would urge that achievement of adequate BOG financing should be given high immediate priority and should not await declines in expenditures in veterans' educational benefits that would be comparable to increases in appropriations for the BOG program.

THE SUPPLEMENTARY EDUCATIONAL OPPORTUNITY GRANTS PROGRAM

The Basic Opportunity Grants program clearly conforms to the principles that the Carnegie Commission has endorsed for Federal student aid more satisfactorily than does the Supplementary Opportunity Grants program. In particular, the BOG program is much more consistent with the principles of freedom of student choice among institutions and uniform treatment of all students from comparable family income groups. Thus, we would urge that the requirement in the Education Amendments of 1972 that no BOG payments can be made unless the appropriation for SOG grants amounts to at least $130 million should be removed. We would also urge removal of similar requirements relating to funding of the College Work-Study Program and the Direct Student Loan Program. We believe that each program should be funded on its own merits. In addition, we would suggest that serious consideration be given to phasing out the SOG program.

[8] Carnegie Commission: *Quality and Equality: Revised Recommendations* . . ., p. 5.

[9] College Entrance Examination Board: *Toward Equal Opportunity for Higher Education: Report of the Panel on Financing Low-Income and Minority Students in Higher Education*, New York. 1973, p. 57.

[10] Carnegie Commission: *Who Benefits?* . . . , pp. 121–122. This estimate was adapted from an earlier estimate in Hartman. *op. cit.*

[11] Fried, E. R., and others: *Setting National Priorities: The 1974 Budget*, Brookings Institution, Washington, D.C., 1973, p. 157.

Particularly compelling criticisms of the EOG program, to which the SOG is a successor, were made by two separate panels appointed by the College Entrance Examination Board in the last few years. The Panel on Student Financial Need Analysis conducted its own survey of student aid at a sizable sample of colleges and universities, and concluded that the amount of aid provided did not tend to vary with family need. In part, this finding reflected the fact that larger total amounts of student aid funds were available at institutions that were characterized by high selectivity and high tuition. Family income of students attending these institutions tended to be higher than that of students attending low-cost public institutions, and yet, because amounts of student aid were related to cost of attendance, average amounts of aid awarded in these institutions tended to be high.[12] In addition, it was found that "in about half the institutions, large financial need significantly reduced the probability of acceptance, even when quantifiable indicators of ability were used as controls. . . . It was further discovered) that although packaging practices varied considerably, high ability was often associated with a higher grant component.[13] In addition, it was found that high financial need was only weakly associated with increases in the grant share of the aid package and sometimes negatively correlated with the grant share. Similar criticisms were made by the Panel on Financing Low-Income and Minority Students in Higher Education.[14]

Also critical of the former EOG program was the Brookings Institution's report on the 1974 Budget, stressing the inequities in the allocations of funds received by States and by individual institutions.[15] A somewhat different line of criticism has been emphasized by Hartman, who makes the point that, if it turns out that the supplementary EOG program primarily serves the purpose of permitting low-income students to attend high-cost private institutions which they could not afford with BOG aid alone, it "promises to be a bottomless pit. As costs and charges rise at private institutions, while tuitions at public institutions are held down, there will be increasing demands placed on Congress to increase funds for a supplementary EOG program (or for institutional aid—or both)."[16] Hartman strongly favors the State Scholarship Incentive program over the SOG program as a means of opening opportunities for low-income students to attend private institutions.

THE STATE SCHOLARSHIP INCENTIVE PROGRAM

The Carnegie Commission urges adequate funding of the State Scholarship Incentive program, for a number of important reasons. In the first place, ever since the Commission first addressed the problem of State financial support of higher education in its report, *The Capitol and the Campus*, the Commission stressed the principle that State governments should provide financial aid to private, as well as to public institutions, but that aid to private institutions should come primarily through State tuition grant programs. Moreover, the principle of giving priority to student aid over raising tuition, which I shall discuss more generally at a later point, was firmly established in that report:

The Commission recommends that states establish a program of tuition grants for both public and private institutions to be awarded to students on the basis of financial need. Only after establishment of a tuition grants program should states consider raising tuition levels in public institutions. To avoid upward pressures on private tuition from such grants, states would need to set a maximum tuition grant.

Secondly, the Commission believes that the primary responsibility for planning and supporting the future development of higher education should remain with the States, where it has been historically, and that Federal aid should be provided in a form that will involve minimal interference with this traditional role of the States. The State Scholarship Incentive program conforms well to this criterion.

A third point is that State scholarship aid and State tuition policy should be coordinated.

The States have made impressive progress in developing student aid programs in recent years. As recently as 1965–66, the total amount of aid provided

[12] College Entrance Examination Board: *New Approaches to Student Financial Aid: Report of the Panel on Student Financial Need Analysis*, New York, 1971, p. 21.
[13] *Ibid.*, p. 27.
[14] College Entrance Examination Board: *New Approaches to Student Financial Aid. . . .*
[15] Fried and others: *op. cit.*, pp. 150–151.
[16] Hartman, *op. cit.*, p. 483.

by State scholarship programs was only \$72 million.[17] By 1973–74, total State appropriations for various forms of student aid amounted to more than \$387 million, a major portion of which went to students at private institutions.[18] There are now 35 States that have authorized student aid programs, although three of these programs are not funded. Of these programs, 28 are comprehensive undergraduate programs based at least in part upon need and centrally administered. However, there is a tendency for the amounts of aid made available to be quite small in many of the States. In terms of total dollars appropriated in 1973–74, the largest programs were in New York, Pennsylvania, and Illinois, in that order (Table 2). In terms of dollars per student enrolled in 1973, Pennsylvania again led with an appropriation of approximately \$145 per enrolled student, followed by Illinois and New Jersey with averages of somewhat more than \$100 per student. At the other end of the spectrum were Maine, North Dakota, and Washington, with average amounts per total enrollment ranging from about \$5 to \$7. Arizona, Arkansas, and Colorado had adopted programs but had not yet funded them.

Under current Federal legislation, the relationship between State scholarship programs and the Federal BOG program is very loose. We believe that future changes in Federal law should be directed toward encouraging the States to restructure their programs so that the student grants available will be supplementary to those awarded under the BOG program, but we also believe that careful study needs to be made of just how this should be done.

TABLE 2.—APPROPRIATIONS FOR COMPREHENSIVE STATE UNDERGRADUATE STUDENT AID PROGRAMS, BY STATE, 1973–74

State	Total appropriations	Total enrollment, fall 1973	Appropriations per enrolled student
Alabama	0	125,076	
Alaska	\$1,000,000	14,184	\$70.50
Arizona	0	138,241	
Arkansas	0	52,512	
California	34,709,160	1,467,355	23.65
Colorado	0	131,189	
Connecticut	1,747,300	135,250	12.92
Delaware		28,841	
District of Columbia		80,326	
Florida	3,835,000	281,394	13.63
Georgia		146,356	
Hawaii		42,717	
Idaho		35,198	
Illinois	55,352,000	494,859	111.85
Indiana	10,078,190	198,457	50.78
Iowa	6,300,000	109,118	57.74
Kansas	2,650,000	107,986	24.54
Kentucky		110,611	
Louisiana		135,247	
Maine	184,000	36,122	5.09
Maryland	3,425,000	177,166	19.33
Massachusetts	9,500,000	329,693	28.81
Michigan	16,275,000	426,126	38.19
Minnesota	6,300,000	163,781	38.47
Mississippi		82,255	
Missouri	3,368,000	191,749	17.56
Montana		27,269	
Nebraska		65,788	
Nevada		20,044	
New Hampshire		32,924	
New Jersey	25,920,000	255,314	101.52
New Mexico		48,636	
New York	82,000,000	895,400	91.58
North Carolina		204,080	
North Dakota	167,500	29,189	5.74
Ohio	19,800,000	394,200	50.23
Oklahoma		125,740	
Oregon	1,850,000	131,281	14.09
Pennsylvania	64,000,000	440,321	145.35
Rhode Island	550,000	55,122	9.98
South Carolina	4,000,000	94,699	42.24
South Dakota		26,530	
Tennessee	2,155,000	154,410	13.96

[17] Carnegie Commission: *Who Benefits* . . . , p. 162.
[18] Education Commission of the States: *Higher Education in the States*, vol. 4, no. 5, 1974, p. 150.

TABLE 2.—APPROPRIATIONS FOR COMPREHENSIVE STATE UNDERGRADUATE STUDENT AID PROGRAMS, BY STATE, 1973-74—Continued

State	Total appropriations	Total enrollment, fall 1973	Appropriations per enrolled student
Texas	$5,000,000	503,612	$9.93
Utah		80,465	
Vermont	2,593,620	27,705	93.62
Virginia		193,277	
Washington	1,380,000	199,478	6.92
West Virginia	500,000	68,074	7.34
Wisconsin	10,643,600	221,256	48.11
Wyoming		17,922	
United States	375,283,370	9,554,545	39.28
Service schools		16,573	
United States including service schools		9,571,118	

Source: Boyd, J. D., 1973-74 Undergraduate Comprehensive State Scholarship/Grant Programs, Illinois State Scholarship Commission, Deerfield, Ill., October 1973.

As this Subcommittee is well aware, the Administration Budget for fiscal 1975 does not include any provision for funding the State Scholarship Incentive program. We believe that Congress should increase the appropriations for this program from the $19 million that was made available for 1974-75 to at least the $50 million that was initially authorized for the first year of the program under the 1972 legislation, and that the amounts should gradually be increased in future years. In any event, we regard the State Scholarship Incentive program as a potentially highly significant feature of the 1972 legislation and will give considerable emphasis in our coming review of Federal aid issues to policy questions relating to the future of this program.

THE COLLEGE WORK-STUDY PROGRAM

I have been informed that the recent hearings held by this Subcommittee on the Work-Study program have convinced members of the Subcommittee that appropriations for the program should be very substantially increased. The Carnegie Commission has consistently supported considerably larger appropriations for the Work-Study program than have ever been made available. Our most recent recommendation for funding of the program, included in the 1972 report on *Institutional Aid*, was for $900 million—to be gradually increased in keeping with our earlier recommendations on student aid.[19] Without having had the opportunity to read the as yet unpublished report on the hearings, we are convinced that there is considerable evidence that colleges and other public and nonprofit institutions could provide very substantially expanded and useful employment opportunities to students if the funds available were increased to that level.

We also believe that the relationship of this program to other student assistance programs should be carefully re-examined, with a view to adoption of changes in the provisions relating to it. The tendency of institutions, noted above, to favor the more able students with relatively more grant aid, as compared with work-study or loans, is regrettable. In its first report on Federal aid, the Commission made the following suggestion:

Because students from lower socioeconomic groups may experience educational disadvantages in their initial college years, it might be desirable to place some limits on their work-study program participation at the lower-division level. Upper-division students, and lower-division students to the extent consistent with their educational needs, should be encouraged to take part in the work-study program.[20]

I would also suggest that, as funds for the BOG program become more adequate, consideration might be given to very substantial relaxation of the family income eligibility standards for the Work-Study program. Originally conceived as part of that anti-poverty program, the Work-Study program might well be restructured to play a somewhat more significant role in providing financial assistance to students from middle-income families who cannot qualify for Basic Opportunity Grants. In general, the greatest need for compensatory education is found

[19] Carnegie Commission: *Institutional Aid* . . . , p. 94.
[20] Carnegie Commission: *Quality and Equality* . . . , p. 23.

among students from low-income families, and these students should not, if adequate grant aid is available, be forced to work to obtain assistance. For many students from middle-income families, preparation for college has been adequate, and part-time work is not likely to interfere as seriously with their educational progress. In 1973–74, according to the ACE study of the impact of student assistance programs, only 30 percent of those participating in the Work-Study program came from families with adjusted incomes of $7,500 to $15,000 and only 4 percent from families with adjusted incomes of $15,000 or more.[21] Viewing the student aid provisions as a whole, I would suggest that there is a strong case for increasing the percentage of those aided in the $7,500 to $15,000 adjusted income bracket. In some cases, this would make it easier for institutions to find qualified students for particular work assignments.[22]

STUDENT LOAN PROGRAMS

The Carnegie Commission did not subscribe to the view, emphasized by some economists in recent years, that students capture all or most of the benefits of higher education. In this view, students can therefore well afford to repay loans from the relatively high incomes they will receive as college graduates, and any student assistance provided should take the form of loans. The Commission felt that there were very substantial social benefits from higher education that justified substantial public subsidies in the form of a combination of tuition subsidies and various types of student aid. Nevertheless, it believed that a well-designed loan program was an essential part of a comprehensive student aid program, to enable needy students to supplement the necessarily limited aid that can be received in an equitable grant program and to enable students who do not come from needy families to borrow if, for one reason or another, their parents are unable or unwilling to meet all their college expenses. The need for loans is likely to be particularly great among students who wish to attend relatively high-cost private institutions and among graduate and professional students.

Viewed in the light of the recommendations of the Carnegie Commission, there is no aspect of student assistance that is in greater need of major legislative restructuring than the provisions relating to student loans. This Subcommittee, having held extensive hearings in April and July of 1973 and in February, 1974, is well aware of the weaknesses of the existing programs, and I shall therefore not discuss these weaknesses at great length. Let me merely outline first what I consider to be the most serious weaknesses remaining in the Guaranteed Loan Program, now that the unpopular needs test has been eliminated for eligibility for an interest subsidy on annual loans up to $2,000 for students whose adjusted family income is below $15,000:

1. A basic problem of inequality of opportunity in a program in which lenders, and especially bank lenders, are likely to be influenced by the credit standing of the student's family and probably, also, by the family's socioeconomic status in the community.

2. The necessity for "special allocations" from the Federal Government to make possible continued student access to loans when the relevant interest rates rises above 7 percent.

3. The difficulty of ensuring student access to loans, even when these "special allocations" are available, in a tight money market.

4. The lack of incentive for banks and other lenders to pursue adequate collection procedures when loans are guaranteed by the Federal Government.

5. A fundamental question as to whether interest subsidies, as opposed to deferral of interest during periods of enrollment, are appropriate. Not only do interest subsidies lend themselves to abuse, as some of the testimony in your hearings indicated, but they are inconsistent with the view that a good student loan program should be designed to provide only supplemental assistance to needy students and should be a major form of student aid primarily for students in middle- and upper-income families who cannot qualify for grants, and for graduate and professional students. If interest subsidies are provided, then a needs test is appropriate, but we do not believe that a well-structured student loan program should be needs-tested. If the program is unsubsidized, there is no good reason why it should not be available to all students regardless of income. Rea-

[21] El-Khawas and Kinzer, *op. cit.*, p. 23.

[22] In my long association with a research institute on the University of California, Berkeley Campus, I knew of situations in which we could have appointed research assistants under the Work-Study program but could not find a qualified student whose family income was below the maximum eligibility ceiling.

sonable limits on the amounts that can be borrowed, along with the natural desire of the great majority of students to avoid excessive indebtedness, will prevent over-use of the program.

6. The disadvantages of a short period of repayment—difficult to avoid when banks predominate among lenders—in view of the life cycle in income and expenditures. Not only does income tend to be relatively low in the early years after college graduation and to rise to a peak in late middle age, but youthful families also tend to borrow in the early years of marriage to acquire a home and appliances. They reach a point at which their debts for these purposes are paid off and net savings are feasible at some point in middle age. Moreover, it is in the early years of marriage that a wife, who may also have borrowed as a student, is likely to be out of the labor force because of childbearing. For all of these reasons, and also because inflation lightens the burden of repayments as the years go on, a relatively lengthy repayment period is very advantageous for student borrowers.

There has been some tendency in Congress to prefer the Direct Student Loan program and to be highly critical of the Administration for making no provision for that program in the 1975 Budget. This attitude is understandable, but the Direct Student Loan program presents problems, also, especially serious problems of differences in treatment of different students if it is to exist side by side with the Guaranteed Loan Program. The 3-percent interest rate was appropriate when the program was adopted in the late 1950's, but does it make sense today for some students to be eligible for 3-percent loans while others have to pay well over 7 percent? There is also an understandable tendency on the part of institutions to give preference to able students in the allocation of loans under this program and, I have been informed, to be more concerned about the credit standing of the student, because the institution's own funds are involved, than when it is determining need for a guaranteed loan.

Let me very briefly review the main features of the National Student Loan Program recommended by the Carnegie Commission:[23]

1. The Federal Government should charter a National Student Loan Bank, a nonprofit private corporation to be financed by the sale of governmentally guaranteed securities. The Bank would be self-sustaining except for administrative costs and the cost of any cancellations of interest because of low income and of principal for any reason other than death, which would be met out of Federal appropriations.

2. The Bank would make loans in amounts not to exceed $2,500 per year up to a total of $6,000 for undergraduate studies and $10,000 for graduate studies. No student would be eligible to obtain more in loans or in other types of student aid in any year than his costs of education, including subsistence costs.

3. Borrowers would be required to repay loans by paying at least ¾ of 1 percent of income each year for each $1,000 borrowed until the total loan and accrued interest was repaid. This level of repayment would permit the average income earner to repay his loan in approximately 20 years. (Lower earners would require a longer period.) For borrowers filing a joint tax return, the appropriate rate of repayment for the combined debt of the husband and wife would be applied to the combined income of the husband and wife.

4. Provisions relating to the beginning of initial repayments after completion of studies and after years of service in the armed forces or in national service programs would resemble those in existing legislation. There would also be provision for deferral of payments during any periods of exceptionally low income.

5. The Bank would be authorized to enter into an agreement with the Department of the Treasury under which the Internal Revenue Service would undertake all collections.

6. The interest rate charged the student would be set at a level which is adequate to permit the Bank to obtain the funds and to cover cost of cancellation upon the death of the borrower.

7. There would be no needs test.

8. There would be no cancellation of indebtedness for entering particular professions. Any remaining indebtedness would be canceled upon the death of the borrower or at the end of 30 years from the date of first payment.

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[23] Carnegie Commission: *Quality and Equality, Revised Recommendations* . . . pp. 9–13. The loan program recommended in this 1970 report was more carefully spelled out and somewhat modified as compared with the proposals in the earlier 1968 report on Federal aid.

Unlike full contingency loan programs, such as the proposed Economic Opportunity Bank, this program does not involve redistribution of income through differing levels of repayments for individuals with different levels of income. Lower-income borrowers would have to repay their entire debt but would be able to spread repayments over a longer period. The program is modeled to some extent after the well-established Swedish student loan program, but differs in some details from that program.[24]

We recognize that there may be serious obstacles in the path of early adoption of this type of program, but we believe that its many advantages over existing provisions will lead to increasing support for a program structured along these general lines. The new Carnegie Council plans to work out a more detailed set of recommendations for this type of loan program in the near future.

PART-TIME STUDENTS

Although provisions of Federal legislation relating to the various student aid programs generally allow aid to part-time students on a pro-rated basis, administrative regulations, notably in the case of the BOG program, have limited aid to full-time students. This has been an understandable limitation in view of the inadequate funds available. We believe that in the future there should be no discrimination against part-time students in the allocation of aid. In the last few years, the number of part-time students has been increasing much more rapidly than the number of full-time students. Between 1970 and 1973, part-time enrollment increased 27 percent, as contrasted with a 6 percent increase in full-time enrollment, on the basis of Office of Education data. In the case of women, the increase in part-time enrollment was particularly pronounced—37 percent as compared with 12 percent for full-time enrollment. Among men, the corresponding increases were nearly 20 percent for part-time enrollment and 2 percent for full-time enrollment. Expressing the relationships in a slightly different way, part-time students accounted for 38 percent of the women and 33 percent of the men who were enrolled in the fall of 1973.

These changes reflect accelerated enrollment in occupational programs in two-year colleges, where part-time enrollment is particularly common; an increased tendency for mature married women to enroll—necessarily in many cases on a part-time basis; and probably, also, a trend toward the more flexible patterns of participation in higher education that the Carnegie Commission advocated in its report, *Less Time, More Options*. In addition, in our report on *Opportunities for Women in Higher Education*, we advocated liberalization of many rules and policies that restrict enrollment of part-time students or employment on a part-time basis on university and college faculties.

COST-OF-EDUCATION SUPPLEMENTS

In all three of its reports on Federal aid, the Carnegie Commission advocated cost-of-education supplements based on the number of enrollees holding Federal student grants in higher education. By the fall of 1971, it was clear that all the major associations representing institutions of higher education were supporting a different approach to institutional aid, calling for capitation payments based on total enrollment. In the face of this situation, the Carnegie Commission carefully reviewed its position at several meetings and concluded that the arguments in favor of the approach it had recommended were compelling. As a result of these discussions, the Commission issued its report entitled *Institutional Aid* in February 1972, which, among other things, included detailed analyses of how differing aid formulas would affect the various types of institutions. In that report, the Commission stated that, in framing its provisions for Federal aid, the following principles were considered to be most important:

> Basic support of and responsibility for higher education remain with the states and with private initiative. We are opposed to the development of a single national system of higher education. . . . As a consequence of this principle, we do not favor lump-sum across-the-board grants to institutions from the federal government. This would be the initial step toward a nationalized system as, first, the state would reduce their sense of basic responsibility, and, second, controls would inevitably follow the lump-sum across-the-board grants.

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[24] For a discussion of Swedish student aid programs, see Woodhall, M.: *Student Loans: A Review of Experience in Scandinavia and Elsewhere*, George C. Harrap & Co., Ltd., London, 1970.

> The highest single priority for federal funding in higher education in the 1970s is to help fulfill the two-century old American dream of social justice. . . .
>
> Students should be given the maximum freedom of choice in choosing the institution they wish to attend. . . .
>
> Federal aid should be given in a manner which does not encourage the states and private sources to reduce their support. . . .
>
> The form of federal aid should minimize constitutional problems and hopefully eliminate them altogether. . . .
>
> The autonomy of institutions should be preserved.[25]

The provisions for cost-of-education supplements in the 1972 Amendments reflected the general principle supported by the Commission while incorporating some special features that the Commission had not advocated. There has been no funding of the provisions. The argument is now being heard that there is no longer a case for funding the cost-of-education supplements, because the slow growth of enrollment in the last few years has left many institutions with unfilled student places and therefore no special inducement in the form of cost-of-education supplements is needed to encourage these institutions to enroll students holding Federal grants. We would reply that recent enrollment shifts have affected different types of institutions in a highly variable manner and that unfilled student places are by no means universally found in all institutions. Furthermore, the need for institutional payments to assist institutions in providing special educational services to students with inferior preparation continues to be very great. In a recent study of disadvantaged students in higher education, it was found that, even in institutions that have developed special programs for these students, future funding of such programs tends to be very precarious.[26]

In an editorial of May 28, 1974, entitled "The Student Aid Hoax," the *New York Times* expressed some cogent arguments in favor of funding the cost-of-education supplements:

> Three years ago the Carnegie Commission on Higher Education recommended a formula to aid students and institutions simultaneously. Modeled on the concept of a guaranteed annual income, it would automatically entitle to scholarship aid any college-age student whose parents' income is below a set minimum. At the same time, every college would receive a cost-of-education grant for each federally subsidized student. . . .
>
> Now the Administration has asked for the full funding of the Basic Opportunity Grants (B.O.G.) at a level of $1.3 billion, while not only scuttling other important grants and loans, but without making any provision for cost-of-education grants to institutions—a fatal defect.
>
> The plan to link aid to the students and to the institutions is a tandem that cannot run successfully on one wheel. Aid to students does nothing to solve the institutions' budget problems. The colleges' only alternative then will be to raise tuition, thus wiping out the gains promised to the students. . . .

The specific recommendations for cost-of-education supplements included in our 1972 report differed somewhat from those included in the two earlier Federal aid reports. They called for:

1. $500 to an institution for each undergraduate student that is the recipient of a grant from the federal government which was made to the student because of his financial need, and proportionate supplements for parttime students holding such grants.

2. $200 for each student who receives a subsidized loan provided, however, that no such payment shall be made for students who hold federal grants or for students who borrow less than $200 during the fiscal year. (This provision was intended to aid institutions in enrolling students from families with incomes of $10,000 to $15,000.)

A recommendation for cost-of-eduaction supplements for needy graduate students holding Federal grants that had been included in the two earlier Federal aid reports was dropped, largely because the increasing problems involved in using parental income as a criterion for the determination of need were considered to be particularly acute in the case of graduate students and a special Federal program of aid to needy graduate students was therefore no longer

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[25] Carnegie Commission: *Institutional Aid* . . . , pp. 2–3.
[26] Astin, H. S., and others: *Higher Education and the Disadvantaged Student*, Human Service Press, Washington, D.C., 1972.

appropriate. The report did, however, recommend cost-of-education supplements of $5,000 for each Federal doctoral fellow enrolled at an institution, in line with earlier recommendations that had been associated with a proposal for doctoral fellowships for especially able graduate students who had been advanced to candidacy for a Ph.D. or equivalent research doctorate. I shall return briefly to the problem of aid to graduate students at a later point.

The cost of these proposals for institutional aid was estimated in our 1972 report at $950 million, with the needed amount anticipated to rise somewhat in subsequent years as the number of student grantholders increased. The provisions in the 1972 legislation differ, of course, in material respects from the Carnegie Commission recommendations, especially in scaling down the amount of the supplements with increasing size of campuses. We have some reservations about these provisions, and we also believe that some of their details, e.g., the definition of a separate campus, are in need of redrafting. For these reasons, and also because the problem of estimating the cost of implementing the intricate provisions is complex, I have not attempted at this point to develop a careful cost estimate. However, because the final provisions resemble much more closely the Senate bill that was under consideration at the time, rather than the House bill, I would suggest that an adequate initial appropriation should not, as a rough order of magnitude, be less than about $500 million.[27] We expect to undertake a detailed analysis of possible proposed revisions of the provisions for cost-of-education supplements during the coming year.

TUITION POLICY IN PUBLIC HIGHER EDUCATION

The Carnegie Commission recommendations relating to tuition policy in public higher education, as set forth in *Who Benefits?*, have been subject to a certain amount of misinterpretation and have been erroneously assumed in many quarters to be essentially equivalent to the recommendations of the Committee for Economic Development. We hope that the recent clarification of our policy in *Tuition*, a copy of which has been supplied to some members of the Subcommittee, has served to overcome misunderstandings.

Let me briefly review the Commission's recommendations on tuition policy as they developed chronologically:

1. In the *Open-Door Colleges*, issued in June 1970, the Commission stated its belief that tuition charges in community colleges should be held to low levels and that, as Federal aid is expanded and the States strengthen their financial support of community colleges, a Statewide no-tuition policy should be followed in as many States as possible. It was specifically recommended that:

> . . . states revise their legislation, wherever necessary, to provide for uniform low tuition or no tuition charges at public two-year colleges.[28]

2. In *The Capitol and the Campus*, issued in April 1971, the Commission broadened this recommendation to call for no tuition or very low tuition in the first two years of *all public institutions*, including community colleges, state colleges, and universities. It also warned that, when public institutions found it necessary to raise tuition and other required fees, increases should be at no higher rate than increases in per capita personal disposable income. As indicated earlier in this statement, moreover, the Commisison recommended that States should not consider raising tuition levels at public institutions until after establishment of a tuition grants program.[29]

3. In *Who Benefits?*, it was again recommended that public institutions and especially community colleges—should maintain a relatively low-tuition policy for the first two years of higher education. It was also recommended that public colleges and universities should carefully study their educational costs per student and consider restructuring their tuition charges at upper-division and graduate levels to more nearly reflect the real differences in the cost of education per student, eventually reaching a general level equal to about one-third of educational costs.[30]

This same recommendation for restructuring tuition charges in favor of lower-division students, and for progressively higher charges at upper-division and graduate levels, was also made for private institutions. Private colleges and universities, in addition, were urged not to increase their tuition charges more

[27] See Hartman, *op. cit.*, p. 485.
[28] Carnegie Commission: *The Open-Door Colleges* . . . , p. 46.
[29] Carnegie Commission: *The Capitol and the Campus* . . . , pp. 85–86.
[30] Carnegie Commission: *Who Benefits?* . . . , pp. 108–109.

rapidly than per capita disposable income and, if possible, to hold increases below such a rate.[31]

This aspect of the recommendations in *Who Benefits?* was largely ignored in the response of the press and of some critics.

Why was the Commission so consistently in favor of low or no tuition in the first two years of higher education? The most important reason, I believe, was that it felt that students should be given maximum opportunity to try out their chances for successful achievement in higher education in the first two years, with a minimal financial burden. At this stage, many students are uncertain about their probability of succeeding and, sometimes, even of their motivation or taste for advanced study. The community colleges, it was felt, had an especially important role to play in offering a truly open door to many students who, for one reason or another, had not performed up to their potential in high school and should be given a "second chance." A door is not very open, even with unselective admission policies, if tuition is a barrier. And many youthful students are wary of borrowing, especially if they are from low-income families and have experienced the extremely difficult problems that indebtedness can sometimes cause for those families.

Once a student has successfully advanced to upper-division work, he can be expected to be more confident and, if he wishes to continue in, or transfer to, an institution with costs beyond those available to him through student grants or his parents' contributions, should be prepared to augment his resources through part-time work or borrowing.

I now come to the Commission's recommendations for raising tuition somewhat at upper-division and graduate levels, in those cases in which it falls below about one third of educational costs per FTE student. This recommendation must be interpreted in the light of a background in which a good many economists had been pointing out, during the previous 10 to 15 years, that low tuition benefited students from middle- and upper-income families far more than it benefited students from low-income families. The reason for this was that many students from low-income families would not be able to afford to go to college even with the benefit of low or no tuition, because they would have great difficulty in meeting the subsistence and other expenses involved. In many cases, they and their families could not afford to do without the earnings they could receive if not enrolled. Or, to put the point somewhat differently, foregone earnings represent a much sacrifice for students from low-income families than for students from affluent families.[32]

On the other hand, the Carnegie Commission was not prepared to move toward a full-cost tuition policy for public institutions, as advocated by a significent number of economists and by many strong supporters of private higher education. This, it felt, would force too many students into heavy debt and would involve a sudden, and probably undesirable, change in the rules for today's generation of students, in contrast with older generations who had enjoyed the benefits of access to low-cost public higher education.

Let me now set forth the Commission's reasons for its recommendation as stated in the recent report on *Tuition*:

"The basic reason is that public subsidies can be channeled to students who need assistance more effectively through a combination of modest tuition charges and student aid than through primarily reliance on very low or no tuition. When students are subsidized primarily through very low or no tuition, the benefits flow to all students attending public four-year institutions regardless of family income. In other words, the benefits flow to many students who could well afford to pay at least a modest tuition charge . . .

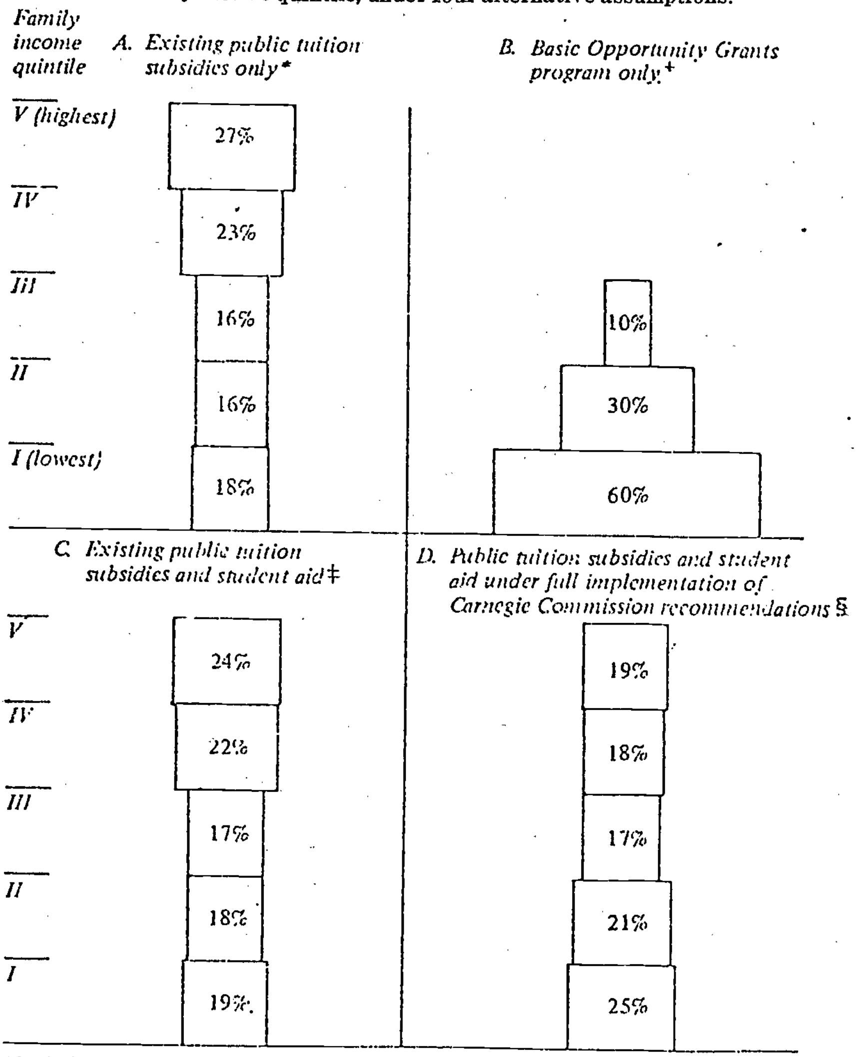
"A low tuition policy by itself tends to channel more subsidies to higher-income groups in total because more young persons attend college from those groups. A targeted student aid policy by itself tends to channel more subsidies to lower-income groups . . . Current policy, which combines some elements of each approach, channels somewhat more total aid proportionately to higher-income groups. The recommendations of the Carnegie Commission would more nearly balance subsidies among income levels (see Chart 2).

The report emphasized, however, that the Commission did not favor tuition increases that were not accompanied by increased student aid. In fact, it indicated that the Commission favored an increase in student aid in the near future that would exceed, in total amounts of dollars, any increase in tuition revenue. The report also pointed out that the one-third standard was consistent

[31] *Ibid.*, p. 110.
[32] For a particularly able statement of the case against low tuition, see Nerlove, M.: "On Tuition and the Costs of Higher Education: Prolegomena to a Conceptual Framework," *Journal of Political Economy*, vol. 80, no. 3, pp. S178–S218, May–June 1972.

with the situation that had evolved historically, in which students and their families meet approximately one-third of total institutional educational costs.

CHART 2.—Distribution of public subsidy funds benefiting undergraduates, by family income quintile, under four alternative assumptions.



*Includes tuition subsidies at public institutions and estimated tuition subsidies from public funds at private institutions.

+Assumes total annual expenditures of $1.3 billion, as recommended by the federal administration for 1974-75, and existing eligibility standards.

‡ Includes total estimated tuition subsidies and student aid from public funds at public and private institutions.

§ Includes modified tuition subsidies at public institutions, estimated tuition subsidies from public funds at private institutions, and total student aid from public funds, including increases recommended by the Commission.

Source: Carnegie Commission on Higher Education: *Tuition: A Supplemental Statement to the Report of the Carnegie Commission on Higher Education on 'Who Pays? Who Benefits? Who Should Pay?,'* Berkeley, Calif., 1974, p. 9.

The increases required by this policy, the report pointed out, were not nearly as pronounced as had been indicated in *Who Benefits?*, where an inappropriate and out-dated measure had been used to estimate the ratio of tuition to educational expenditures in public institutions. We now estimate that revenue from tuition and required fees in public four-year institutions represents at least 24 percent of educational expenditures and, if adjusted for the high costs of graduate and medical education, is probably about 27 to 28 percent of undergraduate educational costs in 1973–74. For universities alone, the appropriate figure may be as much as 30 percent. The earlier report had used a figure of 17 percent.

Thus, on the average, the implied average increases in tuition over the next ten years are no more than one percent a year over the rise in undergraduate educational costs per student and probably less than that. This is a far smaller increase than the CED recommendations imply, as the new report on *Tuition* shows (page 25). However, ratios of tuition to educational costs vary greatly among States and among institutions. In some States, notably Pennsylvania, tuition tends to represent at least one-third of educational costs at the present time, whereas in others, e.g., Texas, the ratio is much lower. Thus, the actual increases implied vary greatly and in some cases, as in New Hampshire and Vermont, tuition revenue substantially exceeds one-third of educational costs.

Understandably there has been concern in recent years over the impact of tuition increases, spurred on by sharply rising costs, on middle-income students who do not qualify for student grants. The report of the National Commission on the Financing of Postsecondary Education included a chart that showed a particularly sharp drop between 1967 and 1972 in the percentage of young persons enrolled from families with incomes of $10,000–$15,000 in constant 1972 dollars.[33] However, analysis of income changes between 1967 and 1972 shows that income increases tended to vary directly with family income, with families at higher income levels experiencing more pronounced increases than families at lower income levels. A more accurate way of measuring the impact on middle-income students is to compute enrollment rates for family income quintiles, i.e., fifths of all families in terms of income levels:

[In percent]

	1967	1972
All families with children aged 18 to 24 [1]	39.1	37.8
I (lowest quintile)	17.7	19.4
II	30.0	30.3
III	39.7	39.9
IV and V (2 highest quintiles)	54.0	52.2

[1] Families for whom income was not reported are excluded.

Source: U.S. Bureau of the Census, Current Population Reports, Series P–20, Nos. 190 and 260, 1969 and 1974.

The results show that it was only in the two highest quintiles (which had to be averaged because there was no breakdown of family incomes for the $15,000 and over group, within which the upper boundary of the second highest quintile fell) that there was a decline in the enrollment rate during the 5-year period. We do not have enough information on the factors underlying recent shifts in enrollment patterns, but can be certain that at least four factors are involved: (1) the increasingly high cost of attending college, (2) changes in the draft law that have made it no longer necessary to attend college in order to avoid military service, (3) the unfavorable job market for college graduates in some fields, and (4) the increasing tendency for students to "stop out" of college for a period and return later.

If, however, one looks closely at the enrollment rates in Table 1, it becomes apparent that it is primarily among youthful white males that a sharp decline occurred between 1969 and 1973, and this suggests that the change in the draft situation was probably an especially important influence.

I shall return to some concluding comments on relationships between student aid and tuition policy after discussing briefly the problem of support for graduate education.

[33] National Commission . . . , *op. cit.*, p. 27.

SUPPORT OF GRADUATE EDUCATION

The main thrust of the present hearings, as I understand it, is on assistance for undergraduate students, but I would be remiss if I did not comment on the unsatisfactory state of support of graduate education. Since 1968 there has been an extremely sharp drop in the number of graduate students receiving support by Federal fellowships or traineeships, as well as a cessation of several large foundation-supported fellowship programs. This has been accompanied by cutbacks in graduate education programs in some of the nation's most prestigious graduate schools, and by a shift in graduate enrollment away from universities and toward State colleges.

The marked change in the job market for Ph.D.s since 1968 has led in some circles to a general attitude of skepticism about the desirability of providing doctoral fellowships. This attitude, we believe, is dangerous and undesirable. The nation's leading graduate schools are a major national resource and should be protected against the hazardous impact of sharp fluctuations in Federal support. The long-run trend is clearly toward a continuing increase in the relative proportion of highly trained doctorates required by our economy. Already the market for Ph.D.s in engineering has turned around completely since the late 1960s, so that we now have a shortage, and surpluses are also beginning to disappear in some of the natural sciences. A sustained and sensible Federal policy of support of graduate education and research should be a basic element of national policy.

The Carnegie Commission has recommended the gradual phasing out of present doctoral fellowship programs offered by various Federal agencies and the establishment of a single fellowship program with selection based upon demonstrated academic ability without reference to need for graduate students advanced to candidacy for the Ph. D. or equivalent research doctorates. The number of first-year fellowships awarded should equal one-half of the average of the national total of earned doctorates in the fourth, third, and second year preceding the year in which the fellowships are awarded.[34] The Commission also recommended cost-of-education supplements to go along with these fellowships, as suggested above, and has developed recommendations designed to prevent continued proliferation of doctoral-granting institutions.[35]

FUTURE PROBLEMS

As we look toward the future, we must be prepared for the possibility that legal decisions may eventually outlaw the use of parental income as a criterion for the determination of need for student aid. This may well turn out to be one of the inevitable consequences of the lowering to 18 of the legal age of adulthood. Already we are in a situation in which increasing numbers of students are seeking independent status in applying for student aid. Fortunately, in terms of equitable allocation of student aid funds, these "independent" students are evidently predominantly from low-income families. But if the legal situation should outlaw the use of parental income in the determination of need, we shall be in a whole new "ball game" they will call for a new set of policies to encourage equality of opportunity.

Looking ahead toward this eventuality, and for a number of other important reasons, the new Carnegie Council is now conducting a study, in cooperation with the American Council on Education, of "two years of free access" or "two years in the bank,"—a concept that was put forward in the Commission's report, *Less Time, More Options.*[36] As one part of this study, we are exploring various alternative ways in which the Federal Government might provide financial encouragement for implementation of policies of low or no tuition in the first two years of higher education. The Carnegie Commission, as I have shown, emphasized the desirability of such policies, but it did not develop specific recommendations for implementing them.

Because tuition charges vary greatly among State systems of public higher education, and even within such systems, the problem of devising an appropriate formula for Federal financial support aimed at low tuition is not simple. If the

[34] For further details, see *Quality and Equality, Revised Recommendations* . . . , pp. 15-16.

[35] See Carnegie Commission: *College Graduates and Jobs: Adjusting to a New Labor Market Situation*, McGraw-Hill Book Company, New York, 1973. Section 8.

[36] Carnegie Commission: *Less Time, More Options: Education Beyond the High School*, McGraw-Hill Book Company, New York, 1971. For further discussion of the concept, see Carnegie Commission: *Toward a Learning Society*, McGraw-Hill Book Company, New York, 1973.

Federal Government were simply to "pick up" all or a portion of the cost in terms of lost revenue to State systems, it would be penalizing the systems that already have low or no tuition and rewarding those with high tuition. Thus, some other approach must be sought. We are exploring, among other alternatives, a number of formulas that might be used in a program of Federal grants to the States for this and perhaps related purposes. But we are not prepared for any policy recommendations on this issue at present.

In conclusion, I would like to stress the point that we regard adequate funding of the BOG program, along with liberalization of eligibility standards and other improvements in the program, as the number one priority at the present time.

Mr. O'Hara. The committee will meet next on Friday to hear testimony from the Commission on Financing of Post-Secondary Education at 10 o'clock in this room.

The committee now stands adjourned.

[Whereupon, at 12:30 p.m., the subcommittee recessed, to reconvene on Friday, June 28.]

42-884—75——15

HIGHER EDUCATION: WHO PAYS? WHO BENEFITS? WHO SHOULD PAY? (1973)

The Effects of Two Proposals for Higher Education Finance

(By Robert W. Hartman and Arthur Hauptman)

	Public institutions	Private institutions	Public and private institutions
Full-time equivalent student enrollement (in thousands)	5,066	1,698	6,764
Expenditures on student education (in billions)	$9.6	$4.4	$14.0
Expenditures per full-time equivalent student	$1,895	$2,591	$2,070
Tuition and fees income (in billions)	$1.887	$2.963	$4.850
Tuition and fees per full-time equivalent student	$372	$1,745	$717
Tuition and fees as a percent of educational expenditures	20	67	35

The table below shows the level of government support for higher education for academic year 1970–71. Once again, the source for this information was Carnegie Commission, *Who Pays? Who Benefits?* (This table includes research, while the previous one excludes most research expenditures.)

	Public institutions		Private institutions		Public and private institutions	
	Total (billions)	Dollars per FTE	Total (billions)	Dollars per FTE	Total (billions)	Dollars per FTE
Federal:						
Institutional income accounts	$2.18	430	$1.61	948	$3.79	560
Student aid	1.535	303	.512	302	2.047	303
Total Federal support	3.715	733	2.122	1,250	5.837	863
State and local:						
Institutional income accounts	7.494	1,479	.11	65	7.604	1,124
Student aid	.302	60	.034	20	.336	50
Total State and local support	7.796	1,539	.144	85	7.940	1,174
All governments:						
Institutional income accounts	9.674	1,910	1.720	1,013	11.394	1,685
Student aid	1.837	362	.546	322	2.383	352
Total governmental support	11.511	2,272	2.266	1,335	13.777	2,037

ALTERNATIVE 1: HEAVY GOVERNMENT SUPPORT IN ORDER TO PROVIDE ACCESS TO PUBLIC AND PRIVATE HIGHER EDUCATION

This alternative considers what would have happended in the 1970–71 academic year if the following measures were taken:

a. State and local governments increase their institutional support so that zero tuition and fees are maintained at all public institutions.

b. States provide additional subsidies to students at private institutions so that the per student subsidy at public and private institutions are equal.

c. Federal government initiates a Basic Grant Program with a maximum grant of $1,400 (this program is assumed to cost $1.5 billion).

The following changes would have resulted from this approach:

(1) Total government support would increase by $5.611 billion, an increase of 41 percent. State and local support would rise by $4.1 billion (52 percent), while federal support would rise by $1.5 billion (26 percent).

(2) State and local support for public institutions would rise by $1.887 billion (a 24 percent increase), while state subsidies for students in private institutions would be increased by $2.224 billion (a 1,500 percent increase).

(3) Government per student support at public institutions would have risen from $2,272 to $2,866; subsidies for students in private higher education would have gone from $1,335 to $2,886.

(4) Under this plan a student with no family means who attends a public institution would be $1,772 better off than previously ($1,400 from the federal grant and $372 from lowered tuition), while middle-income students would be $372 better off at public institutions.

ALTERNATIVE 2: RISE IN PUBLIC TUITION AND FEES, MORE GOVERNMENT FOCUS ON STUDENT AID

This alternative considers the effects of a rise in tuition and fees at public institutions coupled with expanded student aid programs. The following assumptions have been made.

a. State and local governments would raise tuition and fees at public institutions to 35 percent of educational expenditures, up from 20 percent in 1970–71.

b. State and local governments would then use the income derived from the increased tuition and fees in need-based grant programs.

c. The federal government would provide a basic grant program on top of the state grant programs. The federal program would have a maximum grant of $900 and would cost approximately $1.0 billion.

If these changes had been effected in 1970–71, the following results could have been expected:

(1) Total government support would increase by $1.0 billion, with all of the increase coming in the federal sector. State institutional support amounting to $1.5 billion would be converted into student aid, but the total amount of state support would remain unchanged.

(2) Average tuition and fees at public institutions would rise from $372 to $663, and increase of $291. At the same time, governmental *student aid* support would increase by $2.473 billion, an increase of 104 percent.

(3) Student aid would go to 50 percent of full time equivalent enrollments, up from the 30 percent estimated in 1970–71 under current financing arrangements. Student aid *per aid recipient* would increase by $262 (from $1,174 to $1,436), about equal to the tuition increase at public institutions.

(4) The state scholarship program would provide a maximum grant of $1,400 (assuming state scholarships were limited to the Basic Opportunity Grant population), while the maximum federal grant would be $900. Thus, a student with no family means would receive $2,300 and face an increase in public tuition of $291, making him $2,000 better off than in 1970–71 if he was not a giant recipient under current financing rules. Middle nicome students would face the higher public tuition charge and adequate loans would have to be forthcoming to them.

A guess is that loan supply would have to go up by $500 million to offset the tuition rise for students between $12,000–20,000 family income.

STUDENT FINANCIAL ASSISTANCE
(Miscellaneous)

FRIDAY, JUNE 28, 1974

HOUSE OF REPRESENTATIVES,
SPECIAL SUBCOMMITTEE ON EDUCATION
OF THE COMMITTEE ON EDUCATION AND LABOR,
Washington, D.C.

The subcommittee met at 10:15 a.m., pursuant to adjournment, in Cannon House Office Building, Hon. James G. O'Hara (chairman of the subcommittee) presiding.

Present: Representatives O'Hara and Dellenback.

Mr. O'HARA. Today the subcommittee will take testimony on the report of the National Commission on the Financing of Postsecondary Education. Unlike the Carnegie Commission and the CED, which were essentially formed as a result of private initiative, and unlike the Newman Task Force, which was created by the executive branch, the National Commission was created by act of Congress—by section 140 of Public Law 92-318, the Education Amendments of 1972 as amended by Public Law 93-35. The relevant provisions of law will be printed, absent objection, at a proper place in the hearing record.

[The information referred to follows:]

EDUCATION AMENDMENTS OF 1972 (PUBLIC LAW 92-318)

STUDY OF THE FINANCING OF POSTSECONDARY EDUCATION

SEC. 140. (a) (1) It is the purpose of this section to authorize a study of the impact of past, present, and anticipated private, local, State, and Federal support for postsecondary education, the appropriate role for the States in support of higher education (including the application of State law upon postsecondary educational opportunities), alternative student assistance programs, and the potential Federal, State, and private participation in such programs.

(2) In order to give the States and the Nation the information needed to assess the dimensions of, and extent of, the financial crisis confronting the Nation's postsecondary institutions such study shall determine the need, the desirability, the form, and the level of additional governmental and private assistance. Such study shall include at least (A) an analysis of the existing programs of aid to institutions of higher education, various alternative proposals presented to the Congress to provide assistance to institutions of higher education, as well as other viable alternatives which, in the judgment of the Commission, merit inclusion in such a study; (B) the costs, advantages and disadvantages, and the extent to which each proposal would preserve the diversity and independence of such institutions; and (C) the extent to which each would advance the national goal of making postsecondary education accessible to all individuals, including returning veterans, having the desire and ability to continue their education.

(b) (1) There is hereby established, as an independent agency within the executive branch, a National Commission on the Financing of Postsecondary Education (referred to in this section as the "Commission"). Upon the submission of its final report required by subsection (d) the Commission shall cease to exist. Upon the submission of its final report required by subsection (d) the Commission shall cease to exist, except that it shall, if necessary, have a reasonable time (but not later than June 30, 1974) to terminate the affairs of the Commission.

(2) The Department of Health, Education, and Welfare shall provide the Commission with necessary administrative services (including those related to budgeting, accounting, financial reporting, personnel and procurement) for which payment shall be made in advance, or by reimbursement, from funds of the Commission and such amounts as may be agreed upon by the Commission and the Secretary of Health, Education, and Welfare.

(3) The Commission shall have authority to accept in the name of the United States, grants, gifts, or bequests of money for immediate disbursement in furtherance of the functions of the Commission. Such grants, gifts or bequests, after acceptance by the Commission, shall be paid by the donor or his representative to the Treasurer of the United States whose receipts shall be their acquittance. The Treasurer of the United States shall enter them in a special account to the credit of the Commission for the purposes in each case specified.

(c) In conducting such a study, the Commission shall consider—

(1) the nature and causes of serious financial distress facing institutions of postsecondary education; and

(2) alternative models for the long range solutions to the problems of financing postsecondary education with special attention to the potential Federal, State, local, and private participation in such programs, including at least—

(A) the assessment of previous related private and governmental studies and their recommendations;

(B) existing State and local programs of aid to postsecondary institutions;

(C) the level of endowment, private sector support and other incomes of postsecondary institutions and the feasibility of Federal and State income tax credits for charitable contributions to postsecondary institutions;

(D) the level of Federal support of postsecondary institutions through such programs as research grants, and other general and categorical programs;

(E) alternative forms of student assistance, including at least loan programs based on income contingent lending, loan programs which utilize fixed, graduated repayment schedules, loan programs which provide for cancellation or deferment of all or part of repayment in any given year based on a certain level of a borrower's income; and existing student assistance programs including those administered by the Public Health Service, the National Science Foundation, and the Veterans Administration; and

(F) suggested national uniform standards for determining the annual per student costs of providing postsecondary education for students in attendance at various types and classes of institutions of higher education.

(d) No later than December 31, 1973, the Commission shall make a final report to the President and Congress on the results of the investigation and study authorized by this section, together with such findings and recommendations, including recommendations for legislation, as it deems appropriate, including suggested national uniform standards referred to in subsection (c)(2)(F) and any related recommendations for legislation. No later than 60 days after the final report the Commissioner shall make a report to the Congress commenting on the Commission's suggested national uniform standards, and incorporating his recommendations with respect to national uniform standards together with any related recommendations for legislation.

(e) In order to carry out the provisions of this part, the Commission is authorized to—

(1) enter into contracts with institutions of postsecondary education and other appropriate individuals, public agencies and private organizations;

(2) appoint and fix the compensation of such personnel as may be necessary;

(3) employ experts and consultants in accordance with section 3109 of title 5, United States Code;

(4) utilize, with their consent, the services, personnel, information and facilities of other Federal, State, local, and private agencies with or without reimbursement; and

(5) consult with the heads of such Federal agencies as it deems appropriate.

(f)(1) The Commission is further authorized to conduct such hearings at such times and places as it deems appropriate for carrying out the purposes of this section.

(2) The heads of all Federal agencies are, to the extent not prohibited by law, directed to cooperate with the Commission in carrying out this section.

(g)(1) The Commission shall be composed of—

(A) two members of the Senate who shall be members of the different political parties and who shall be appointed by the President of the Senate;

(B) two Members of the House of Representatives who shall be members of different political parties and who shall be appointed by the Speaker of the House of Representatives; and

(C) not to exceed thirteen members appointed by the President not later than ninety days after the date of enactment of this Act. Such members shall be appointed from—

(i) members of State and local educational agencies;

(ii) State and local government officials;

(iii) education administrators from private and public higher education institutions and community colleges;

(iv) teaching facility;

(v) financial experts from the private sector;

(vi) students;

(vii) the Office of Education; and

(viii) other appropriate fields.

(2) The President shall designate one of the members to serve as Chairman and one to serve as Vice Chairman of the Commission.

(3) The majority of the members of the Commission shall constitute a quorum, but a lesser number may conduct hearings.

(4) The terms of office of the appointive members of the Commission shall expire after submission of the final report.

(h) There are hereby authorized to be appropriated $1,500,000 for the period beginning on the date of enactment of this Act and ending July 1, 1974 for the purpose of carrying out the provisions of this section.

(20 U.S.C. 1070) Enacted June 23, 1972, P.L. 92–318, sec. 140, 86 Stat. 282, 284, and amended May 16, 1973 by Public Law 93–35 87 Stat. 72.

Mr. O'Hara. The Commission was duly appointed, began and completed its work, and filed a final report at the beginning of this year. The report of the Commission deserves particular attention by this subcommittee because two of our distinguished members—the gentleman from Indiana and the gentleman from Oregon—were among the members, and, I am advised, the hardest working members of the Commission. The Chair notes the presence in the room this morning of Mr. Dellenback and conveys Mr. Brademas' apologies.

The Commission witnesses this morning include its chairman, Mr. Don Leonard, attorney at law, of Lincoln, Nebr.; the executive director, Dr. Ben Lawrence, now with the National Center for Higher Education Management Systems, Boulder, Colo.; Dr. George Weathersby, associate director, now at Harvard University; Mr. Dan Martin, of the Associated Colleges of the Midwest; and Dr. Peter Muirhead of the U.S. Office of Education.

All of these witnesses are distinguished educators and experts in their own right, but I think they will all forgive me if I single out one of them for special mention at this time.

Ever since I first came to the Congress, whenever there has been a question to be asked about Federal education policy—and particularly postsecondary education policy, the natural thing to do, no matter who was in charge at the very top of the Office of Education, or the Department of Health, Education, and Welfare, has been to pick up the telephone and ask Peter Muirhead.

Peter Muirhead, I am grieved and a little skeptical to say, is about to retire from the Office of Education. After 16 years of advising Congressmen, Presidents, Commissioners, Secretaries, college deans, school board chairmen, parents and students, Peter Muirhead is about to leave public life—or so he thinks.

The fact is that as long as I have Peter's telephone number—and I understand he will still be in the Washington area—he is not going to get off without advising me. And I think I speak for every member of this subcommittee, for all those who have testified before us, for all those who have worked with him, and for the millions who have benefited from his work, when I say that Peter Muirhead may be off the payroll, but he cannot be taken off the honor roll. Let me tender to you the official and formal thanks of this subcommittee for all your help over a great many years.

Mr. MUIRHEAD. Thank you, Mr. Chairman, for those gracious and generous remarks. It has been an eventful time to work in the Office of Education during these past 16 years—a period when the Federal interest in education has been and continues to be "center stage" in the deliberations of our Government. Although I have been privileged to work for the executive branch during all of that period, one of the most precious memories that I will take with me will be that of the creative wisdom and productivity of this committee and its unswerving commitment to serving the postsecondary education needs of our youth.

Mr. O'HARA. Gentlemen, I don't know if we really ought to let Mr. Dellenback sit up here. It is sort of a conflict of interest but I guess it is all right.

Would you like to make some observations?

Mr. DELLENBACK. I am here to ride shotgun.

Mr. O'HARA. I am sure they don't need any protecting but I am sure you will do a good job if they do.

Gentlemen, if you will proceed.

STATEMENTS OF PETER MUIRHEAD, DEPUTY COMMISSIONER FOR HIGHER EDUCATION, U.S. OFFICE OF EDUCATION; DON LEONARD, LINCOLN, NEBR., CHAIRMAN, NATIONAL COMMISSION ON THE FINANCING OF POSTSECONDARY EDUCATION; BEN LAWRENCE, NATIONAL CENTER FOR HIGHER EDUCATION MANAGEMENT SYSTEMS, DENVER, COLO. (FORMER EXECUTIVE DIRECTOR, NCFPE); GEORGE WEATHERSBY, HARVARD UNIVERSITY (FORMER ASSOCIATE DIRECTOR, NCFPE); AND DAN MARTIN, ASSOCIATED COLLEGES OF THE MIDWEST

Mr. LEONARD. I believe Dellenback and Brademas have been riding shotgun to assure the Commission got things done in the last year and a half.

Chairman O'Hara, members of the subcommittee, ladies and gentlemen, this presentation is the last official act of the National Commission on the Financing of Postsecondary Education. In a sense it is appropriate that our last official act end here, because I understand that the initial discussions that led to the Commission's creation started here.

On the other hand while the Commission's work has ceased we are pleased at the work we have stimulated. As you are aware, in discharging its responsibilities, the Commission chose not to rehash old issues so thoroughly examined by other study groups, but tried to add something new to the base of knowledge they had accumulated. Of course the Commission's report, its staff reports, and its data base provide testimony to one of its major impacts. I am attaching a list of Commission reports now completed for your information.

This includes the basic report of the Commission and certain staff reports which have been issued or soon will be.

The Commission's approach, of course, has been well publicized. It was to devise a means whereby we could determine in a more systematic way, and hopefully more accurately, what would happen in the future if we chose one policy alternative as opposed to another in the financing of postsecondary education. It has recommended the use of an analytical framework and placed high priority on assembling pertinent data to permit the thorough analysis of policy proposals to assist Federal and State policymakers in making wise choices concerning the financing of educational services to our people.

The Commission has also attempted in a rudimentary way to use that framework and data to demonstrate the potential usefulness of such an approach and to provide you with the most current information available. We find evidence already that these approaches are being seriously attempted and we are pleased.

I am distributing a publication by our Executive Director which provides a brief summary of the Commission's report which you may find easier to utilize and make reference to than the large volume.

We would also like you to be aware that we have completed our assignment within the time frame provided and within the appropriation provided.

I would like to give high compliment to the staff who worked long hours in bringing about the work of the Commission.

In your letter of June 12, 1974, you asked us to focus our attention on the student assistance questions and these issues, such as tuition and institutional aid policies which are part and parcel of the student assistance question. We intend to do that.

Dr. Weathersby will report the findings of the Commission that are relevant to student assistance. Dr. Martin will speak briefly about diversity and distress in institutions as related to student financial assistance focusing particularly on the concerns of private and other high tuition institutions.

Dr. Lawrence will speak to you about objectives and incentives of parents, students, institutions, and States, and how that affects the effective operation of Federal financing programs and finally in our discussions following our initial presentation we hope to be able to present some personal observations that cannot be attributed to the Commission's work but arise out of our experience with the Commission and other involvements in the postsecondary education enterprise.

In particular it is the hope of the president, that the presence of Dr. Muirhead can add materially to this discussion.

Since we have prepared statements we will summarize them briefly, trusting that the summary will stimulate our discussions with you and that you will have an opportunity to read our prepared statements at another time.

Dr. Weathersby.

Mr. WEATHERSBY. I am not going to read this document in its entirety but will highlight it as I go through.

Mr. O'HARA. Without objection the statement will be included in the record in its entirety.

Mr. WEATHERSBY. In view of the recent subcommittee hearings on student assistance policies, I believe much of the work of the National Commission will be directly relevant to your considerations. In the next few minutes I would like to share with you the substantive research findings and procedure of the National Commission and to relate my personal observations.

The Education Amendments of 1972 will be regarded as landmark legislation because it created numerous new financing programs for postsecondary education, including the National Institute for Education, the fund for improvement of postsecondary education, and the basic educational opportunity grants (BEOG), as well as extending virtually all of the previously authorized programs for another 3 years.

The Education Amendments of 1972 also marked the transition of policy focus from higher education to postsecondary education. In 1972 postsecondary education was about a $30 billion industry annually with the Federal Government—$8.1 billion—providing almost as much as all 50 States and nearly 500 local governments combined—$9.3 billion. There are about 2,950 colleges and universities in the United States; in addition there are more than 7,000 accredited technical and vocational noncollegiate schools, about 5,000 of which are proprietary. There are about 9.3 million students in the collegiate sector and 3 million students in the noncollegiate sector. Total 12 million.

Structuring public policies to respond to this broad scope of institutions and students in postsecondary education is very difficult and leads almost inevitably to policies which are not particularly responsive to any one type of institution. The work of the Commission dealt with the whole sweep of postsecondary education and its financing—and not with particular institutional sectors. Therefore, the following discussion of the results of the Commission will be presented in general terms with no assertion that these general results set the context for developing public policy to deal best with every institution.

The Commission had two principal outcomes: A recommended process for planning the financing of postsecondary education and a set of data-based research findings on the degree of accomplishment of some objectives, the extent and causes of institutional financial distress, the applicability of available uniform costing procedures, and the likely enrollment and financial consequences of alternative financing plants for postsecondary education.

The decision by the Commission to operate on two levels—the process of planning for and the substance of national financing policies—was deliberate from the very beginning of the discussions of the Commission. I believe this decision reflected the frustrations some members of the Commission had felt in the last several years as they struggled in the national policy arena without any clear conceptual guidelines.

Perhaps this decision also reflected the attitude of some Commissioners that the role of this Commission was to advise the Congress and the President on the current state of postsecondary education and the likely future state of postsecondary education if different policies are followed in the future.

To provide a context for this substantive information, the Commission also had to describe the conceptual approach it had taken in its analysis. Conditions affecting postsecondary education will change, as will public priorities, in ways that are difficult to predict; yet it is the hope of the Commission that the analytical approach it has developed will continue in the future to be useful in developing appropriate national policies.

The two-level focus of the Commission's report has possibly made it more difficult to analyze the report. The substance is complex both because the financing of postsecondary education is complex, including over 380 Federal financing programs plus several hundred more State, local and private financing programs, and because of the highly decentralized decisionmaking of the more than 10,000 institutions and 12,000,000 students in postsecondary education.

Unlike the Carnegie Commission which focused on the collegiate sector and the Committee for Economic Development report, which focused on undergraduate collegiate instruction, the National Commission included the noncollegiate sector as an integral part of its analysis.

Using aggregate categories of students—by level and income group—and institutions—by public/private, Carnegie category and USOE Career School category—the Commission made many observations including:

(1) Consistent with other recent studies, the Commission observed that ethnic minorities, persons over 25 years old, and women having substantially less access to postsecondary education than young white men. Family income per se is not a particularly important variable in explaining, statistically, the difference in participation rates. And, as corroborated by the available estimates of the response of student demand to changes in the price of postsecondary education, the net effect on enrollment of moderate changes in student aid or tuition is also not particularly large.

In years past we have thought of financial need as an almost physical barrier preventing would-be students from attending college. The partial evidence available suggests that parental education and occupation, individual ability and high school tracking are all more important than family income in affecting an individual's college going choice. Furthermore, most of these factors are not instruments of public policy, at least not for this generation of young people. The evidence does not argue that equal access is a hopeless objective—but it does suggest that achieving equal access through monetary incentives alone will be both difficult and expensive.

(2) The income composition of enrollment in each sector of postsecondary education—for example, private research universities or public 2-year colleges—is not a function of the average price of the sector, indicating that there are some strong signs of equality of student choice in American postsecondary education.

The Bureau of Census data show no significant relationship between the enrollment composition by income and the average after-student-aid net price or the average gross tuition of an institutional sector. The Bureau of Census results are not in terms of the aggregate relationship between enrollment composition and institutional price, and they do control or account for the admittedly unequal access of low-income groups. These data do not argue that all individuals go to the institution of their highest preference or that individuals of each income group are spread evenly among all institutions.

For middle income parents, or alumni who have to dig deep into their pockets to pay a student's expenses of $4,000 to $6,000 per year at many of our private institutions, the suggestion of relative equality of choice must provide cold comfort. In my opinion, these results do not obscure the sacrifice of middle-income parents; rather they reflect the impact of the more than $5 billion of public funds made available in direct student aid which is packaged for eligible students in some mix of grants, work and loans.

As a result of its analysis, the Commission offered four general and very simple observations. After one becomes comfortable with these observations, they are embarrassingly simplistic and almost tautologically true; but they are sufficiently counterintuitive at first glance that I believe it is worth emphasizing them here.

If student access is defined in terms of the rate of participation of low-income individuals in postsecondary education and if low-income individuals respond at all to changes in the net price of attendance, then targeting a given amount of money solely on low-income individuals such as need-based grants or need-based programs, will increase their participation rate more than spreading the same amount of money over low-, middle-, and high-income individuals—for example lowering tuition.

This is one of the key points in the public-private tuition debate which has recently received so much attention. And the logical argument is very simple. If individuals did not respond to price changes, then neither the level of student aid nor the level of tuition would have any impact on enrollments; but both empirical research and our own personal experience suggest the contrary.

Current evidence indicates that individuals respond to changes in the net price of attending postsecondary education, with $100 decrease in price resulting in a 1-percent to 3-percent increase in enrollments depending upon parental income level and vice versa.

The basic assumption underlying need-based financial aid—and needs tests for financial aid—is that individuals from low-income families do attend postsecondary education with greater likelihood when they receive financial aid than when they do not.

Therefore, focusing resources on the group of greatest concern will have a greater impact on their enrollment than diffusely providing the same amount of money to a broad audience.

The second generalization was, among all recipients, need-based grants have the greatest effect on enrollments of individuals of low income or individuals attending high cost institutional sectors, which isn't surprising. However, as shown in figure 2, $2 billion in additional need-based grants would increase low-income enrollment nationally by about 6 percent in 1980—aproximately 200,000 students—costing about $10,000 per additional student per year, which is surprising.

This does not imply that any one student receives a $10,000 grant. But it reflects two conditions: Approximately one-half of all undergraduates currently enrolled will be eligible for BEOG-type grants and most of the money distributed through such a need-based grant program will go to students who would enroll anyway—partially because of all the other student financial aid programs available—and the enrollment of individuals from low-income families increases "only" about 6 percent, which is much less than most people would estimate.

This does not argue against the use of need-based grants to improve access. But it does reinforce the earlier statement that achieving equal access through need-based grants will be an expensive undertaking.

The need-based grants formulation studied by the Commission produced results that were relatively unaffected by changing the maximum eligible family income from $15,000 to $20,000 per year. With need-determined eligibility, most of the available money goes to low-income individuals in either event and adding middle-to-high income individuals who have relatively "low need" does not appreciably affect grants to low income students.

The income eligibility requirements of Federal need-based student aid programs have essentially excluded everyone from families earning more than $15,000. This has been one of the factors in the fiscal anxiety of middle-income parents responsible for supporting a student in college. Several States, I cite Pennsylvania as an example, have recently extended the eligibility for some of their student aid programs to families earning up to $20,000 per year.

While this decision on income eligibility has major political ramifications, the analysis of the Commission suggests that the practical implications may be relatively small in the case of grants because the needs criteria, which determine the amount of the grant, would still provide most of the assistance to low-income individuals.

Finally the fourth generalization I would like to make is, expanded institutional general assistance from public sources might be justified on many bases, such as financial distress which inhibits the achievement of public objectives. One basis for direct institutional aid would be to cover the extra institutional costs induced by increased public support of students encouraging them to change their decisions to conform with public objectives.

As institutions accommodate extra students, they also incur extra costs, even above and beyond the additional tuition revenues brought in by the extra students. The Commission calculated how much would have to be provided to cover this extra cost, and it would be in a range of $24–$37 per undergraduate or $69–$120 per student receiving the additional student grants if an additional $1.2 billion was made available for need-based student grants.

The magnitude of these institutional supplements is smaller than many people expected in light of the average costs of instruction, which will probably be on the order of $2,000 to $3,000 per undergraduate in 1980. It is very easy, however, to confuse the average cost of an additional student with a purely constructed funding parameter that would provide enough money to institutions to cover all the extra costs induced by increased student access.

This number could be constructed on the basis of undergraduate enrollment or the number of students receiving grant-in-aid assistance or on another basis. Both of these are current provisions.

Consistent with the previous observation, individuals are not all that responsive to increases in student grants; an additional $1.2 billion in 1980 would increase undergraduate enrollment in 1980 by an estimated 27 percent. The additional costs not covered by net tuition receipts from this additional enrollment is a small amount when spread over all undergraduates or even when spread over those students eligible for, and presumably receiving, the additional student grants.

In almost every respect, the work of the Commission is but a beginning; the data classification taxonomies and computer-based data system assembled by the Commission begin to provide an ordered thought process to assist decisionmakers at all levels in reaching major financing decisions; the analytical models developed by the Commission staff begin to automate the laborous calculations needed to use the analytical framework in a timely and economical fashion; the financing alternatives described by the Commission begin to provide a common basis for dialogue and debate in the broad postsecondary education community.

It is my personal hope that the findings and procedures of the Commission will enable us to look behind the folklore and see the facts, to improve the precision of our language so we may identify true distinctions while avoiding semantic differences, and to shift the focus of the debate on financing postsecondary education from the means of financing to the objectives desired for education, from the processes and procedures of delivering funds to the new characteristics of the clientele of postsecondary education and the nature of adult learning.

Mr. O'HARA. Thank you.

Mr. MARTIN. Mr. Chairman, like my colleagues, I am honored by your invitation to report on the work of the National Commission on the Financing of Postsecondary Education. Chairman Leonard asked me to highlight elements of the Commission's report dealing with the effect of student aid policies on institutions of postsecondary education, and to give special attention to the problems of student choice, institutional diversity, and financial distress. That charge leads me quickly to the problem around which so much controversy has flared in recent months, the famous gap between tuition charges made by State institutions and by voluntary institutions of higher education.

I am uncomfortable about that assignment. My feeling is you have heard a great deal about the needs of institutions and rather less about the needs of students. The needs of students and institutions are not always synonymous and I regret the fact that you are inevitably confronted with more representation from institutional interests rather than student interest.

Certainly in the charge that Congress gave to the Commission using the word "postsecondary," you opened up a great deal of new territory and took cognizance of the diversity in the educational opportunities the adults in this country have, reaching far beyond the traditional pattern of higher education.

That was a terribly important move. Certainly we see a much richer picture than if we were looking at higher education.

As the Commission worked, we tried to learn about the postsecondary education world beyond colleges and universities. We quickly came to see there was something like four sectors—the State institutions, the nonprofit sector, the proprietary sector, and the other.

It may be within those last two there are enormous possibilities. I personally think there is a great deal of rich development going on in postsecondary education. I don't believe the notion that we are losing diversity. I don't think we have enough diversity and certainly as you think about the educational opportunities that labor unions and corporations and churches and all manners of agencies outside the usual familiar framework are moving into, I hope you will keep an eye on them and see if there are not ways for you to extend your efforts to recognize and support entrepreneurship and responsiveness to individual interests and not just keep the focus on higher education or the traditional institutions.

Back to the gap. What is the nature of the tuition gap? On the surface it is a difference in the price charged the customer, averaging about 400 percent. Please remember that this is the difference in price, not in cost. One of the largest factors distinguishing State institutions of higher education from others is the portion of the cost of their operation which is subsidized by the taxpayer. Considering the magnitude of that subsidy, it is a wonder that most institutions not receiving it exist at all.

What really counts, however, in students' decisions is not the advertised price, but the price they are actually asked to pay. These and other expenses—room, board, et cetera—minus financial aid constitute the effective price charged. Differential pricing based on financial need reduces the famous gap considerably.

Partly as a result of financial awards, the national objective (as identified by the Commission) that students should have a reasonable choice in the institutions they attend is fairly well fulfilled. Some gaps certainly do exist, but in most categories, students have not been massively excluded from any institutional type on the basis of price. In fact, U.S. Office of Education figures 1971–72 reveal that the participation of students from families with incomes below $10,000 was larger in private liberal arts colleges than it was in State research universities.

How is that result possible? It flows partly from the provision of public financial aid funds to needy students and partly from the widespread practice of selective price discounting, particularly in the nonprofit colleges and universities. Those institutions grant roughly 2.5 times more financial aid per student than do State universities. Consequently, low-income students are faced with very little, if any, difference in the price of attending a State or a private college. Through this basic mechanism of selective pricing, institutions relying heavily on it are serving the public policy by focusing their support on the students who need support.

Unfortunately, foregone institutional income is a growing element in the financing of student aid expenditures in all collegiate institutions. In 1972, over 30 percent of all financial aid awards received by students were not covered by institutional income for that purpose.

This is cutting the price without any other income coming in. Between 1969 and 1972 such deficits have more than doubled. This is exacerbated on the institutions because of inflation.

The price of those deficits in State institutions is often the reduction of program quality, and in the private sector the price is insolvency. This deficit spending has opened access and choice to low-income students, but it is a prominent source of the financial distress about which you have heard so much. The danger to the continued ability of voluntary institutions to serve the national objectives is particularly severe as the illustrates. Their capacity to stay afloat while incurring such deficits is obviously limited.

We still fall short of opening our goals to access of low-income students. Maintenance of charges is increasingly jeopardized. You have certainly heard a great deal about that problem.

New public financial programs should take both these problems into account. These demands certainly complicate your task.

If the work of this Commission can be helpful in your consideration of the particular problem of student aid, I submit it has done so in putting the effectiveness of financial aid expenditures in perspective.

Carving through the rhetorical smoke screens around this issue, our report demonstrates how expending public funds through need-based financial aid is more effective than lowering the gross price for all students. This finding should be self-evident but many spokesmen for higher education haven't perceived it.

No one policy can possibly come to grips with the complex expectations the Nation holds out for education.

In the area of undergraduate education, continued Federal leadership and the equitable distribution of public funds through student financial aid will improve the impact of each tax dollar appropriated to reduce the financial barriers which make possible the secondary opportunities in our country unequal.

Thank you.

Mr. O'Hara. Thank you.

Mr. Lawrence. Mr. Chairman, and members of the Special Subcommittee on Education, my three colleagues have covered adequately the work and findings of the Commission in the direct sense. I would like to convey to you four points that became clear to me during the process of the Commission's activities, but specifically arising out of the staff's work on the flow of dollars in postsecondary education.

First, if the purpose of student financial assistance is to assure access to postsecondary education and to alleviate the financial burden of low- and middle-income families of students, means other than giving the money to the student may be more effective, if not appropriate.

Let me explain. It is a truism that parents, students, institutions, and States have different reactions to Federal financing initiatives for postsecondary education—that is, when a Federal dollar is provided they each respond to the dollar in a different way, they make different decisions. This is an important fact that we often overlook when we try to develop Federal financing proposals for postsecondary education. What are these differing incentives and objectives and how do they effect the financing of postsecondary education?

Students and their families are primarily concerned about (1) the student's access to the appropriate institution, and (2) the degree to which the financial ability to purchase other social amenities—health care, recreation, transportation, housing—are jeopardized. Families feel that they have worked hard to attain these social amenities and that a college education should not unduly jeopardize this ability to maintain that standard. They are therefore concerned directly about the net price they must pay for the student's education—they are little concerned whether on the one hand tuition is high and student financial assistance brings the net tuition and other costs down to a point where he can afford it or tuition and other costs are kept low and student financial assistance is correspondingly lower. They would like the student to have access to and complete his or her education. They would like financial barriers removed when they are prohibitive.

Thus, students and their families will be seeking from you either lower costs—tuition, books, transportation, board and room—or more financial assistance.

Institutions on the other hand are not only concerned about student access, they are concerned about the quality of the educational experience and perhaps more importantly balancing their budgets. If, for example, the institutions admit more students because students have more money, and lose $100 for every student—and this can be the case—their incentives will cause them to raise tuition, negating to some extent the effect of the increased student financing assistance. If they are already admitting all the students they can handle, their incentive will still be to increase tuition in order to improve quality of the educational experience for those students, or to reward faculty—by increasing salaries—for providing services that are already attractive to students.

Thus, when you increase student financial assistance to any significant degree, I believe you should be aware that the availability of more funds in the hands of students is an additional incentive to cause institutions to raise tuition. This is particularly true, I believe, because other sources of revenue to the institutions have been strained and institutions have had little choice but to devise means of tapping the students' financial resources. The consistently rising tuition provides some evidence that this observation merits consideration.

When more dollars become available to students, the States' incentive is to devise means of using that source of revenue to offset their own payments for other social services to their citizens or to reduce local taxes, thereby shifting responsibility for basic support of postsecondary education from the State to the Federal Government.

They have two ways of doing this. First, they can reduce their own levels of student financial assistance, and second, they can encourage or require that tuitions be increased and reduce State appropriations to institutions—either public or private.

To sum up my first point. Do not assume that providing student financial assistance will necessarily provide increased student access for students—except possibly low income students—or necessarily alleviate the burden of families in supporting their young people while in college. The financial pressures on institutions and States are such that their incentives are to tap those resources to their own benefit rather than to the benefit of the student or his or her family.

The trick, of course, is to devise a set of financial assistance programs that will take into account the various incentives of all parties concerned and promote the specific objectives that Congress may have in mind for Federal dollars. This is a point that the Newman task force has been making for some time. There are, of course, other incentive structures that can be considered than the one they have proposed and on other occasions I hope to have an opportunity to describe these to you.

This leads to my second point: No single Federal financing initiative can respond adequately to the various objectives I have observed put forward by Congress for postsecondary education.

Our Commission has pointed up rather sharply the existence of over 380 Federal programs that support postsecondary education. Some have referred to this as a plethora of proliferated programs and have stressed the importance of consolidation of these programs. I will be the first to admit that some consolidation will be helpful. But in our desire to simply let's not assume that we can devise a single approach or even 20 approaches that will accomplish the objectives we have for a diverse postsecondary education enterprise to meet the varying needs of our pluralistic society. Indeed the competing nature of the various programs may enable you, as representatives of our people, a better way to weigh the priorities involved than if these priorities were all embedded and homogenized into a few programs.

This leads me to make my third and fourth points which have to do with two specific programs that I know are of concern to you.

Third. The effective operation of the guaranteed student loan program is of vital importance to the effective financing of postsecondary education. It potentially provides for low-income families that final portion of the financial assistance they need to enable their students to attend college. For middle-income families it provides emergency relief in times of financial difficulty, greater choice to their students in selecting among institutions, and increased opportunity to continue their acquisition of social amenities they deem important.

No one needs to inform you of the current dissatisfactions with the administration of the guaranteed student loan program. While the Commission chose not to specifically address the administration of this program in its report, this should not suggest that we did not consider the matter or felt it to be unimportant. Indeed, because so many people were addressing this matter we felt it less necessary to give it our attention and more important to look at other matters of equal and perhaps longer range importance.

Having offered excuses for our previous inattention, let me now offer some observations.

The current approaches to the administration of the guaranteed student loan program appear not to be working—at least to the satisfaction of most persons I know. This approach I characterize as centralized detailed bureaucracy. An approach that evidences little confidence in the maturity, integrity and professional judgment of institutions, banks, and States.

I believe the current legislation allows for other approaches that have not been appropriately considered. Perhaps it is time for Congress to insist that new approaches to the administration of this program be considered as opposed to just tinkering with the existing rules and regulations.

Why not consider decentralization of this program, to allow consortiums of institutions, States and banks to administer the program in various regions as agents of the Federal Government and have the Federal bureaucracy focus its attention on the overall performance of the consortiums in accomplishing Federal objectives. It is very difficult for a Federal agency to see the forest when it is concentrating so hard on such a large number of trees. Perhaps the Federal bureaucracy ought to be managing the forest and trust institutions, banks and States to look after the trees. I believe that institutions, States and banks are just as concerned about student welfare as is the Federal bureaucracy and I believe that ways can be devised to give them the incentive to promote that interest. Current approaches seem to encourage them to put this attention on beating the system.

Why not consider means of group insurance for loans rather than insuring the loan of every student. The advantages of group insurance are well known in nearly every sector of life, yet we seem unwilling to apply them here.

My fourth and final point. This committee, I believe, must soon consider what financing program is going to replace the financial assistance to students and institutions that is currently provided by the veterans' benefits program.

This program is currently operating at a very high level, and ways are being devised for the continuation of these benefits to veterans. However, I hope we are not planning another war, and when the supply of veterans is diminished, which is not too far in the future, a large flow of dollars—$2.2 billion in 1972—into the postsecondary education enterprise and specifically to a group of our citizens that have —by virtue of our draft laws—rather homogenous characteristics, will be substantially diminished.

This will place additional financial distress on our institutions and increase demands for Federal assistance to provide access to postsecondary education for that group of citizens that would, under wartime conditions, eventually become veterans. I recognize this is not an immediate danger, but some advance planning may alleviate the difficulties of devising an appropriate program.

I believe Chairman O'Hara is to be commended in this respect for his efforts to get all of us to take a longer look at the financing problems of postsecondary education. It was this longer look approach that the Commission found important and attempted to articulate in its report. This longer look approach will allow time to consider many alternatives and assist you in deciding what appropriate Federal initiatives are needed in the future to effectively provide a postsecondary education enterprise that will fulfill the needs and aspirations of our people.

Mr. O'HARA. Thank you very much for your very interesting and stimulating testimony.

Mr. LEONARD. Mr. Chairman, if we can answer any questions, engage in any conversation, we most assuredly are available.

Mr. O'HARA. And Dr. Muirhead of course also will be available for questioning.

Mr. LEONARD. We are here either now or later to engage—one of the controlling points which I believe is a truism but I believe the work of the Commission has at least to me pointed out occasionally we get too concerned with how something works; the truth of it is education in this country, the financing of it must work.

As we have seen the change in the ways of life technologically, education and continuing education is vital for the actual welfare of this country. We do fail to bring people to at least a common dialog into the framework of seeking the alternatives; and clearly and consistently evaluating them is imperative for the future. This is something I know Dr. Muirhead himself has felt strongly on. I think too often people get involved as to the solution before they get into what the alternatives are.

I particularly suggest this is a key role for the Federal Government to sponsor and continue as I believe they have done by the formation of this Commission, forums for continuation of this dialog. We thank you and if there are any questions, we will be glad to answer them for you.

Mr. O'HARA. I wish to thank the Commission for the excellent work they have done. I do have some questions but I wonder if it wouldn't be appropriate first for me to invite the ranking minority member of this committee who has made such significant contributions to your Commission if he wishes to add any comments or if he has any questions.

Mr. DELLENBACK. I thank you very much for asking if I wish to add anything to the report of the panelists. I would say to my colleagues of the Commission that I am witnessing again today one of the things which is a great frustration for us in the Congress. It does not really relate to your input. It relates to our acceptance of your input. I think what has been going on under Chairman O'Hara's leadership in this subcommittee is most valuable. I think what you have given us today is very worthwhile.

And yet of the members of the subcommittee, only three of the offices are directly represented. Others will be eventually, but it is terribly difficult the way the Congress functions to get all the full input that you have to give into the minds of the full membership of the subcommittee, and of the committee, and ultimately of the House.

I am not really asking for any comment from the witnesses on that. I am merely making a comment which is one of the frustrations both Jim and I feel. On a personal basis. I say this. Dr. Weathersby, in your statement you comment that the legislation in 1972 was landmark legislation. Yesterday on the floor we fought a great battle with $180 million. We beat off an attempt to cut the $100 million for NIE to $10 million, and then watched the $100 million get cut to $80 million despite our efforts. So the Congress is not going along with the request for $130 million.

The Congress has recommended considerable moneys for the Fund for the Improvement of Postsecondary Education; $10 million was appropriated last year. The budget asked for $15 million this year; yesterday, $11.5 was approved.

I had an amendment to raise that. We withdrew the amendment in the interest of discretion after sampling waters as to what might happen in some other appropriation areas.

This year's funding for the BEOG program is going to be inadequate. The first year we had $122 million; the second year $475 million, and with the carryover we will have $515. The bill last night had $650 million, and we will have to phase it down the line.

All Members of the Congress should hear this testimony. However, because of the structure of the Congress, they don't get that opportunity, and those of us who are already convinced are not always successful in persuading our colleagues.

The chairman—in addition to all his other functions—is also serving on another committee which is focusing on the jurisdictions of committees. Among other things, they are trying to sort out the matter of jurisdictions so no single Member of the House can serve on more than one committee. We have to pin down our own concentration of efforts so we can more effectively deal with the important issues whenever they arise.

The two most significant issues we are dealing with in this Congress are the budgetary operations—we have passed that and now have a chance to really do something significant in the way Congress operates—and the other most significant thing is the recommendations that will emanate from the Bolling committee and be acted upon by the full House.

If we can enact those two things, we will have gone a long way toward the revitalization of the House.

I would like to join with the Chairman of the Commission in commending the staff for what the Commission was able to accomplish. All of these who are nameless, yet without whose help the really effective work done by this Commission wouldn't have been completed. I think it should be in the record that we are grateful to all the members of the staff all the way down the line.

There are a series of staff papers being published, and you touched on these. Some have come out, and as others are completed I hope you will feed us the information. I would ask unanimous consent that any other staff reports finally published be made part of the record.

Mr. O'Hara. Without objection, so ordered.

Mr. Dellenback. There is one other item. After the Commission concluded its work, Congressman Brademas and I sent a letter requesting comments from a series of associations. We have received about 30 responses to this letter. I don't ask that those letters be made a part of the record, but I would ask that a copy of the letter we sent asking for comments and a copy of the names of the organizations who replied, be made a part of the record.

Mr. O'Hara. Without objection, we will make appropriate arrangements.

Mr. Dellenback. Beyond that I would be ready to ask other specific questions after the chairman.

Mr. O'Hara. Thank you very much, Mr. Dellenback.

[The letter is as follows:]

U.S. House of Representatives,
Committee on Education and Labor,
Rayburn House Office Building,
Washington, D.C., March 6, 1974.

Dear ———, As you know, the report of the National Commission on the Financing of Postsecondary Education was published in January. Both of us had the privilege of serving on the Commission.

We must now, however, look at the Commission report and other recent reports in this field from our perspective as members of the subcommittee in the House responsible for postsecondary education legislation.

We are writing to invite you, as a leader in postsecondary education, to give us your comments on the report of the National Commission. Your contribution,

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which hopefully will be generally representative of the viewpoint of the members of your association, can be most helpful to us as we evaluate Federal legislation affecting postsecondary education.

Among the matters to which you may wish to address your comments are these:

1. Do you feel the development of what the Commission describes as an "analytical framework" for considering financing postsecondary education is a constructive contribution? Can you utilize such a framework? If not, why not?
2. What do you believe should be done to build on the Commission's effort to establish a sound and objective foundation for policy analysis in postsecondary education?
3. What can your organization do to improve on this effort?
4. What comments have you on any of the specific problems discussed in the report, including financial distress and standard procedures for determining per student costs?

To be of the most assistance to ourselves and our colleagues on the Special Education Subcommittee, your comments should be received no later than April 15, 1974.

We would also be grateful if you would limit your commentary to no more than 20–25 pages and provide either of us with 15 copies so that we may share it with other members of our subcommittee.

We hope very much to have the benefit of your thinking on the Commission report and we want to reiterate our appreciation for your consideration of this request.

Sincerely,

JOHN BRADEMAS,
Member of Congress.
JOHN DELLENBACK,
Member of Congress.

LIST OF ORGANIZATIONS AND INDIVIDUALS RESPONDING TO THE LETTER REQUESTING COMMENTS ON THE REPORT OF THE NATIONAL COMMISSION ON THE FINANCING OF POSTSECONDARY EDUCATION

American Association of Community and Junior Colleges
American Association of State Colleges and Universities
American Council on Education
Arizona Board of Regents (L. E. Woodall, Executive Director)
Arkansas Department of Higher Education (M. Olin Cook, Director)
Association of American Colleges (Frederic W. Ness, President)
Association of American Universities (Executive Committee)
Association of Independent Colleges and University of Ohio (Frank E. Duddy, Jr., President)
Association of Jesuit Colleges and Universities and National Catholic Educational Association (Joint Statement)
College Entrance Examination Board (Lois D. Rice, Vice President and Director of Washington Office)
Colorado Commission on Higher Education (Frank C. Abott, Executive Director)
Connecticut Commission for Higher Education (Warren G. Hill, Chancellor for Higher Education)
Connecticut Conference of Independent Colleges (W. Lewis Hyde, Executive Director)
Council of Graduate Schools in the U.S. (J. Body Page, President)
Illinois Board of Higher Education (Cameron West, Executive Director)
Kentucky Council on Public Higher Education (A. D. Albright, Executive Director)
Louisiana Coordinating Council for Higher Education (William Arceneaux, Executive Director)
Maryland Council for Higher Education (Wesley N. Dorn, Executive Director)
Massachusetts Board of Higher Education (James R. Hollowood, Analyst)
Michigan Department of Education (Robert L. Huxol, Associate Superintendent)
Missouri Commission on Higher Education (Jack Cross, Executive Secretary)
National Association of College and University Business Officers (D. F. Finn, Executive Vice President)
National Association for Equal Opportunity in Higher Education (Miles Mark Fisher, IV, Executive Secretary)

National Association of State Universities and Land-Grant Colleges (Ralph K. Huitt, Executive Director)
New Jersey Department of Higher Education (Ralph A. Dungan, Chancellor)
North Dakota State Board of Higher Education (Richard L. Davison, Associate Commissioner)
Ohio Board of Regents (James A. Norton, Chancellor)
Oregon Educational Coordinating Council (George Mitton, Acting Director)
Pennsylvania Department of Education (John C. Pittenger, Secretary)
Tennessee Higher Education Commission (John K. Folger, Executive Director)
Virginia Council of Independent Colleges (D. A. Holden, Executive Director)
Virginia State Council of Higher Education (Daniel E. Marvin, Jr., Director)

Mr. O'HARA. Mr. Weathersby, in your point seven, you refer to institutional assistance. We discussed the point as institutions accommodate extra students they also incur extra costs. I think that the extent to which that observation is correct depends on their enrollment, the extent they have unused plants and faculty and what have you.

I can't believe additional enrollment at an institution suffering declining enrollments and higher unit costs—you might say that adding enrollments—is really such a terrible problem. I think that was more the case a few years ago before the present decline set it; wouldn't that be so?

Mr. WEATHERSBY. The first point you made is certainly valid. The institution figures we used were an overestimate of what the cost of the margin would be if we used the average cost institutions are now incurring. This was a conscious effort on our part to state the cost as conservatively as possible so we could see what would be needed if even the average cost had to be met.

The second is the kind of individuals who would need remedial education services and it is not just a question of another student just like all the others at an institution.

Adding curriculum would cost more than adding one student. So we decided in preparing some numbers to use the average cost for those students. If you thought the marginal cost was less than the average cost, then you would believe the figures we gave would be too high.

If you believe that the additional students which would be adopted coming into these institutions would require additional programs and support facilities which exceeded these average costs, these figures would be too low. But at least it gave you a benchmark.

The initial reaction we got from people we dealt with was these figures were too low because the cost would have to come close to the cost of the institution, whatever the cost at the margin really was. But because the eligibility for the programs is so broad, most of the persons receiving grants wouldn't be new or additional, it would be low.

Mr. O'HARA. My own feeling, for whatever it is worth, is still that the cost of taking on extra students which has suffered declining enrollment and operating under capacity is that the cost is less than it would appear.

Otherwise, I would have a hard time explaining why I see institutions scrambling for students. They must be like the merchant who was losing $1.50 on every shirt he sold but hoped to make it up by increasing volume.

I have to believe they wouldn't be out scratching for additional students if each one was causing them to lose more money.

Mr. MARTIN. My intuition tells me you are correct in making this assumption. The data we made these calculations on came from data up to 1972. There was some enrollment decline but not as severe as it has been since that time. The point of our analysis here is still relevant in terms of the discussions of the 1972 amendments, in terms of the size of that grant which was going to be given to the institutions.

In fact, even in 1972, using that data, it suggests that the grant award as a supplement to an institution should have been smaller than we were talking about in this committee at that time.

What it would be if it were actually calculated in 1974, I don't know, but our data tells us in an institution which does not have additional students, the cost would be small, almost negligible, with the provision you don't have things happening as you do in some States where a State puts a ceiling on an institution whereby if you do they wouldn't give additional appropriation. They might stand to lose $500 to $600 for every student added.

So there are some conditions and the average number was designed to figure out what should be the magnitude of any supplementary grant granted to an institution. I think your statement as to the declining enrollments is correct.

Mr. O'HARA. We talk about access and Mr. Weathersby in his publication sets forth some views with which I don't quarrel, which is that ethnic minorities, persons over 25 and women have lower participation rights. I am not sure how much of it is access.

As between women and men, for instance, as to what extent participation is based on access. For whatever reason, not as many women are involved in higher education.

Mr. MARTIN. The definition adopted by the Commission of access would be synonymous with participation. That is what the Commission meant by it.

Mr. O'HARA. Then the point made that family income per se is not as important a variable in explaining participation rate differentials—and then you point out if student access is defined by the rate of participation of low-income individuals, then targeting the amount of money obviously does more to improve access than spreading it over an entire population.

If we were to set our goal as increasing participation, period, not just increasing participation among particular income groups, but increasing participation in total numbers without being concerned as to the income group, then it seems to me there ought to be more cost effective ways of doing it because, as you suggest in your testimony, the cost of adding, in your model, the cost of adding a low income student was $10,000 per enrollment for the reasons you set forth.

I am wondering if any of you would have any comments on what strategies would be most appropriate if what we were concerned about was improving participation as a whole without focusing on any particular group in a society.

Mr. MUIRHEAD. I think, Mr. Chairman, we would all proscribe to those who desire to go forward with postsecondary education but we have a longstanding tradition in this country that not only should support for postsecondary education come from society and private sources, but there should be a significant contribution from parents.

It is in that context when we look toward full participation that the concept of dealing with low income says in effect, let's try to equate the parental contribution first and if we can remove that barrier, that will provide access to those for whom it has not been available before.

If we were to move in another direction which I think would be quite viable to discuss and that is support for higher education should come from society and there should not be expected a parental contribution, then it seems to me we would be talking about a part of our gross national product of a much greater level than we are talking about now, in the support of postsecondary education.

Mr. O'HARA. My question has mostly to do without determining the relative values, without making a judgment as to what ought to have first priority, just as Mr. Weathersby in his statement says, assuming access is denied by access of those in low income—let me say, assuming access is denied in total participation rates in postsecondary education; could you make an observation, Mr. Leonard?

Mr. LEONARD. I would like to encourage the consideration of one, a truism, and second, something different. In order to encourage participation, tackling the problem as they start postsecondary is too late. Something has to start before to get them encouraged or desirous of even going into it.

At all times we seem to concentrate, how do we get somebody starting postsecondary to start. My point is how do you go back and get him encouraged to even start and is there some type of system where a person can receive something for completing. It is the finish of participation. It is the problem of not only getting them in but getting them to complete.

By matching into the systems we have of encouraging people to start, by adding to it, the rewarding of someone who participates and completes, this starts to give greater flexibility to the fact we can't totally control, as Mr. Dellenback says, or even predict how much money we are going to have from certain categories, to whom, from year to year.

But if we try to tackle that problem of both getting them ready, getting them in, then award those who actually finish, we have a large flexibility to encourage people in and complete.

Mr. DELLENBACK. Will you yield?

Mr. O'HARA. Yes.

Mr. DELLENBACK. When we dealt with student opportunity, we went around and around on this. Secondary education should make available education and counsel as well as provide the capabilities and motivation to achieve his or her education objectives. We had some lengthy discussions on completion. The very point you allude to has some real internal complexities.

Mr. O'HARA. Mr. Lawrence.

Mr. LAWRENCE. I would like to address your question: Is education for some period of time beyond the high school a right or a privilege?

I happen to fall on the side of the fence which disagrees with the Supreme Court on this issue, at least in one decision they have handed down. If you assume you are going to try to raise the overall level of participation rate and you are not just concentrating on low income groups, then of course you are dealing with the very large bulk of the enrollments in our postsecondary system, and indeed perhaps some others groups not participating because of age.

It seems to me if it is a general kind of encouragement, then some general mechanism ought to be provided. You can go on the one extreme of giving the money to institutions or you could provide provision such as social security where everybody gets a line of entitlement at the age of 18.

I recognize these are notions, politically perhaps not very feasible. It seems to me we are going to have to address these kinds of financing approaches. If it is a right, everybody ought to get some kind of equal entitlement. I think when we move to a general kind of support program, we are going to have to then insure that combined with that we have support programs which will assure equality of access along with it and you would need some type of grant program to insure that low income groups could participate at the same rate as other groups.

I think a fundamental issue is how much education does one have a right to beyond the high school. That is the fundamental issue. If we settle that, then perhaps we could get down to how we could finance it.

Mr. O'HARA. Mr. Weathersby.

Mr. WEATHERSBY. In terms of the information we have available, we can say something about the effectiveness of tuition and grants. Essentially that is all the research that has been done in terms of work, loans, talent search, upward bound or special services for the disadvantaged. We don't have the data to validate what the impact of margins of those particular programs in terms of tuition and grant programs. That is why most of the terms are couched in those terms. We can answer the question of efficiency. If you wanted to take a particular amount of money you would concentrate the money on the group most responsive. If you look at the data, the profound impact on low-income groups is three times the impact on high-income groups.

So you would be led by efficiency, to give all the money to a low-income group if you did not care which group was participating. If you take the position we are not concerned with which group receives funds, you would choose to focus that amount of money on the most responsive group.

If, on the other hand, you say that doesn't seem just, you are led to strategies to even more evenly divide the money. Something which was done was to look at the income of students independent of parents. In providing financial aid on the basis of student income, we tried to determine what the impact of that would be. But it is only with respect to tuition and grants.

Can we answer the question of efficiency? The impact of work and loans—the price of loans is lower than the price of grants.

Mr. O'HARA. There are other things as well. We had a gentleman here testifying the other day, the president of a Chicago community college. His evidence would lead one to believe that strengthening the Chicago college system and increasing its outreach and so forth would bring in far more low-income students than any conceivable system of student assistance because of the convenience, geographic accessibility, the fact they are designed to serve the needs of those income groups in an urban setting.

Mr. WEATHERSBY. The question is often asked, should you affect the supply or demand side. On the supply side, while the cost might be very small, the claim on public resources is substantially large. So what is costing at the supply side of expanding may be on the order of $1,500 to $2,500, what we talk about on the demand side is $2,000 to $5,500.

Mr. LEONARD. The two of them are not necessarily incompatible because in a sense, as Dr. Weathersby said, the more the diversity, the closer the geographic location. These start to affect the percentage of movement. They tend to work together.

Mr. MARTIN. I would like to comment just on one element of this which is the claim which is made broadly about the enormous complication of the needs test procedures. I just find this difficult to understand given the centrality of that kind of procedure to the really terrific progress this country has made in the past year to the participation of low-income students in higher education. This runs across the entire gamut of collegiate institutions. The use of that device has been the chief weapon for producing that very remarkable progress we have made.

We have a long way to go but we have made big strides. I submit if that needs test procedure is so terribly cumbersome, we wouldn't have come as far as we have.

Mr. O'HARA. I would suggest, you know, Dr. Weathersby says when you give aid, a large percentage of those here given the aid are those so motivated and otherwise involved they would be students anyway. That is one of the reasons why it costs so much.

So I say, if you really wanted to design a test for motivation, if you really wanted to figure out which students would go anyway, it is the ones who would complete the needs analysis.

I really mean that. It is the best test which has ever been devised in determining who are the ones who would go anyway.

Mr. WEATHERSBY. That is an interesting analysis. Have them fill out the needs analysis, then give all the money to those who don't fill it out.

Mr. O'HARA. There are certainly lots of variables and I like Mr. Lawrence's approach. He says, "I don't know how many programs we now have and each time somebody in the Senate sneezes, we have two more."

It is a real professional job just knowing what programs we now have and how they work. He says, "Well, you know you are never going to design 1, 10, or 100, and we have the State so deeply involved in this thing."

Having gone off in different directions, there is a tremendous difference in the directions—for instance, the New England States took and California and Oregon and Washington and the Northwest Territory States, they did go off in quite different directions.

I am not so sure but what any national strategy is doomed to failure because of these great differences. Maybe you have to develop 50 strategies—I don't know.

Mr. MUIRHEAD. I think that is a very good point, Mr. Chairman, that perhaps the national strategy is to encourage diversity against the mosaic, if you will, of the amendments of 1972. There are opportunities to encourage diversity as a national strategy. The outcome of this commission, for example, which I don't believe has received enough attention, and that is to identify the objectives in postsecondary education and to suggest a number of different strategies that might be suited to the individual needs of the States in meeting those objectives.

Then I think again, to the very lasting wisdom of the Congress, they have now put into place a series of 1,202 planning commissions in the States. I would expect that as those commissions address themselves to the problem of postsecondary education planning, we would have as many different strategies as we do States, but hopefully in some small measure the work of this commission may give them at least a beachhead on which to build their planning strategy by having them identify objectives and throw against those objectives a number of different strategies so almost indirectly we are coming to a national strategy of encouraging diversity.

Mr. O'HARA. Mr. Martin.

Mr. MARTIN. I would like to reinforce what you said as to the diversity. Certainly the leadership of State government in this field is the basic arena of action and I think this is the commitment of State government to postsecondary education manifested every day. I suspect that some incentive would be appropriate to build any incentives to encourage State activity in this area.

I think the demonstration of their commitment is unmistakable. Within the last 2 years, student enrollment has increased. So has the State appropriations. They have increased remarkably and faster than inflation. In many cases they have reduced the tuition price in State universities as the increase in actual number of dollars charged a student occurs at a rate lower than inflation.

Many States have in the past 2 years, reduced the real price to students at State universities and they have also put in many States, rather sharply increasing amounts of money into portable loans to students going to private institutions.

So, I think their commitment is strong and you can reinforce that. I don't think you could trap them into supporting postsecondary education.

Mr. O'HARA. Mr. Leonard.

Mr. LEONARD. We tend to occasionally get preoccupied with the low income student. It is very important but even in our conversation this morning, it seems to reflect toward this. As we try to change and bring in new structures and help certain groups, I think we have to constantly look at and I think we have failed in some ways to look at. to improve the programs to work better for these other groups of students. That is a very realistic problem that tends to get overlooked.

Mr. O'HARA. Mr. Lawrence.

Mr. LAWRENCE. Some of us have been addressing the differences between State and Federal initiative. At the moment we are preparing comments for you at a later session on the basis of the following criteria. We are making the assumption that Federal initiatives should not be designed to thwart the efforts of States as to their educational system.

Second, we make the assumption that the Federal Government has no intention in its financing plans of encouraging the State to decrease its support but rather we would like the State to increase it or at least maintain it.

Third, the Federal objective which seems to be the most prominent as we look at the legislation and I recognize you to say there is a single Federal objective. is not very realistic nor are objectives, but the Federal objectives which seem most important are student access and equality of opportunity.

Given these kinds of criteria we have asked ourselves is it possible to come up with some kind of financing proposal while encouraging the States to maintain their effort in supporting postsecondary education, in the meantime taking into consideration the way things are done in different areas.

We need to look at several of these kinds of alternatives. This was the purpose of the Newman task force, other than just increasing student aid and tuition.

There are some disadvantages to that approach we would like to overcome.

Mr. O'HARA. Thank you very much.

I could question you gentlemen for another couple of hours but Mrs. Mink, I believe, has some plans for us shortly after 12 o'clock having to do with elementary and secondary education.

Mr. DELLENBACK. It is not a social engagement.

Mr. O'HARA. Mr. Dellenback.

Mr. DELLENBACK. I would make just a couple of comments. Like the chairman, we could go on with this for quite some time. I would say the definition we used as to access being different from participation is a statistical analyzation.

What percentage of those groups are involved in postsecondary education? I would say we could have equal access but unequal participation for the sexes and also the minorities. This is one thing we must concern ourselves with—a program or series of programs which deal with access where we say in accordance with a person's needs and motivation they have access, choice, and equal opportunity.

Then we must have another series of programs which deal with motivation. One of the things George pointed out very clearly; namely, parental participation, is more important than family income. If we build our program just on the basis of needs and dollars, we may not be bringing about any sort of a real melting together of the Nation in this particular regard.

So this just helps to emphasize the complexity of the problem. We have to sort out what the information tells us. We have to have clearly in mind what goals we are reaching for. We must have in mind the variety of tools we can use. Then we have to combine the facts with the goals and with the potential tools.

There is also a very important factor which was not true to the same degree 10 years ago, and that is a limitation of resources. We no longer have all the dollars we want for postsecondary.

Peter, you remember when you could say, "These funds are for higher education," and the covers were open much more so than now. Today, we have to be balancing off priorities. We have here the Commission's report on the 380 different Federal programs involved. That is certainly diversity. I don't think it is well-organized diversity or a diversity which gives proper weight to a need to establish priorities.

Mr. O'HARA. Would the gentleman yield for just a moment?

Mr. DELLENBACK. Yes.

Mr. O'HARA. You made just a brilliant statement of the nature of the problem we face. With respect to those 180 programs, I would like to add a comment. Rather than diversity, we have created a smorgasbord. We have taken Congress out of the policymaking functions because when you have all those different programs and obviously you are not going to fund all of them, then you give somebody else the choice, to wit, the Bureau of Budget and the administration. Then when the Congress acts they get the choice of which ones they will fund.

Then the Congress finds it is out of the policymaking business.

Mr. DELLENBACK. Am I correct that our staff was merely trying to get the information and put it together rather than to do any analysis of it independently? What was the source of the data we put together in this? Did we go to OMB, OE, or a variety of sources?

Mr. MARTIN. From the various obvious sources, the staff members responsible for the project went to each agency as time permitted, sat down with them and went over the material previously sent to them so they had a chance to verify the contents.

I am not sure whether 100 percent of the agencies were advised on sight, but most of them were.

Mr. DELLENBACK. So it was a blend of information given to us, some of it put in as given to us and some of it verified, modified, and corroborated.

I think it is important to note for the hearing record that your testimony today has been a very valuable addition to the Commission's report. One of the battles we fought within the Commission was to be sure that we came up with a consensus when we struggled among ourselves over what the objectives were. As we marched down the line, we came to the conclusion we were not going to be recommending specific programs as a Commission. That decision presented some difficulties for some members of the Commission.

I just want the record to be clear that what we have had today is an input from the panel, both with the Commission reporting, and in some instances, individual recommendations. Those who should read the testimony of the witnesses should bear this in mind. When some of the recommendations were made, you have clearly demonstrated them as being your own input.

I will end with you, Mr. Chairman. I think it would be well to have your answer for the record. You indicate the Commission attempted to use the framework and data, then you say we find evidence already that these approaches are being seriously attempted and we are pleased.

I, for one, would like to know what evidence we have that the approach is being seriously attempted. Do we have examples where States are doing these things? Are there specific situations where the work of the Commission is bearing fruit?

Mr. LEONARD. On page 231 of the Commission report on a page and a half is the analytical framework on which the Commission hammered hard. It doesn't have to do with models or data, just on logic. How you enter new, considering a problem, then taking all the steps and alternatives you go down through it. On this particular point it appears with the final assistance of this Commission, with the assistance of the Office of Education and 20-some associations, the educational commission of the States volunteering as a coordinating agency, there will be a series of conferences on the idea of how to logically approach this problem, how you finance education.

Using some of the results as demonstrative on how things should be considered and how you arrive at answers is being well received on this basis. I personally have been contacted as have a number of members of the Commission have to appear at the start of the 1202 programs. To this extent, the Commission reporting is being picked up.

On the question of specific findings, I would ask Dan to comment on that.

Mr. MARTIN. I hope I am not speaking out of turn for the people who might not wish things to be known at the moment. You find there are people being employed on staffs of centers of higher education and institutions specifically instructing them to get busy in policy analysis. I am encouraged by the action of ACE to coordinate the efforts of the centers in policy groups around the Nation.

They have already convened one meeting. The thrust of policy analysis has been given recognition and I think it is important to recognize the data base established by the national Commission is in operation and the Office of Education has cooperated with us to make it available. There are people using it and getting benefit from it.

Also, with regard to the costing procedures recommended by the Commission, it is safe to say this thing is sitting rather dormant by either the Office of Education or Congress, but on the other hand, the institutions seem to be taking it quite seriously because the information exchange project is now moving into its final pilot phase and the current indication of the survey indicates many institutions will be utilizing these procedures which are more economical than those suggested by the Commission, bringing about what I think is order out of chaos in the incompatibility of data.

Finally, I think you should not; a version of the model is being used in a pilot test in a developmental way with four States at the current time. This is being done in conjunction with the National Center for Higher Education Management and I trust the States don't mind their names being revealed. They are Massachusetts, Colorado, Maryland, and Washington.

Mr. DELLENBACK. I think among the things the Commission wishes to emphasize is its clear interest on postsecondary as opposed to traditional higher education. It has attempted to apply systems to what so often has been intuition or flying by the seat of the pants or some personal subjective judgment on something, and we can't afford that kind of approach any more.

It has been good to have you with us.

Mr. LEONARD. I think the fact the Commission came out with that systematic approach rather than coming down hard on some specific policy recommendation it might have made, such a large contribution is due largely as a result of the hard work and leadership Mr. Dellenback and Mr. Brademas put in on the Commission.

Mr. O'HARA. I appreciate your comment.

Gentlemen, we very much appreciate your having come before us. There are other things I wanted to talk to Mr. Weathersby and Mr. Lawrence about, assumptions in the model as to the equivalent of the decrease or grant in aid. I wanted to ask if they were aware of the little experiment conducted in Wisconsin where they dropped their tuitions and produced rather considerable increases in enrollment. In any event, I am sure you are, or soon will be.

Mr. MARTIN. That is one of the questions I was raising, that the conditions might be different.

Mr. O'HARA. I thank you very much. I assure you we will consider this most valuable study and look forward to getting staff reports.

We will now stand in adjournment.

[Whereupon at 12:08 a.m., the subcommittee adjourned, subject to call of the Chair.]

EDUCATION COMMISSION OF THE STATES,
Denver, Colo., March 1974.

DEAR COLLEAGUE: As you know, the National Commission on the Financing of Postsecondary Education has just released its completed report. This report presents a comprehensive and exhaustive interpretation of the financial support, categories of support and an analysis of the categories of recipients of dollars for postsecondary education in the United States. Questions such as where the money comes from, under what circumstances, who receives it and what are some of the results are questions with which the commission dealt.

In addition, the National Commission developed and tested a framework to analyze alternative proposed methods for financing postsecondary education.

The full report of the commission runs to 442 pages. No official executive summary exists. In light of the commitment of the Education Commission of the States by Governor Dunn, who served as a member of the National Commission on the Financing of Postsecondary Education, and Governor Askew, our current chairman, to help in the distribution of the report and communication and understanding of its results, we have asked Dr. Ben Lawrence, executive director of the National Commission to prepare a summary analysis of its high points and findings. We are pleased to be able to send you Dr. Lawrence's prospectus on the report.

We would like to express our appreciation to Dr. Lawrence for preparing the perspective and hope it will be helpful to you and others in understanding the report's significance. If you need additional copies, they may be obtained from the Educational Commission of the States at $2 per copy.

Cordially,

RICHARD M. MILLARD,
Director, Higher Education Services.

Enclosure.

FINANCING POSTSECONDARY EDUCATION IN THE UNITED STATES

A personal perspective of the report of the
National Commission on the Financing of Postsecondary Education
by its Executive Director, Ben Lawrence,
Associate Director of WICHE; Director,
National Center for Higher Education Management Systems

Report No. 46
Education Commission of the States
Denver, Colorado
Wendell H. Pierce, Executive Director

February 1974

PREFACE

The National Commission on the Financing of Postsecondary Education developed and tested a framework to analyze alternative proposals for financing postsecondary education. The commission intended to demonstrate the usefulness of such an approach and to make recommendations that would support the continued development and use of such approaches to policy analysis in postsecondary education, particularly at the state and national levels. The recommendations of the commission, found in chapter 9 of its report, are designed to carry out this intent.*

In the process of developing and testing this framework, the commission also identified and reported many facts having significant implications in the selection of financing mechanisms and proposals for postsecondary education.

This synopsis extracts from the commission's report the salient points of import to financing postsecondary education, recognizing that the selection of these points is from an entirely personal perspective and that this paper may not necessarily reflect the opinion of the commission or its individual members.

The first section of this paper deals with the objectives of postsecondary education stated by the commission and how well these objectives are being met. The second section discusses a number of realities that have significant impact on the selection of a financing plan to postsecondary education. Since the commission has stressed the importance of objectives to postsecondary education, its objectives serve as an organizing principle in the paper.

* *Financing Postsecondary Education in the United States* is available from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402. The cost is $4.

WHAT OUGHT TO BE AND WHAT IS

Every member of the National Commission on the Financing of Postsecondary Education had many reasons to believe that he or she had some special understanding of postsecondary education. And, indeed, from student to college president to congressman, each did. Yet, the first realization that fell hard on the commission was that conventional wisdom about postsecondary education is largely outdated and erroneously intuitive, the result, perhaps, of education old wives' tales that may have held some truth two decades ago.

Postsecondary education, like the entire American society, has changed significantly during the past 20 years. To respond to this change, those charged with the financing of postsecondary education must put aside outdated perceptions, look anew at the objectives of postsecondary education and examine the methods by which those objectives may be accomplished. Those who propose changes in financing must be able to offer reasonable assurances that what they propose will produce the intended results. For this reason, the commission and its staff placed the highest priority on assembling pertinent data and using them to analyze alternative policy proposals in a systematic way. By implication the commission suggests that others concerned with financing proposals and recommendations do the same.

The commission set as its first task the development of a set of national objectives for postsecondary education. The commissioners discussed the purposes of education, ranging from a broad social perspective to the more limited perspective of the individual, from the one extreme of purely individual development to the other of manpower production and supply. Because the commission took the view—after seven months of study and deliberation—that the purposes and substance of postsecondary education should be determined by institutions, students and funders in response to their specific needs, the objectives selected describe the *character*, rather than the purposes, of postsecondary education.

Three objectives were written into the law establishing the commission: access, independence and diversity. The commission was required by Congress and the President to examine alternative financing proposals in light of these national goals. To these three, the commission added five it felt are necessary to describe the desired character of postsecondary education in our pluralistic society.

The eight resulting objectives were compared with those developed by other commissions and study groups and were found to be consistent with these previous efforts. However, the objectives formulated by the commission do suggest increased emphasis on universal access, diversity (particularly in the commission's definition of postsecondary education) and accountability. A broad change in emphasis came from the commission's view that these objectives should be important considerations in the determination of financing policy.

The importance the commission gave the objectives can be seen from its report and from a discussion of the objectives in light of what ought to be and what is.

I. Student Access.

Each individual should be able to enroll in some form of postsecondary education appropriate to that person's needs, capability and motivation.

In describing student access as a basic objective of postsecondary education, the commission asserted that there must be no arbitrary or artificial barriers related to sex, age, race, income, residence, ethnicity, religious or political belief or prior educational achievement.

The commission found that student access to postsecondary education still is inadequate.

- The participation rate of students from families with annual incomes under $10,000 would have to be increased by 50 per cent to equal the participation rate of students from families with annual incomes over $10,000.
- Public comprehensive colleges, followed closely by public community colleges, do the most to provide access to students from families with incomes under $10,000.
- While great improvement still is needed, student financial aid programs have improved access for low-income students. The commission estimates that because of financial aid, 1.4 million students have enrolled who otherwise would not have attended. Students from families with incomes in the $3,000-$6,000 range have benefited most from such programs. Students from families with incomes in the $6,000-$7,500 range are the most under-represented and have received considerably less assistance.
- While family income level is clearly important in determining a student's participation in college, at least two other factors are statistically more important: the high school curriculum followed by the student and the father's educational attainment.
- If a student has followed a college preparatory program, his chances of going on to college range from 70 to 85 per cent, while if he has followed any other program, his chances of going on to college range from 4 to 30 per cent. Further, the greater the father's educational attainment, the greater the likelihood the individual will enroll in college.
- The rates of participation in postsecondary education for blacks, American Indians and persons of Mexican parentage or birth are far below the participation rates of other Americans, while persons of Japanese and Chinese descent have extraordinarily high participation rates—higher in fact than all other Americans.
- Women are under-represented in postsecondary institutions, constituting 51 per cent of the 18-24 year old age group, but only 44 per cent of undergraduate enrollment and 39 per cent of graduate enrollment. Their participation would have to increase by 25 per cent to equal that of men.

The commission concluded its discussion of student access with a highly significant observation. Of all the objectives recommended by the commission, student access is perhaps the most fundamental, for without access to postsecondary education, the other objectives are reduced to empty promises. That student access is not satisfactorily achieved is particularly troubling, for without access it is questionable whether the postsecondary enterprise can meet its other objectives.

II. Student Choice.

Each individual should have a reasonable choice among those institutions of postsecondary education that have accepted him or her for admission.

This objective requires careful reading. When an individual has been admitted to one or more institutions, he or she should be provided a reasonable choice among those institutions regardless of the tuition charged or his family income.

If the student is admitted to a high-tuition private institution and a low-tuition public institution, he should have a reasonable choice between those two institutions regardless of his personal financial situation.

The commission found that:

- On the whole, students can choose among the institutions that have admitted them, except the most expensive institutions.
- To a significant degree, such choice has been provided to students because institutions have ensured that low-income students have an equal choice with their higher-income counterparts. The institutions have accomplished this by incurring student aid deficits, which in turn have affected the financial health of the institutions.

III. Student Opportunity.

Postsecondary education should make available academic assistance and counseling that will enable each individual, according to his or her needs, capability and motivation. to achieve his or her educational objectives.

The commission concluded that dropout and program completion rates are not very satisfactory measures of this objective, but are nevertheless the only available measures of students' opportunity to complete their programs.

It found that:

- Low-income students have higher dropout rates than high-income students.
- Private institutions have higher completion rates than public institutions.
- Black students have a lower completion rate than non-black students.
- Program completion measures are particularly inappropriate for assessing student opportunity in community colleges.

IV. Institutional Diversity.

Postsecondary education should offer programs of formal instruction and other learning opportunities and engage in research and public service of sufficient diversity to be responsive to the changing needs of individuals and society.

The commission stated, "There must be great diversity in our institutions of postsecondary education if all reasonable needs of students and society are to be served. . . . Diversity, from the student's point of view, means that postsecondary institutions offer a range of opportunity for individual development and training for future employment. Diversity also implies renewal, reform and responsiveness to students' needs for both formal and informal learning opportunities."

The commission concluded that diversity in postsecondary education is evidenced by differences in institutional purpose, the number and types of program offerings, institutional size and flexibility of learning opportunities. The commission found that:

- Institutions have tended to become more alike in purpose rather than divergent, and that recent trends to reform institutions are still very much in the formative stages and have had very little impact thus far.
- There is a wide variety of program offerings within a large number of institutions.

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- There are large numbers of institutions in all institutional size categories.
- Flexible learning arrangements are still in the early development stages and have not yet had the desired impact for the average student.
- A number of finance-related trends threaten the financial viability of private liberal arts institutions and, to the extent that they contribute to diversity, diversity is threatened.
- The development of diverse forms and methods of postsecondary education is to some degree inhibited by sources of financing, and it is an open question whether financing postsecondary education through the student or through institutions will provide greater diversity.
- Greater diversity is essential, in the commission's view, if postsecondary education is to serve fully the varied needs of students and the public in our pluralistic society.
- The traditional and accepted notion of higher education should be expanded to the broader understanding of education beyond the high school expressed in the term "postsecondary education." This should be done to recognize the popular demand for, and participation of millions of Americans in, forms of postsecondary education not included within traditional higher education.

In this regard the commission found that "postsecondary education in the United States is a large enterprise including more than 2,900 traditional collegiate institutions serving some 9.3 million students and an additional 7,000 noncollegiate technical, vocational and proprietary institutions serving approximately 1.6 million students. Postsecondary education also includes an estimated 3,500 additional institutions and organizations (serving an unknown number of students) as well as a great many other noninstitutional learning opportunities (in which as many as 32 million people may participate)."

Recognizing the broad scope of postsecondary education, the commission has adopted and recommends to the nation the following definition, encompassing the 2,900 traditional collegiate institutions and the 7,000 noncollegiate institutions:

Postsecondary education consists of formal instruction, research, public service and other learning opportunities offered by educational institutions that primarily serve persons who have completed secondary education or who are beyond the compulsory school attendance age and that are accredited by agencies officially recognized for that purpose by the U.S. Office of Education or are otherwise eligible to participate in federal programs.

V. Institutional Excellence.

Postsecondary education should strive for excellence in all instruction and other learning opportunities and in research and public service.

There is no simple solution to the problem of measuring excellence. Nevertheless, the commission reaffirmed the necessity for and desirability of excellence in every form of postsecondary education, and urged that the search for measurements of excellence be continued, as the search itself will encourage efforts to achieve excellence.

While there is currently little understanding of the relationship between financing and excellence in postsecondary education, evidence suggests that a strong relationship exists.

VI. Institutional Independence.

Institutions of postsecondary education should have sufficient freedom and flexibility to maintain institutional and professional integrity and to meet creatively and responsively their educational goals.

Current evidence indicates that institutions that receive primary financial support from a variety of public or private sources are neither more independent nor better able to achieve their educational objectives than those primarily dependent on a single source of support. The relative availability or scarcity of financial resources, regardless of number of sources, is probably the most significant factor affecting institutional independence.

VII. Institutional Accountability.

Institutions of postsecondary education should use financial and other resources efficiently and effectively and employ procedures that enable those who provide the resources to determine whether those resources are being used to achieve desired outcomes.

With independence goes accountability. Independence and accountability must be balanced so that the interests of students and the general public do not become subordinated to those of the institutions. This is not to say that postsecondary institutions have been irresponsible in this sense in the past, but rather that in the future they must not lose sight of the interests of those they serve. They must respond positively to the new expectations for accountability.

"The current demand for greater accountability assumes that the previous efforts of fiduciary accounting and reporting will be continued and, to the extent possible, improved. In addition, the new expectations for accountability call for:

1. Accounting for the use of resources in relationship to the achievement of specific objectives—funders may want to know how much institutions spend (including cost per student) to achieve an objective and to what extent the objective is achieved.
2. Demonstration that the resources available are used efficiently—funders want to know if the resources are being used in order to achieve maximum productivity; and
3. Evidence that institutional objectives selected reflect the needs of citizens in their roles as students, society and funders—and it cannot be assumed that their objectives are always identical."

To sum up the commission's study of accountability, the commission reached the following conclusions and recommendations in this regard:

Commission's Conclusions

1. The most useful unit cost data for administrators and policymakers are the direct, indirect and full (direct plus indirect equals full) annual per-student costs of instruction for each major field of study, level of instruction and type of institution.
2. Cost-per-student calculations are technically possible for most instructional programs at most institutions; however, the currently available procedures do not fully reflect the complexities of those institutions that offer a combination of instruction, research and public service programs or a combination of vocational and academic programs.
3. Policymakers should not rely solely on annual per-student costs of instruction for the development of policy in postsecondary education."

Commission's Recommendations

1. The federal government should provide continuing leadership in encouraging and developing national standard procedures, appropriate to each type of institution, for calculating the direct, indirect and full annual cost of instruction per student by level and field of study.
2. Interim national standard procedures for calculating those costs per student should be adopted by the federal government to be implemented by institutions on a voluntary basis. Cooperating institutions should receive financial assistance to cover costs related to implementation of the interim procedures and reporting their cost information. (The commission has suggested interim national standard procedures, which are described in a separate staff document.)
3. Federal support should be provided for the development and reporting of financial and program data to supplement and extend the cost-per-student data. Examples of suggested additional financial data may be found in this chapter. *(Chapter 8.)*
4. The federal government should ensure that the data base assembled by this commission is updated, maintained and made available to appropriate public and private agencies.
5. The federal government should support a national center for educational information with the responsibilities and characteristics listed in the text of this chapter." *(Chapter 8.)*

VIII. Adequate Financial Support.

Adequate financial resources should be provided for the accomplishment of these objectives. This is a responsibility that should be shared by public and private sources, including federal, state and local government, students and their families, and other concerned organizations and individuals.

Accomplishment of the previous objectives is directly dependent on the provision of adequate financing, and it will be possible to accomplish all of the objectives only with an increase in the present level of financial support.

- State and local governments should provide the basic institutional capability to offer a variety of postsecondary educational programs and services according to the needs of their citizens.
- The federal government should accept major responsibility for financing postsecondary educational programs that serve goals and priorities that are primarily national.
- Students and their families should share in meeting the basic costs of their education to the extent of their ability to do so and to ensure their freedom to choose among programs and institutions.
- Alumni, foundations, corporations and other private organizations and individuals should provide the supplementary support that traditionally has been a principal ingredient in assuring high quality among both private and public institutions.

In the real world of limited resources, hard choices must be made about the deployment of available financial resources for maximum effectiveness. Not all objectives will be accomplished nor will progress toward their accomplishment be equal. Complex interactions among sources of funds and among the recipients of the funds force the careful study of financing patterns as a prerequisite to the allocation of resources. Those who advocate a particular financing plan should be able to provide some assurance that what they propose will produce the results they intend.

The key elements of the current financing patterns are:

- In fiscal year 1972, the income of postsecondary educational institutions was about $29.5 billion. Of this $29.5 billion:

  20 per cent ($5.9 billion) was received from students and parents.
  32 per cent ($9.3 billion) was received from state and local governments.
  27 per cent ($8.1 billion) was received from the federal government.
  9 per cent ($2.7 billion) was received from gifts and endowments.
  12 per cent ($3.5 billion) was received from auxiliary enterprises and other activities.

- In addition to income to institutions, students paid an estimated additional $4.5 billion for subsistence and education-related expenses, including room, board, transportation and so forth, not paid to institutions. Of this $4.5 billion:

  $3.4 billion was provided by students and parents.

  $1.1 billion was provided by the federal government.

- The combined total of all initial sources of funds for postsecondary education (excluding opportunity costs) results in the following:

  Total expenditures in 1972 were $34 billion. Of this amount:

  35 per cent ($11.8 billion) was paid by students and their families.
  27 per cent ($9.3 billion) was paid by state and local governments.
  27 per cent ($9.2 billion) was paid by the federal government.
  8 per cent ($2.7 billion) was paid for from gifts and endowments.
  3 per cent ($1.0 billion) was paid for from auxiliary enterprises and other activities. (This excludes student payments to those enterprises for goods received.)

  100 per cent ($34.0 billion) Total

- The level and nature of financial support vary greatly from state to state and from institution to institution, and these variations must be taken into account in developing effective national programs and policies.

- In 1972, *public financing* for postsecondary educational expenditures *at institutions* amounted to $17.4 billion. Of this amount:

  25 per cent ($4.4 billion) was provided through students.

  75 per cent ($13.0 billion) was provided through institutions.

  An additional $1.1 billion in public support was provided to students for living costs not expended at institutions.

- In 1972, when all income sources are considered at once, of the $29.5 billion total income to institutions:

  85 per cent, or $25.1 billion, went to institutions.

  15 per cent, or $4.4 billion, went to students.

- Tuition and other student fees have risen steadily as a percentage of total institutional income from 7.2 per cent in 1961-62 to 21.9 per cent in 1971-72.

- The average tuition for private four-year institutions is currently four times that for the average public four-year institution.
- The cost of attending collegiate institutions of any kind has gone up rapidly over the past decade, growing more rapidly than per capita income and, therefore, becoming an increasing burden to those who must pay the cost.
- The federal government operates over 380 separate support programs for postsecondary education, administered by more than 20 federal agencies. The amounts administered by the major agencies in 1972 were:

44.3%	$4,090.4 million	Department of Health, Education and Welfare
21.7%	$2,006.5 million	Veterans Administration
11.7%	$1,082.6 million	Department of Defense
9.7%	$ 898.2 million	Department of Labor
4.2%	$ 390.2 million	National Science Foundation
8.3%	$ 769.0 million	All other agencies
100.0%	$9,236.9 million	Total

- Eighty-eight per cent of all student aid came from the federal government in 1972 (primarily veterans and social security benefits), and 62 per cent of all institutional support came from state and local governments.

REALITIES HAVING IMPLICATIONS FOR FINANCING POSTSECONDARY EDUCATION

The commission's study, and particularly its analysis of more than 50 alternative financing plans, resulted in the identification of a number of realities that must be considered in the development of policy proposals for financing postsecondary education in the next decade.

- State and regional differences in postsecondary education and its financing are so great that the development of a single national policy for financing postsecondary education is impossible, if not undesirable.
- The development of a rational set of policies for financing postsecondary education in our pluralistic system requires an understanding of the interactions that occur between and among:
  1. The demand for postsecondary education services by students and society.
  2. The supply of postsecondary education services by institutions.
  3. The financial support of postsecondary education by federal, state and local governments, students and their families and other concerned organizations and individuals.

It also demands an understanding of the future impact on the postsecondary education enterprise of implementing such a set of policies.

There is evidence that we can understand these interrelationships and impacts sufficiently to employ a knowledge of them in improving policy decision making in postsecondary education.

- Enrollments have stabilized in postsecondary education and, unless social attitudes toward life-long learning should result in increasing numbers of recurring students, future planning must be based on the assumption that enrollments will continue to be stable.
- A substantial financing and programmatic effort must be mounted if we are to fulfill the promise of equal access to ethnic and racial minorities, persons from low-income families and women. To avoid placing the primary burden for doing so on the middle-income family will require substantially greater effort.
- The new 18-year-old age of majority is likely to affect postsecondary education in major ways that are not yet easily determined.
- Institutions of postsecondary education will be under strong pressure to increase their productivity to match rising costs.
- The availability of public funds for postsecondary education is dependent upon at least:
    1. The economic conditions of the nation and individual states.
    2. The attitudes of government officials and elected representatives toward the need for funds for postsecondary education in relation to other demands for public funds.
    3. The attitudes of elected representatives toward the operation and relevance of postsecondary education.
- Societal expectations with regard to skill levels and individual development are substantially higher today than they were 10 years ago, suggesting that universal access to two years of postsecondary education may soon become a significant social demand.
- The U.S. Census Bureau projects an overproduction of bachelor's degrees relative to jobs requiring them by 1980.
- Unemployment and/or underemployment among individuals with doctoral degrees is currently substantial.
- At any given level of financing, assistance plans for target groups (such as grants to needy students) are more effective for improving student access than general student assistance (such as tuition reduction).
- Increases in the effective price (tuition minus student aid) of postsecondary education—the price the student must pay—result in decreases in enrollment; conversely, decreases in the effective price result in increases in enrollment.
- Increased spending for student grants, if the extrapolated 1972 patterns of financing and enrollment continue, would result in proportionately larger increases in enrollments in the private collegiate and noncollegiate institutions than in the public sector, and enrollments in the public two-year colleges would not grow so much as might be expected.

- If the family income eligibility ceiling for student grants were changed from $15,000 to a lower level, the enrollment of students in the $10,000 to $15,000 range would decrease slightly, while the enrollment of students in the under $10,000 family income group would increase.
- Expanding student access to postsecondary education through increased student grant financing would require institutions to seek supplemental financial assistance to meet additional costs induced by the enrollment growth.
- Financing policies that emphasize primarily increasing tuition generally are based on one or more of the following assumptions:
  1. There is, or soon will be, an oversupply of postsecondary education services and degrees.
  2. The portion of public revenues dedicated to postsecondary education is too large.
  3. Requiring the individual to pay for a larger share of his education will bring about a better equilibrium between individual desire for, societal demand for and institutional supply of postsecondary educational services.
- Financing policies that emphasize primarily increases in student aid generally are based on one or more of the following assumptions:
  1. Equality of student access is not yet satisfactorily achieved.
  2. Increasing the flow of funds to postsecondary education through students will permit students to choose programs better suited to their needs and, at the same time, cause institutions to become more responsive to student and societal needs.
- Financing policies that emphasize primarily increases in general institutional support generally are based on one or more of the following assumptions:
  1. Institutions are facing severe financial distress.
  2. The quality and diversity of postsecondary education programs are being threatened.
  3. Policies aimed at increasing student access (particularly for low-income groups) induce additional costs on institutions not provided for in any other way.
- Financing policies that emphasize primarily increases in categorical support to postsecondary education generally are based on the assumptions that there are specific national and/or state concerns that must be addressed, and that institutions of postsecondary education have considerable capability that can be directed at these concerns.

Clearly, a 400-page report cannot be reduced to 10 pages without losing a great deal in substance, context and, therefore, meaning and interpretation. Further, simply the process of selecting these points as the most important introduces the personal viewpoint of the author. Those interested may wish to refer to the complete commission report, *Financing Postsecondary Education in the United States*, for more specific details and further clarification.

STAFF REPORTS

(Published by the National Commission on the Financing of Postsecondary Education)

1. *A Proposal: Interim National Standard Procedures for Deriving Per-Student Costs in Postsecondary Educational Institutions*, by James Farmer. This was published in December 1973 and is currently available from the Superintendent of Documents, United States Government Printing Office.

2. *Towards a National Postsecondary Education Data Base: Experiences of the National Commission on the Financing of Postsecondary Education*, Daryl Carlson, James Farmer and Richard Stanton. This was published by College and University Systems Exchange in the Proceedings of the 1973 CAUSE National Conference, January 1974.

3. *A Compilation of Federal Programs Financing Postsecondary Education*, by Pamela Christoffel. A limited number of copies have been made and distributed to interested associations and individuals by the National Commission.

4. *A Framework for Analyzing Postsecondary Education Financing Plans*, by Daryl Carlson, James Farmer and George Weathersby. This report is to be released by the Government Printing Office on June 28, 1974.

5. *NCFPE National Postsecondary Education Data Base Directory*, by Daryl Carlson, to be released by the Government Printing Office on July 8, 1974.

6. *A Context for Policy Research in Financing Postsecondary Education* is composed of five papers by the NCFPE staff:

Paper 1. Future Policy Issues Concerning Postsecondary Education Demand and Supply, by George Weathersby

Paper 2. The New Adults and the Financing of Postsecondary Education: The Implications of 18-Year-Old Majority, by NCFPE staff members

Paper 3. A Summary and Analysis of the National Commission's Survey of Noncollegiate Institutions, by Ted I. K. Youn and Ray Thompson

Paper 4. Recent Proposals for Financing Postsecondary Education: A Summary, by Ted I. K. Youn

Paper 5. Tax Allowance Proposals for Financing Postsecondary Education, by William A. Sanda

This report is scheduled to be released by the Government Printing Office on August 30, 1974.

AMERICAN COUNCIL ON EDUCATION,
Washington, D.C., February 26, 1974.

Memorandum to: John F. Hughes, Director
From: Carol Van Alstyne, Chief Economist
Subject: National Commission Model: Next Steps

The National Commission has made a major breakthrough in developing a new, more systematic approach to comparing alternatives for financing postsecondary education. Because of its significance, we should learn as much as we can about the model and its practical potential. Georgia Weathersby, the Research Director for the Commission who guided the work of building the model, has generously given two technical briefing sessions at ACE during the last several weeks in what we hope will be a continuous exchange to help us understand how the model works.

This memo is intended to respond to your request for suggestions about what the next steps in the further development of the model might be. The suggestions outlined in this memo are based on the oral presentation and preliminary documentation provided at the two briefings, review of Chapters 6 and 7 of the Commission's Report, a quick look at some of the empirical studies which underlay the student response estimates used in the model, and preliminary discussion with Tom Naylor and Horst Schauland of Social Systems, Inc. I still have a long way to go to understand the basic operations, and, as fuller documentation becomes available, the suggestions for next steps made here may need to be reexamined.

George Weatherby has emphasized that the purpose of constructing an analytic model is to help answer *specific questions* and that in the further development of the National Commission model attention should properly continue to be focused on what specific questions are to be answered. The National Commission built a model to assist in more rigorous comparisons of alternative financial plans in order to answer specific questions about which plan is the most effective in the use of public expenditures to achieve selected objectives. Concurring that the National Commission stated the right questions, then we are interested in refinements of the answers to those questions.

A. In my view, at this point, the next steps in working with the *current model* are:

1. Amplification of the *documentation of the model*. To begin at the beginning, the documentation of the model should be amplified with explicit attention to differentiating among:

a. Policy variables, which can be considered as instruments in achieving financing goals;

b. Endogenous variables, which influence and which are in turn influenced by the system of financing postsecondary education; and

c. Exogenous variables, which have an impact on financing alternatives but which are themselves determined outside of the system of financing.

2. To evaluate more formally the *validity* of the model and the *sensitivity* of the output to changes in the structure of the model and variation in the data put into it.

3. To focus on the role of *judgment* in deriving policy conclusions from the model.

The type of analytic model developed by the National Commission for comparing financing policy alternatives is constructed by:

a. Stating the goal to be achieved—or, technically the value to be maximized,

b. Defining the constraints or limits, within which the goal can be sought (for example, constraints on availability of funds),

c. Describing with sets of equations the way the plans operate, and

d. Putting into the model values to indicate the levels of operation of the various plans.

Then the model can be used for:

a. Comparing the plans with respect to how well they achieve the goal; and after analyzing the results,

b. Indicating which plan comes closest to achieving the desired goal.

Note, however, that the analysis compares alternatives in achieving a *single goal*. When this is the case, direct conclusions can be drawn about which alternatives best achieve the single goal specified. The National Commission Model must necessarily be more *complex*, however, because the goals of the support of postsecondary education are more complex—they relate to sets of objectives with respect to both students and to institutions and strategies for financing postsecondary education must consequently deal with maximizing complex objectives that relate to both students and to institutions.

We need to explore the limits and possibilities of drawing policy conclusions from a postsecondary financing model which must necessarily separately and independently maximize values in achieving two distinct sets of goals—one relating to students (access, choice, and opportunity) and the other to institutions (educational diversity, excellence, independence, and accountability).

The National Commission Model can be used to compare the alternative financing strategies *one at a time*, to determine to what extent, all other things being equal, they maximize the value of a *single* objective. The single objective used in the examples published in the Report relates to student access.

Next, the model, as structured, can be used to compare the alternatives against any other single specified objective—in succession, but always one at a time. In comparing the plans, if the best way to achieve *different* goals is through *different strategies* then a methodological issue and consequently a policy issue arises. Working within the analytic framework of the model, to obtain a clear indication of which *single* alternative financing plan is preferable requires either the real-world decision-maker or the model-builder to specify the weights to be attached to obtaining each of the goals and to strike a balance among them, considering the positive and negative effects of each plan of action on all other relevant goals.

Thus, the National Commission model requires the *use of judgment in an essential way to derive policy conclusions*—not the use of judgment simply to assess how well the structural equations describe the real world or to evaluate the quality of the data used. Rather, judgment is required in this model in an essential way to weigh and specify the importance of different goals, some of which may be complementary and some of which may be competing, to conclude that any one plan, on balance considering the mix of relevant goals, is preferable to another plan.

B. The next steps in developing successive *new generations of the model* are:

1. To move from a *static* to a *dynamic* formulation of the model;
2. To move from a *definitional* to a *behavioral* formulation of the model;
3. To *differentiate the national aggregate* estimates,
   a. By region or state, and
   b. By race and possibly sex (in addition to the differentiation by income already incorporated in the model);
4. To *refine the estimates of student responses* to changes in tuition levels and amounts of student aid available; and
5. To *refine the bases for making projections* used in the model.

Each of these suggestions is discussed briefly in the following notes:

1. A first step in the further development of the model is to move from a *static* to a *dynamic* formulation of the model.

Let me explain this suggested next step by giving an example. The model currently defines eligibility for student assistance as a function of income but not of costs of attending particular institutions, which costs are, however, relevant in the actual awards of student assistance. All students are first grouped into those who are eligible on the basis of income for financial aid and those who are not. Then tuition levels are modified and/or total amounts of student aid are changed (as set forth in the alternative financing plans), and the impacts on student access and induced financial requirements of institutions are calculated. But note that the changes in tuition levels, while they change educational costs, do not now change eligibility for assistance because eligibility is based on income, which is not affected by changes in tuition levels, rather than on educational costs. At this stage of development, the model does not go back again and recalculate the incremental changes in the number of students eligible for assistance resulting from changes in tuition levels and consequently educational costs. This type of *dynamic* feed-back interaction should be identified and taken into account in subsequent generations of the model. The operational implementation of this suggestion can be accomplished by *changing from a recursive to simultaneous approach.*

2. The second step is to move from a *definitional* to a *behavioral* and *probabilistic* formulation of the model.

In a *definitional* model, answers are calculated by the arithmetic operations of adding, subtracting, multiplying, and dividing as indicated by exact equations which *define* relationships. In a *behavioral* model, more attempt would be made to take into account actual behavior of people affected by proposed changes. Since we cannot be sure of their responses, we take into consideration the *probability* of a particular response.

Again, let me use an example to try to explain this suggested next step. At the present time, a dollar of tuition increase in the model is equal to and exactly offset by a dollar of increase in student aid. This is not an assumption built into the model in structural equations; the model has separate equations for each variable and can handle them separately. The current equivalency of tuition and aid is a matter of input data.

But we need next to consider whether the students actually respond exactly the same way to offsetting changes in the two types of support, dollar for dollar. To add the behavioral responses we would need, for instance, to consider whether students knew about tuition levels and the amounts of aid offered, and what certainty or risk they attached to the continuity of each. In this case, for instance, it might be that the knowledge of and certainty attached to tuition levels is different from that attached to amounts of student aid available as an offset.

We currently lack adequate empirical data to make firm estimates of this type of student behavioral response, but better policy information than can be currently provided might be obtained in a rudimentary fashion by using a adaptations of a technique known as the *"Delphi" technique* (in which informed consensus is generated through asking a panel of "experts" to answer several rounds of the same questions when they know the answers previously given by the "experts" in the preceding round).

In extending the development of behavioral responses in the model, the *responses of institutions* with respect to changing tuition levels and assistance available, and the responses of *state* and *federal governments* in allocating aid should be added.

The result of adding these probabilities of behavioral responses is to move in the direction of generating a *simulation of the real financing decision processes* of all the major deciders as they interact. In this case the output of the model is not a single calculated answer but the report of the results of an experiment using the model which is run several times and to which are attached the probabilities of being correct.

3. Improvement of estimates of the behavioral responses of students.

As George Weathersby pointed out, continuous development of the model will require updating and further refinement of the underlying estimates of the student responses to various sets of choices which they have. The only studies of these responses which we currently have were made during periods of sustained enrollment growth in the 1960s, but before the sharp expansion of the two-year institutions and before the introduction of student financial assistance programs for low-income students. I understand new work is underway on these student responses, in particular by David Mundel at Harvard.

4. Another modification of the model would involve making refinements to take into account how people differently situated in different areas of the country might respond. As you pointed out, the National Commission necessarily started with a *national model*, but it is known that the kinds of choices students can make and their likely responses may well differ *region by region* or even *state by state*—given, for instance, the differing private-public mix of institutions or the availability of two-year options as we move from east to west across the country.

In addition, income is, but *race* or *sex* are not, taken into account explicitly in the current formulation of the model—and they should be, if blacks and women cannot be assumed to respond similarly to white males to different educational options.

5. To *refine the basis for making projections* used in the model.

Projections of important variables in the model are currently made outside of the model and then fed into it. We might want to examine the ways in which these projections are made to see if they could be refined. It might be feasible, for instance, to make the projections of enrollment internal to the model and affected by what happened in earlier periods.

In addition, the essential projections might be *linked more explicitly to assumptions about the development of the general economy and the place of postsecondary education among national priorities.*

AMERICAN ASSOCIATION OF
STATE COLLEGES AND UNIVERSITIES,
Washington, D.C., October 24, 1973.

FINANCING POSTSECONDARY EDUCATION: THE CASE FOR LOW-TUITION PUBLIC HIGHER EDUCATION *

I. INTRODUCTION: A STATEMENT OF PRINCIPLES

1. The American system of public higher education is a precious national resource. Since its beginnings almost 150 years ago, this network of land-grant universities, state colleges, and community colleges has grown so that it now provides access to millions of people—today, to about three-fourths of all college students.

2. Like our free public school system, of which it is a logical outgrowth, public higher education is the envy and wonder of the entire world. It has contributed enormously to our well-being, through research and public service as well as instruction, and it is today a principal hope for resolving many of the problems which confront us.

3. The alternatives to low tuition proposed by the Carnegie Commission, the Committee for Economic Development, and others rest in varying degree on shifting the financial burden of higher education to the student and his family. For most middle-income and lower-middle-income students, and quite possibly for low-income students as well, higher tuition means heavy borrowing, probably at high rates, and large debts—or not going to college at all.[1]

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*This is a staff paper prepared by the American Association of State Colleges and Universities for the National Commission on the Financing of Postsecondary Education.

[1] For further discussion of long-term loans and loan bank approaches, see Robert W. Hartman, *Credit for College* (New York: McGraw-Hill, 1971); D. Bruce Johnstone, *New Patterns for College Lending* (New York: Columbia University Press, 1972); and John P. Mallan, "Current Proposals for Federal Aid to Higher Education," in M. D. Orwig, *Financing Higher Education* (Iowa City: American College Testing Program, 1971), especially pp. 311–314 and 322–330.

4. No amount of rhetoric about helping low-income students, saving private higher education, or increasing student choice should be allowed to mask the effects of high public college tuition and heavy debts on millions of Americans.

5. Increased student aid is not and cannot be a substitute for low tuition, although it should be a supplement. Federal and state student aid programs are subject to the annually shifting political and economic priorities of federal and state bureaucrats, politicians, and bankers. *Low tuition is a long-term guarantee of access to higher education; student aid cannot be.*

6. Student aid alone cannot provide institutions with the resources needed to plan ahead, to provide new instructional programs, research programs, and services to meet changing needs. Institutional aid is necessary, both for institutional stability *and to help keep tuition down*—thus aiding millions of middle-income and lower-middle-income students who are eligible for little or no student aid.

7. Student aid programs for lower-income groups alone, combined with higher tuition, would bring about a new and highly undesirable class discrimination in American higher education. Well-to-do students would be able to pay their way and graduate debt-free; lower-income students might also obtain a subsidized education and graduate without debts. Middle-income and lower middle-income students would have to pay much more and take on large-scale debts after graduation.

8. Raising public tuition as a way to "help private colleges" would force millions of middle-income and lower-income families to pay more and take on debts. Direct institutional aid and student aid to private colleges is a far more equitable way to help these institutions.

9. In conclusion, it would be both tragic and foolish for the American people, at this point in history, to abandon a century of unparalleled success with low-tuition public colleges for a dubious and untried system based largely on higher charges to students.

The paper which follows develops some of these points in greater depth, and also examines some of the arguments for and against raising tuition.

II. SOME ARGUMENTS FOR RAISING TUITION

Here are some of the most frequent arguments for increasing tuition:

1. Because present state taxes are often regressive, the burden of support for public higher education falls disproportionately on lower-income families which are less likely to send their children to college and therefore do not "benefit." Conversely, many upper-income families who benefit could afford to pay more.

2. Raising tuition would "make available" more funds for public higher education, which could be used to provide aid to lower-income students.

3. The most efficient way to aid lower-income students is to give them direct federal and state aid, while charging everyone more tuition.

4. Some middle-income and lower-middle-income students now attend private, higher-tuition colleges. If these students can afford to pay higher tuition, why can't other middle-income students do so?

5. Raising tuition would decrease the gap between public and private college costs, and thus help private colleges attract more students.

6. Students should have more choice of the type of institution they attend. They should not be limited to a low-tuition public college close to home for financial reasons, but should be able to go to a more expensive public, private, or proprietary school. But, because federal and state government resources are limited, this choice is only possible if tuition is raised to obtain more overall revenues, and if students are able to obtain grants or loans to go to any college they wish.

7. Raising tuition will give the student more power over the institution, since he will pay a greater share of costs. This will force colleges to become more responsive to student demands.

8. It is unclear to what extent higher education benefits the individual graduate, and to what extent it benefits society in general. To the extent that the individual benefits, he should pay more.

There are other reasons for raising tuition, of course. The most frequent reason in practice is simply that a given Governor or state legislature is hard-pressed financially. However, an ad hoc pressure to raise tuition in one state in one year—often by a relatively small amount—is very different from a concerted nationwide campaign to raise tuition in all states.

A great danger in the tuition controversy is that hard-pressed or fiscally conservative politicians at the federal or state level will seize upon dubious theoretical justifications for raising tuition, as a way to balance their own budgets.

III. REBUTTAL: THE CASE AGAINST RAISING TUITION

Dealing in depth with the arguments against low tuition is not easy. Each calls for substantial research and analysis; but in most cases adequate information is unavailable, fragmentary, or subject to widely varying interpretations. The millions of dollars spent on research by the Carnegie Commission and other governmental and non-governmental groups have not provided the country with a firm data basis for either accepting or rejecting many of the arguments made for or against low tuition.

Given such uncertainty among research scholars, decision-makers should move very cautiously in recommending radical changes in a system which involves so many millions of people.

Here is a rebuttal of each of the points made in Part II of this paper:

1. *Regressivity of state tax burdens.*—Scholars such as Dr. Joseph Pechman, Director of Economic Studies at the Brookings Institution, have raised serious doubts about the charge that low-income families are bearing a disproportionate part of the costs of public higher education. Dr. Pechman believes that, on the average, lower-income people receive greater direct benefits from public higher education than the taxes which they pay.[2]

The Carnegie Commission report, *Higher Education, Who Pays?*, makes a similar point on pages 43-47. The Commission points out that while lower-income families which do not send a student to public colleges do not receive a direct subsidy, those who do receive a considerably larger subsidy than the taxes which they pay.[3]

Some further points about the problem of regressivity:

Today, federal, state, and institutional programs are making a major effort to attract more low-income and minority students—with considerable success. As more such students go to college, part of the existing regressivity will be eliminated.

To the extent that regressivity is seen as an inequity, it should be corrected by changing the tax system, rather than charging higher tuition to all students.

College graduates pay higher federal, state, and local taxes. In this way, most college graduates repay the subsidy they received in the form of low tuition. Many of them repay it several times over.

The *absolute* amounts paid by many low-income families as taxes used for public higher education are small—in many states, probably only a few dollars per year.

Low-income families benefit from public higher education even if their children do not go to college. Public colleges train most of the teachers, social workers, health professionals, businessmen who create jobs, and a host of others whose work helps the poor in many ways.

Lower-income families benefit greatly from the increased willingness of college-educated middle-class people to support social and civil rights programs which benefit the poor. This is shown very clearly in an important Carnegie Commission on the social benefits of higher education, a study which has not received the attention it deserves—Stephen Withey's *A Degree and What Else?*[4]

It is not necessary for every public service to benefit every income group proportionately, in order to have overall equity. While lower-income people as a group may pay more in taxes than they receive as participants in public higher education, they also receive more benefits from other programs than they pay taxes for. This is unquestionably true for public welfare and elementary and secondary education, and to some extent for public health services, public housing, any many other government programs. A realistic picture of taxes and benefits should show the flow of *all* government benefits to each income class.

2. *"Making available" more resources for poor students.*—This argument is based on the serious misconception that increased tuition revenues will somehow be "recycled" to provide student aid for the poor. This is simply not the way the system works in most states. Such funds usually revert to state or local treas-

[2] Joseph A. Pechman, "The Distributional Effects of Public Higher Education in California," *Journal of Human Resources*, 5, Summer, 1970.

[3] Carnegie Commission on Higher Education, *Higher Education: Who Pays? Who Benefits? Who Should Pay?* (New York: McGraw-Hill, 1973).

[4] Stephen B. Whithey, *A Degree and What Else* (New York: McGraw-Hill, 1971).

uries, where they may be used for any government purpose. Even when the institution is allowed to keep the funds, the legislature will take notice, and is likely to subtract them from appropriations. Further, even if a particular state passes a law earmarking increased tuition revenues for student aid, there can be no guarantee that the next state legislature will continue the commitment.

3. *Using student aid to make up for tuition increases.*—Both the Carnegie Commission and the Committee on Economic Development report seem to believe that tuition increases—voted on separately by 50 state legislatures and by hundreds of local community college districts—can somehow be "coordinated" with increased federal and state student aid, in such a way that student aid grants will make up for tuition increases, for very low-income students.

Middle-income and lower-middle-income students—with family incomes as low as $10,000 in some plans—would *not* receive grants adequate to offset tuition increases; they would have to pay more and probably go into debt, along with all students with family incomes above the median, now around $11,000.

All federal student aid programs have been funded far below the level of need in the fifteen years since the passage of the original National Defense Student Loan Program. Present student aid programs are inefficient and inequitable in many ways: many states do not get a proportionate share of available funds; some colleges within each state do not receive a proportionate share; funds have become available too late in the year, because of political and budgetary controversies; federal regulations, guidelines, and procedures have involved inordinate delays and resulted in great confusion and red tape.

Further, student aid programs have been the target of various "hidden agenda" plans to do away with aid to all students except the very poor, and force most students to rely on expensive high-interest loans.

Indeed, at least one prominent economist associated with the high-tuition, large-student-debt approach has publicly recommended that the new state scholarship incentive program be used as a device by which the federal government can pressure state legislatures to raise tuition in the 50 states![5]

These policy shifts and bureaucratic delays in student aid programs have involved many different players in the political game—Office of Educataion bureaucrats, bitter opponents of low tuition in some high economic and fiscal planning offices in the federal government, OMB officials attempting to cut the budget in any way possible, and others. These shifts have not been limited to one administration, but involve years of controversy under Presidents Eisenhower, Kennedy, Johnson, and Nixon.

To the bureaucratic in-fighters on student aid must be added the varying political factions in both houses of Congress and both political parties, on the Education and Appropriations committees. Individual personalities on the Congressional committees and their staffs have also influenced the direction taken by student financial aid programs.

Finally, there are the bankers—the private lenders who are essential to any private loan program like the Guaranteed Student Loan Program. The bankers' own fiscal priorities, their willingness to lend to students, has varied over time with the money market, the overall economic situation, and other factors.

Given this political and economic melange, with the further political uncertainties which affect 50 state legislatures and 50 Governors, there is no way that the Carnegie Commission or anyone else can guarantee a "magic money machine" in which tuition can be raised with the assurance that adequate student aid funds will be available from year to year.

Low tuition, again, is a far more stable guarantee of educational opportunity. AASCU believes that student aid should also be available—especially in the form of grants, work-study and low-cost NDSL loans. But AASCU believes it is dangerous to rely on the promise of student aid as a way either to help students or to provide adequate resources for institutions.

4. *Can middle-income students afford private higher education?*—A member of the National Commission on Financing Postsecondary Education has referred to Census data which shows that a substantial percentage of the students attending private colleges, especially four-year colleges, are from middle-income and lower-middle-income families. The implication of this data, to him seems to be that high tuition has not been a barrier for college attendance for many middle-income students.

[5] Robert W. Hartman, *Higher Education Subsidies* (Washington: Brookings Institution, 1972), pp. 481–484.

It is difficult to deal in depth with this question because there is very little detailed information from the Census or elsewhere on income class and college attendance. However, here are some points:

The same Census data show that a large majority of middle-income and lower-middle-income students attend *public* colleges. The fact that some members of the group are able to afford private colleges does not "prove" that all of them can.

Such aggregate data do not show the actual cost of attendance at such colleges for middle-income students. For example, many students, especially in the urban Northeast, may be commuters; it may be little more expensive for them to commute to a private college than to pay residential costs at a public college.

Many students at private colleges receive substantial student aid, from institutional sources as well as public sources. One estimate is that private colleges may be spending *eight times* as much institutional aid per student as public colleges. This would bring the cost for many students down substantially.[6]

Such Census data do not indicate family assets or ability to borrow. Some middle-income families may have substantial assets or savings, or better credit than other families at the same level.

Census data based on the family income of dependent students are not relevant to the problems of students who are largely self-supporting, older, often married, working, and attending college on a part-time basis. A large and growing number of students at urban community colleges and state colleges fall into this category; they are heavily dependent on low tuition.

A number of factors other than tuition obviously affect college attendance or non-attendance at each income level. One factor is geographic access to college, and commuting costs versus residential costs. Another is college admissions policies; for example in New York City many more middle-income students are attending public colleges since the open-admissions policy was adopted. Other factors include academic ability and motivation—some academically able low-income and middle-income students win scholarships to private colleges. Other cultural and motivational factors affect the choice of a college by a student or his parents; for example, some religiously motivated parents may make unusual financial sacrifices to send their children to church-related schools.

In short, tuition alone may not determine whether a middle-income student will attend a public or private college, especially in the urban Northeast. In many parts of the country, however, the public college is the only financially feasible choice.

AASCU continues to believe that higher tuition would bar many middle-income students from college, or force them to take out expensive loans.

5. *The "tuition gap".*—To AASCU, the weakest and least justified argument for raising tuition is to "make private colleges more competitive." This is a recommendation to tax the 75 percent enrolled at public colleges to help the 25 percent at private colleges—to place a large tax and large debt upon six million students, many of them middle-income and lower-income, to help colleges enrolling 2 million students—some of them quite well-to-do.

Private higher education is concentrated quite heavily in the Northeast and Middle Atlantic states and a few other areas. This policy, if carried out nationwide, would require middle-income students in Florida, Texas, and California to be taxed more heavily to "help" private colleges in Massachusetts and New York!

One AASCU President has suggested that this policy is "like raising the price of chuck, to make sirloin more attractive."

There is an alternative. AASCU and other associations representing public higher education have worked consistently over the years for federal programs which benefit private colleges as well as public colleges—student aid, programs for the disadvantaged, graduate fellowships, facilities construction, institutional aid. To the extent that private higher education should be supported with federal funds, this kind of direct assistance is far more equitable than simply taxing all students at public colleges.

6. *Student choice.*—Some commentators say that equality of educational opportunity means that students must have a choice of several or many public, private, and proprietary colleges, and not simply access to one or a few low-cost public colleges.

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[6] These estimates are based on John D. Millett, *Financing Current Operations of American Higher Education* (Washington: Academy for Educational Development, 1972), p. 5, Table 2.

This viewpoint is taken, for example, in the College Entrance Examination Board report, *Toward Equal Opportunity for Higher Education*,[7] which takes the position that low-income and especially minority students in particular should have access (through large grants) to more expensive universities and not be "forced" to go to "lower-cost" public colleges.

There has been some discussion on the part of the members of the National Commission on the Financing of Postsecondary Education about this same point. Some members have talked of the necessity of "*a trade-off between access and choice*"—for example, putting less federal and state dollars into access at low-tuition public colleges, and more into student aid to help students go to more expensive colleges. One implication is that if there is not enough additional public money for institutional support, public colleges will have to charge higher tuition.

For most students except the very poor, such a "diversity of choice" plan is likely to mean simply an opportunity to borrow more money at higher rates.

AASCU believes that the resources available to higher education can and will be expanded in the decades ahead. The American people should not accept the argument that tuition must rise in order to expand "choice."

AASCU also believes that federal and state governments should consider very carefully the extent to which public funds should go into making it possible for students to attend very expensive institutions, whether private, or proprietary, particularly if funds used for this purpose are taken away from public colleges, resulting in higher tuition.

7. "*Student power*".—The view that students should have more power over higher education—and that they will have it if they pay more—has won some adherents in recent years. Some of the more radical critics of higher education, still waiting for the "greening of America" which student power is supposed to bring, have used this as a reason for high tuition and large loans.

There are at least two strong arguments against this point of view. One is that most higher tuition-plus-student-loan plans would lead only to the student paying a somewhat greater share of the instructional cost. Students in this situation would have all the disadvantages of high tuition and larger debts—but none of the presumed advantages of really "controlling" the institution.

The stronger argument is that while students might like greater control over the educational process, very few believe that they should pay for it with much larger debts. They do not want to begin their early post-college years with heavy debt repayment schedules—nor do they wish their spouses to be burdened with such debts. Most would also be unhappy at a situation in which the well-to-do and some of the poor avoided debt, but no one else did.

Most students also believe that a greater share of the Gross National Product should be devoted to higher education subsidies, and that tuition should be kept low.

8. *Social benefits versus individual benefits*.—After spending some six million dollars in six years and involving what were purported to be some of the best minds in America, the Carnegie Commission was unable to come up with a way to quantify the benefits of higher education to the individual or to society. It was their general conclusion that since the individual and his family now pay about two-thirds of the cost, and the individual keeps about two-thirds of the additional income result from college (the rest going to increased taxes), the present funding pattern is generally an acceptable one. Nevertheless, they urged higher tuition at public colleges.[8]

Several recent books and articles make a very persuasive case that the social benefits of higher education are very great, and that this justifies keeping tuition as low as possible. The reader is referred to articles by Howard R. Bowen and Paul Servelle, and to a Carnegie study by Stephen B. Withey. All of these publications deserve much more attention than they have so far received.[9]

IV. CONCLUSION: SOME PUBLIC POLICY IMPLICATIONS

1. Both federal and state policy makers should seek alternatives to higher tuition and larger student debts. These alternatives must include adequate student aid programs as well as adequate support for institutions.

[7] College Entrance Examination Board, *Toward Equal Opportunity for Higher Education* (CEEB: Princeton, New Jersey, 1973).

[8] Carnegie Commission, *op. cit.*, pp. 3–4.

[9] Withey, *op. cit.*: Howard R. Bowen, "Finance and the Aims of American Higher Education," in M. D. Orwig, *op. cit.*: Bowen and Paul Servelle, *Who Benefits from Higher Education—and Who Should Pay?* (Washington: American Association for Higher Education, 1972).

2. Student aid policies should emphasize grants, work-study, and low-interest-rate, subsidized loans along the lines of the National Defense Student Loan Program.

3. Federal and state policy makers should review very cautiously all proposals for long-term student loans, contingency repayment, and loan banks, as well as any changes in the Guaranteed Loan Program, to be sure that they are not based on "hidden agenda" plans to shift public college students to higher tuition and larger debts. The same is true of efforts to use the state scholarship incentive program, or any other federal program, as a way to pressure the states to raise tuition.

AMERICAN ASSOCIATION OF
STATE COLLEGES AND UNIVERSITIES,
Washington, D.C., May 7, 1974.

Hon. JOHN DELLENBACK,
Longworth House Office Building,
U.S. House of Representatives,
Washington, D.C.

DEAR JOHN: I am writing in response to your letter of March 6, which invited AASCU to comment on the report of the National Commission on the Financing of Postsecondary Education.

I enclose an AASCU staff report which comments on some aspects of the report, particularly on the analytical model. See also the attached comments of Dr. Lyman Glenny, which he has made public.

We are very much aware of the hard work and dedication which you and the other members brought to the work of the Commission. We are particularly impressed with the Commission's call for the establishment of a better data system, on a permanent basis, for higher education. We hope that some mechanism can be developed, either in the Office of Education or elsewhere, to make this possible.

In this connection, we have been interested in the proposal in the current Senate bill on elementary-secondary education to elevate the National Center on Educational Statistics to the same level as the Office of Education. This might help the Congress and the public to work more closely with NCES, to assure its doing a better and more up-to-date job of data collection and dissemination.

If we can be helpful as you and other members of Congress consider next steps, please let us know. We are taking the liberty of sharing these materials with others who may be interested.

Sincerely,

ALLAN W. OSTAR.

Enclosure.

MAY 1, 1974.

STAFF PAPER ON THE REPORT OF THE POSTSECONDARY FINANCING COMMISSION

The recent report of the National Commission on the Financing of Postsecondary Education is an impressive attempt to bring together data and analysis for a fresh look at the financing of postsecondary education in the United States.

The report has now been extensively analyzed by the United States office of Education, by many higher education associations, and by a number of individuals. Yet there is still need for further analysis by specialists—literally, a page-by-page review of data, assumptions, and methodology—if the report is to serve either as a basis for decision-making, or as a methodological model for further research efforts.

To our knowledge, few specialists in educational research or analytical models have yet analyzed the report. Some who have, like Dr. Lyman Glenny at the University of California, have been very skeptical. (See his attached report of February 12, 1974, to the Education Commission of the States.)

Those who support the principle of low tuition at public colleges have particular reason to be concerned about the model, since several of the generalizations which flow from it, and which have been widely publicized, can be interpreted as questioning the value of low tuition.

Here are some specific comments on the report.

I. THE ANALYTICAL MODEL.

The comments cited by H. Reed Saunders, Deputy Assistant Commissioner at the Office of Education, and quoted in Commissioner John Ottina's statement of

April 8 to Congress, sum up the doubts which many observers have about the model. See for example the following sentences:

> The model was improperly used to examine the enrollment and cost impact of large changes in net charges to the student without any caution to the reader of the report . . . The description of model purpose, structure, limitations, input data, and output results did not meet standards for publication in a professional journal.

Similar comments are made in a February 12, 1974 report by Dr. Lyman Glenny, Director of the Center for Research and Development at the University of California, Berkeley. In a report to the Education Commission of the States, Dr. Glenny raised doubts about the data upon which the model was based, the "literally hundreds of assumptions and arbitrary adjustments" which must be made in such a model (few of which are explained in the report), the mathematical techniques used, the particular enrollment projections, the ignoring of a downturn in college enrollment over the past several years, and other factors.

Nevertheless, as Dr. Glenny points out, the report then provides "generalizations" about student aid, tuition, enrollment, institutional aid, and so on, drawn from this "simplistic mathematical model."

Some supporters of the report have stated that the model is intended only as an example of a new methodology, a new approach to determining the effects of higher education financing, more sophisticated than existing approaches. Had the report been a purely scholarly exercise in methodology, so identified (and with all of the assumptions, data sources, and so on carefully spelled out), there could be no criticism. But the report linked the model to generalizations which bear directly on policy-making and which may well influence federal or state policy-makers. It is for this reason that such serious doubts have been raised.

1. *Radner-Miller and college choice.*—The report does not clearly identify the principal source of the research upon which the model and generalizations are based. It is apparently a single article by R. Radner and L. S. Miller, "Economies of Education: Demand and Supply in U.S. Higher Education: A Progress Report," *American Economic Review* (May, 1970), pp. 326–334.

The same article also apparently serves as the principal basis for a second model, being developed by NCHEMS with Office of Education funding. A similar model is being developed by RAND Corporation with National Science Foundation funding, based so far on similar data, but not on the Radner-Miller analysis as such.

Therefore, a very careful analysis by competent specialists of the limitations of Radner-Miller and similar approaches is needed for any layman who attempts to understand these models.

The Radner-Miller research is an attempt to determine the reasons why certain students chose to go to certain educational institutions, based on data collected by the SCOPE project in 1966 in four states; California, Massachusetts, North Carolina, and Pennsylvania. It should be emphasized that in 1966 federal student aid programs, except for the National Defense Student Loan program, had not yet got underway, there were few state student aid programs, the TRIO programs were just beginning and there had not yet been a serious effort in most states to attract minority students. Further, many states (including Massachusetts, North Carolina, and Pennsylvania) had much less well developed systems of community colleges and comprehensive state colleges than is now the case, tuitions were much lower in both the public and private sectors, and the draft was just beginning to affect enrollment patterns.

For these and other reasons, the use of 1966 data is questionable in making generalizations about 1974, or projections to 1980.

Further, the whole "science" of why and how students select certain colleges, or decide to go to college at all, is in a very primitive state. It is our strong impression that most students act with very *imperfect consumer knowledge* of the alternatives open to them. They choose a college on the basis of vague impressions gathered from their parents, peers, teachers, and others. They may be unaware of many alternatives open to them. This appears to be true even for children of well-educated and professional parents, and much more true for children of working-class, poor, and minority families.

Indeed, a recent study of proprietary and public postsecondary education by Wellford Wilms of the Berkely Center for Research and Development in Higher Education found that more culturally disadvantaged students were more likely to attend a high-cost proprietary school rather than a low-cost public community college offering the same courses, when both were available—acting against what might be presumed to be their economic interest.

Wilms found that disadvantaged and minority students, including many who had done poorly in high school and/or dropped, often chose the proprietary school, while white students who had done better in high school often chose the community college for technical and vocational courses.

One reason for choosing the proprietary school appeared to be poor consumer knowledge of alternatives. Those who made this choice were likely to have gotten their information about the school from the Yellow Pages or late-night TV commercials, while those who chose the community college were often advised by their high school teachers and guidance counselors. Wilms adds that there were other factors—for example, many disadvantaged high school students were turned off by public high schools and carried this attitude over to public colleges.

Nevertheless, the Wilms study indicates that "real world" choices of college or post secondary school may be very complicated, and that simple explanations based on rational economic choices are probably in error. Many more studies of college choice are needed, by higher education specialists and social scientists as well as economists and systems analysts—before we can state with assurance the reasons students choose particular colleges, and the importance of financial considerations in their choice.

2. *Interchangeability of tuition and student aid.*—The model assumes (page 255 of report) that changes in student aid can be treated like changes in tuition. It is by no means certain that this is so in the real world. Tuition levels tend to be established for relatively long periods of time, and to be easily perceived by potential students, their parents, and their teachers. Student aid, on the other hand, is subject to the annually shifting priorities of federal and state officials, legislatures, and private lenders—and to fluctuate greatly in amount and form over the years. It is not at all clear how students perceive the availabiliy of student aid.

Experience with a long-term system of low tuition or zero tuition, like that in California, indicates that a very large proportion of students, including many older people, will continue their education when they clearly perceive that this system is available to them. Experience with the Vietnam-era G.I. Bill (not referred to in the report) indicates that college-going, even with a grant of $220 per month, varies greatly from one state to another, depending on the tuition charged in the state and related factors. (The present G.I. Bill grant of $1980 a year is much higher than the projected maximum BEOG grant of up to $1400 for the poorest students, but not more than one half of college costs. Yet even with this grant there is great variation by states in college going, related to tuition.)

3. *Alternatives to student aid.*—The report concentrates on the use of increased student aid to encourage more students to attend college. There is some discussion of the need to avoid early tracking of high school students as a way to encourage college-going, though this is not emphasized. But there is no discussion of programs like TRIO—Upward Bound, Talent Search, and Special Services for the Disadvantage—as a way to encourage more low-income and disadvantaged students to go to college.

Almost all authorities on the disadvantaged emphasize that low family income per se is not the only reason why students fail to continue their education. A cluster of reasons related to discrimination based on race and sex (a much smaller proportion of qualified women go to college than men), parental and peer-group attitudes, poor elementary and secondary education and guidance counseling, suspicion of "establishment" or "white-oriented" institutions such as high school and college, all play a part in the decision of many lower-income and minority students not to continue.

Undoubtedly, financial aid—through low tuition as well as student aid—is one principal and essential way to encourage students to continue. But the model places all of its attention on the financial incentive, on additional increases in aid as a way to "lure" more students (to quote comments made at several Commission meetings). This approach also leads to estimates which would require extraordinary public expenditures to achieve modest increases in enrollment, as will be shown below.

Student aid (and low tuition) appears to be a "necessary but not sufficient" way to attract minority students. It is quite possible, for example, that an incremental 50 to 100 million dollars might better be used, not in additional student aid grants, but in expanding and improving the TRIO programs and helping support similar programs established in some states like New York and California. This key question is never raised in the report.

4. *BEOG versus SEOG: the flat grant approach versus the college-based aid approach:* The model's approach, increasing enrollment simply by increasing the grants available, has a very important side effect: *a small increase in total enrollment requires a very massive increase in student aid.*

This has major consequences not only for the model, but for a key question before Congress in 1974 and later years: the extent to which student aid should be based on direct entitlement grants like BEOG, or on discretionary college-based aid like SEOG.

This particular point is best made by reviewing a commentary on the report by Dr. George Weathersby, who served as Associate Director, in a paper given at a U.S.O.E. conference at Marco Island, Florida on February 17–18, 1974. To quote Weathersby, giving an example of the impact of aid:

> However, $2 billion in additional need-based grants would increase low income enrollment by about 6% in 1980 (approximately 200,000 students) *costing about $10,000 per additional student, which is surprising.*

Congress and the taxpayers might well raise their eyebrows at the suggestion that $10,000 per student should be spent in aid funds to attract additional students, when the actual cost of instruction for each student might vary from $1500 to $3000 per year, and when a student can now attend Harvard or Stanford for $5000 a year.

But the "$10,000-per-student" figure is actually based on an assumption which shows some of the limitations of modeling—and, more important, some of the problems of a BEOG flat-grant system versus an SEOG college-discretionary system. Congress, in reviewing the future of BEOG and the college-based aid programs, should be aware of such assumptions.

The assumption made in the report is as follows (using hypothetical figures). If—say—one million students will attend college with an average BEOG-type grant of $1000, we might hope to attract another 200,000 students if we raise the average grant to $1500. However, because BEOG-type grants are based on an entitlement formula related to family income, we cannot simply pay special grants of $1500 to the additional 200,000 students we seek.

Instead, we will have to increase the average grants for the one million aided students *already in college* from $1000 to $1500, as well as giving $1500 grants to the 200,000 additional students we seek.

Thus the total additional cost of this program to the government will not be 200,000 times $1500, or $300 million. Rather, it will be 1,200,000 times $1500—or *$1.8 billion!*

There are ways to avoid spending such astronomical sums to attract more students into the system. In addition to utilizing programs like Talent Search and Upward Bound, and other approaches to recruitment through high schools, parents and the community, the government can continue to utilize *discretionary* programs such as SEOG—which give the individual college the authority to tailor grants to particular situations, rather than giving all students a flat grant based on income. Then, individual colleges could choose to give certain students $1500 rather than $1000 based on individual circumstances—without giving all federally aided students $1500.

5. *Institutional aid.*—One of the most controversial generalizations in the report appears on pages 316–318, and is related to Table 7–11 on page 317. This states that if institutions were to take large numbers of additional federally aided students, they would need only a miniscule increase in institutional aid per student in order to make up the additional instructional costs.

The figures given are as follows: If $1.2 billion in additional student aid is made available by 1980, public four-year colleges would require *only $37 per student aided*, and private colleges would require *only $120 per student aided.*

These estimates are in direct contradiction to figures which appear on page 254, based on HEGIS data, which show that the average instructional cost per student in 1971–72 ranged from $1533 at the lower division of public four-year colleges to $3029 at the upper division of a private four-year institution. Such costs have already sharply increased for 1973–74, of course, and will no doubt be much higher in 1980.

The estimates of $37 and $120 are apparently based on dividing the estimated increased institutional cost incurred by adding these students not by the increased number of students aided, but by the *total* of *all* students aided, including those aided *before* the $1.2 billion was made available.

This calculation results in the ludicrously low estimate for additional institutional aid needed per student. On the other hand, if we simply assume a large deficit for each student in college already—whether or not federally aided—there will be a similar deficit for each additional student admitted.

This point can be illustrated by the following example. Assume that a public four-year college charges entering freshmen $500 tuition, but that it costs the college $1500 per student for instructional costs. Thus, the college runs a deficit of $1000 per student.

Also assume that this college has already admitted 1,000 federally aided students, each of whom carries a deficit of $1,000 to the institutions.

This figure does not include any special costs for educationally disadvantaged students; some of the federally aided students will fall into this category. Estimates from federal and institutional sources indicate that colleges may be spending as much as $700 per student per year for special services for the disadvantaged, in addition to the regular instructional costs of say, $1500 per student per year.

The federal government then increases student aid so that the college is able to admit another 100 federally aided students. Common sense would suggest that each of these 100 students costs the college another $1,000 in instructional costs, so that the total additional instructional cost is $100,000, which must be made up either by the taxpayers, by raising tuition for all students, or by federal institutional aid.

However, the report apparently makes a very different calculation, dividing the estimated additional cost not by the 100 additional students admitted, but by the total of 1,100 federally aided students—including those already in the college. In this way, the report arrives at a far lower cost per student.

This calculation is of more than theoretical interest. The higher education community has been asking Congress for several years to fund the cost-of-education section of the Education Amendments of 1972 (Section 419 of P.L. 92–318)—on the grounds, accepted by both the Congress and the administration in 1972, that each additional federally aided student is an additional cost imposed by the federal government on the institution, and that the government should bear a share of this cost.

Institutional aid receives very little attention in the report, which is focused largely on student aid. The low figures developed in this part of the report throw further doubt on the need for institutional aid, on the basis of calculations which appear to us to have no relation to reality.

6. *Other criticisms.*—Other criticisms can be made of the model and the generalizations surrounding it, although in many cases not enough information is available. To give a few examples:

On page 252, the report states that the model assumes that most student grants will go to students from families with an annual income of $15,000 or less. At anything like the present level of BEOG funding and using the current family contribution schedule, or anything like it, few students from families with incomes over $7,000 and almost none with incomes over $10,000 will receive very much aid. It is not clear from the presentation whether the model over-states the extent to which middle-income and lower-middle-income families would be aided in attending college. It appears that the model may over-state assistance to such families.

On pages 259 ff, the assumptions made in the eight plans are not spelled out clearly enough, nor the extent to which certain plans agree with the CED, Carnegie, and Representative Edith Green 1972 recommendations. The report also does not make it clear the extent to which Plan II calls for "full funding" of which titles of the Higher Education Act. Once again this makes it difficult for a reader to judge the usefulness of the report to policy-makers.

The various plans looked at in the model are based on reallocations of the same amount of money—in other words, by reducing student aid but at the same time increasing tuition, or otherwise holding the total amount of money in the system constant. This may make sense for analytical purposes, but is not what most policy-makers would advocate in the real world—rather, many would advocate adding to the total pie, increasing federal aid to students and/or institutions but not reducing the state or private contribution—or adding to student aid but not increasing tuition. This makes a great deal of difference in the outcomes.

The model does not deal with part-time students, which today include millions of older people, minority group members, women, people from lower-income and working-class families. Again, eliminating part-time students may make sense for analytical simplicity. But it would be most unfortunate if policies were to result from the model which would raise tuition and adversely affect the educational chances of these millions. This is a particular concern for many community colleges and state colleges, which may enroll more part-time than full-time students. But it affects almost all institutions, public and private.

The model does not deal with loans, or with college-work study. The student aid calculations are based entirely on a grant system like BEOG, and, as we have seen, do not even allow for college discretionary programs like SEOG, or for TRIO-type programs. We may not have the data to make calculations about the effects of loan and work-study policies, but this limitation should have been pointed out more clearly.

Further research into loans and work-study is badly needed. This is particularly true since it is very doubtful that loans can simply be *substituted* for grants or low tuition—that it can be assumed that just as many students from each income class will go to college if they must take out expensive loans rather than receive grants or the benefits of low tuition.

Other studies, like those made by CED and Carnegie, have been justly criticized for apparently ignoring elasticity of demand—for seeming to assume that demand will not fall off if tuition increases and many students must take out loans. This report shows an awareness of elasticity, and points to a decline in enrollment as tuition increases, based on Radner-Miller and other studies. But it does not give this problem very much attention.

What has been said above should not be taken to discourage the further exploration of modelling as an approach to the problems of financing higher education. But it certainly should be taken as a caution about the use of such models without much clearer caveats about their limitations.

The use of modelling in economics has so far demonstrated its limitations. Even with far better data and many more years of research by a large and highly skilled group of professionals, economic models have had very limited success in predicting most of the economic developments of recent years, or helping policy-makers to avoid major problems. Since modelling in high education is very new, based on limited data, and so far has involved very few professionals, it is not surprising that it has limitations. Again, there is nothing wrong with this as long as no one assumes that the model used in the report, and the data and research upon which it is built, can give us immediate, relevant information for federal policy-makers in 1974 or 1975.

II. COMMENTS ON FINANCIAL DISTRESS AND ON THE COSTING RECOMMENDATIONS

This staff report does not go into these problems. The comments made by Commissioner Ottina and by spokesmen for several associations, appear to cover these topics very well.

Briefly, a system based on national reporting of costs per student ignores many differences between types of institutions and programs, and could lead to efforts on the part of the federal governments or state governments to force different kinds of institutions into a system of spending the same amount of money per student, regardless of differences in the institutions.

The chapter on financial distress appears to us to lead to conclusions contrary to those in the report. Many of the data reported indicated that both public and private institutions are in serious trouble, and that the situation may be worsening. This is partly because of the decline or leveling off of enrollment at many colleges, which the report apparently does not deal with.

III. OTHER COMMENTS

As already stated, the entire report needs a careful page-by-page review by specialists in data and analysis. To give a few more examples:

1. *Page 25.*—This page says that the increase in college-going over the past two decades is largely due to an increase in the percentage of the age group going to college. This raises at least two questions: is this trend continuing? and are present federal programs having a major effect on access?

In response to the first point, Dr. Glenny's paper notes that the percentage of graduates going on to college has actually been declining in the last few years, for a variety of reasons. This apparently began among whites, but ACE data for fall 1973 found that the percentage of minority students going on also declined over the previous year.

2. *Pages 26–27.*—These pages point out that while there has been a modest increase in the enrollment of students with family incomes below $3000 in the past five years, there has been no increase in the $3000 to $7500 group, and a

decline above that level. The report indicates that federal and other programs reaching the disadvantaged may have helped the very low-income, but may not have reached enough of the \$3000–7500 group. (Of course, without federal aid there would probably have been a greater decline in this group.)

Such data indicates that more student aid is needed, but also helps to make a strong case for continuation of low tuition, especially for working-class and middle-class students often ineligible for much student aid. Dr. Glenny in particular feels that rising college costs have helped discourage some students even from attending public colleges.

3. *Page 34.*—The report appears to accept rather uncritically the Newman report figures on the large number of students dropping out of college. These figures have been severely criticized by the American Council on Education as inaccurate and misleading.

4. *Page 45ff.*—Figures which appear to show declining state support for higher education have been criticized in a recent paper by Dr. Carol Van Alstyne of the American Council on Education.

5. *Page 138ff.*—Public colleges are seen as playing an especially significant role in educating students in the \$3000–9999 income groups. This is significant to AASCU because the emphasis of the report is so largely on the importance of student aid rather than low tuition. Table 4–3a on page 141 helps to make the same point—that much larger percentages and numbers of students in every income class, and especially the below-\$15,000 classes, are to be found in public rather than private colleges.

This table also helps to qualify a statement on page 152, that students in every income class have a "choice" of both public and private colleges. Actually, while there are many below-\$10,000 students in private colleges, the vast majority of such students attend public colleges. This again demonstrates the importance of low tuition to lower-income and working class students.

6. *Page 143.*—A very substantial majority of all nonwhite students attend public colleges. This is even more true if one excludes the traditionally black colleges. This is important, because some policymakers have suggested that the needs of nonwhite disadvantaged students are best served by increasing student aid rather than by keeping tuition low at public colleges. Their needs are best served, it would appear, by both policies.

Brief Analysis of the report "Financing Postsecondary Education in the United States" by the National Commission on the Financing of Postsecondary Education.

[Perspective taken is that of a statewide planner/coordinator or researcher. This is not a thorough evaluation because the report was available to me only 24 hours before these comments went to press and there were many important changes from early drafts of the report.]

LYMAN A. GLENNY, *2/12/74.*

For the immediate future, this report will accomplish two very important tasks which were not required by the law establishing the Commission. It will quell some of the fire in the rhetoric currently characterizing the controversy between leaders of public and private institutions over tuition levels, and it puts in perspective better than before the probable consequences of various financing proposals whose advocates present a unidimensional view of their advantages and whose opponents tend to do the same for disadvantages.

The public-private controversy gathered considerable momentum after the Carnegie Commission and the Council on Economic Development recommended increased tuitions in the public institutions in order to divert students to private ones. The report considers the tuition-level problem in a context which includes a considerable number of other intervening variables, and thus is able to show some of the great complexity of causes and effects in student flow among various types of colleges and universities. The report seems to find some consequences unanticipated by either the advocates or opponents of recommended changes.

Similar results are achieved in the analysis of the eight "proposals" for financing postsecondary education. No proposal is a replica of an actual one (no doubt for good political reasons), but one or more include the major characteristics of those made by Carnegie, the CED, the Education Amendments of 1972, as well as those of Freeman, Zacharias and others. In each case the expected result may in fact be one of the outcomes, but it turns out to be only one among many results, some of which would create more mischief than help in solving problems of institutional solvency, student access, and student choice.

The Commission has also provided, for consideration, a list of possible national objectives and a framework for methodical consideration of policy issues. Not much that is new will be found in the report for the experienced state and institutional planner, but much of the conceptual work may be helpful to political policymakers, and to institutional governing board members who are likely to be less systematic in their decision processes than planners.

Taking the heat out of the current controversies so that they may be considered more dispasssionately and objectively in a broad context could be and will be considered by many to be adequate justification for the year-long funding of the Commission. So, too, could its attempt to provide national objectives and an analytical model. But as a whole, admonishments to obtain better data and to use it integrally in policy analysis does not provide the direction or the priorities which Congress and the world of postsecondary education expected—some with apprehension, others with hope. The only real action recommended by the report was: 1) for a national information center to be established to gather comprehensive data on postsecondary education and to make it readily available by reports and telecomputers to researchers and policy analysts, and 2) for institutions to begin on a voluntary basis and later to be subjected to the requirement of reporting unit costs and other data according to national standards, procedures, and definitions.

The first recommendation grew directly out of the recent reports of national HEGIS conferences, of which NCHEMS was the chief sponsor; and the second one derived from various of the NCHEMS project reports over the past three years.

Yet, while the report, as the *Chronicle of Higher Education* states, is "greeted with support, relief, restrained glee," it also contains elements that will be disturbing to both social science researchers and to state planners and coordinators, if not others. Some of these elements are found in the report itself under the title "Comments by Individual Commissioners" on page 359 ff., especially those of Ernest Boyer (p. 361) and of Ruth C. Silva (p. 385). My own summary of disturbing elements follows:

DATA BASES AND THE ANALYTIC MODEL

1. The data reported are from a variety of sources, some of which are reliable and some not, although the data are handled and presented as if they were compatible, comparable, and valid. The same data bases apparently were used to drive the Commission model and analyze the alternate finance plans. The analytic results are at times reported to the hundredths of one percent, yet the data inputs—especially from HEGIS—have been reported at the annual HEGIS conference as being off by as much as 20 percent or more in several of the major reporting categories.

2. The assumptions built into the analytic model are far from clear. Indeed, anyone who has developed such models or used "available" incompatible data to test them knows that literally hundreds of assumptions and arbitrary adjustments must be made, each of which has consequences (some minor, some major) for the outcomes produced. The reported outcomes on the alternative plans are thus highly suspect, especially when differences of a few percentage points are shown. Some of the concern about assumptions may be allayed by the pending staff report on the analytical model, but it seems unlikely that questions will be answered relating to the age, accuracy, and compatibility of the data used.

3. The statistical analyses programmed into the model are not revealed to the reader. We do not know the degree of simplicity or sophistication of the techniques which are used, but must assume that those most appropriate for projecting and for isolating the impact of important variables were employed. Commissioner Silva questions the methodology. If she is right about the techniques employed, then one has added reason, beyond dirty data inputs, to question the validity of the results reported in relation to the effects of tuition increases on enrollments, as well as those reported for each of the alternative models.

4. The analytic model as well as other analyses in the report use Office of Education projections of enrollment. The known historical error in these projections should give pause to their use for estimating the impact of financing plans on enrollment shifts among institutions. Even the revised Carnegie Commission projections (which I believe will prove over-optimistic) would have

been an improvement over those used. At no place in the report does one find reflected the major downturn in college-going rates by 18 to 21-year-olds resulting in the current leveling of enrollment, especially FTE, while the actual number of college-age youth continues to rise. At one point the report seems to say that it used the trend data on enrollment from 1960 to the present as the basis for its estimates in the analytical model. If so, that average will be greatly skewed toward increases rather than decreases in enrollment, and thus affect the outcomes of the alternative models.

5. The analyses of the alternative finance plans make a series of questionable assumptions, some of which Silva cites. Beyond her reservations is the lack of analyses in which is introduced consideration of student choice in a period of declining enrollments such as we have recently experienced. It appears from the recent record that, while state colleges lose enrollment, the community colleges continue to increase. It also appears that the older and more prestigious universities maintain or increase enrollments regardless of general declines in the totality of higher education. This point is raised here only to show that the model is indeed, as Ruth Silva asserts, a "simplistic" one. The report is very careful to state that data in relation to program change and other institutional responses to policy change and student enrollment shift are simply not available and were not considered. Thus, critical factors known to be determinative as enrollments turn downward were not included in the assumptions.

While the report clearly states that the analytical model omits these other data elements, any one of which may be more important to enrollment shifts than most variables included in the model. it nevertheless proceeds to report the outcome data in some detail, and to two or more decimal points. It sums up by reaching conclusions on each of the plans "analyzed." Moreover, it provides "generalizations" about the effects of tuition increases, enrollment shifts, targeted student aid and eligibility ceilings based solely on the outcomes from the simplistic mathematical model. This is very misleading since so much attention is given to them in the report and will no doubt lead to great controversy as other research analysts feed different, but just as valid, assumptions into the mathematical model. It seems likely that any tempering of argument over various finance plans will be lost quickly as new analyses are made using the Commission's own model.

6. The federal government is to contribute funds for the cost of switching to the standard procedures, and the Commission suggests that the awarding of undefined grants or awards be made on condition that the institution reports its data and unit costs. Should the system be set up, if at all, on these conditions?

NATIONAL STANDARDS AND UNIT COSTS

Congress asked the Commission to come up with a plan for standard reporting procedures. This the Commission has done. Yet the call for national standards in reporting unit-cost data on which the Commission places its greatest emphasis seems ill-founded for aiding decisionmakers on policy matters, and possibly detrimental to the interests of particular state systems or even regions.

7. At the beginning of Chapter 8 on national standard procedures, the Commission presents various reasons why unit costs will be helpful to policymakers. Yet the report places its emphases in Chapters 6 and 7 on building an analytical framework and mathematical model without mentioning the role which unit costs would or could play. Moreover, the major policy issues of most concern to the policymakers are the finance plans, their advantages, disadvantages, objectives, and possible consequences. The Commission recognized this, for it focuses a good deal of its work on these subjects. However, in the analyses of these major policy matters, no mention was made of unit costs as being of great import. Indeed, the Commission does not show how unit costs would really help policymakers on such major issues. It does indicate that cost data may be useful for state and institutional allocations, and would be good for accountability purposes, providing we had some measures of outcome against which to use unit costs. Outcome measurements other than those already in use seem a long time away, if we ever do develop some acceptable ones. Thus, for the foreseeable future the major users of unit costs would continue to be the state coordinators and the institutional people.

The question which I raise is one of policy. Do the state coordinators want a national system of unit cost reporting with standard procedures? Do state legislators? Why? What use would really be made of them? I raise these questions because I believe that the period in our history when unit costs could have had prime usefulness has already passed, and that those states which wish to use unit costs for allocation and program purposes have already developed systems (in some cases the NCHEMS model) for these purposes. Illinois, in 1964, was doing what the NCHEMS procedures would have other state systems do in 1974. National standards in some states will call for major revisions in both the reporting and accounting systems of the state institutions. Are the resulting standard data going to be worth the trouble and cost? Also, some state systems have built into their cost procedures sets of assumptions which are contrary to, or at least at major variance with, the NCHEMS model. Do those states wish to adopt different assumptions?

8. Moreover, the Commission states that the standard unit cost procedures now available apply only to the state colleges and liberal arts institutions, and not to community colleges nor to the complex university. It has taken over three years to develop the procedures now available from a base of experience going back 20 years. It seems unlikely that there can be agreement on the allocation of costs in the complex university. Different value systems and perspectives—not technical problems—have prevented such agreement until the present time, and no new avenues leading to agreement are suggested by the Commission. Assuming that unit-cost procedures could be developed for community colleges, would it be worthwhile setting up national standard unit costs for all institutions save the universities? What again of the possible changes in reporting and accounting procedures, and the comparability of them across all institutions for state purposes?

9. Lastly, on this point: Unit costs may not be particularly useful in the next decade or so when enrollments are dropping in many institutions. Falling enrollments will mean rising unit costs, but generally, knowledge of those costs are unlikely to determine whether a program or an institution continues in existence. Rather, political and social determinants will decide that issue, just as they do now where unit costs are already known. Too, the new modes, means, and technologies available for instruction raise many questions as to what a "unit" really is. Also, the growing number of extended and nontraditional programs, integrally part of an institution's operation, create problems in validly converting such experience to credit hours by various proxies (not the real thing) and fictions. The allocating of faculty direct costs to the fictional unit, and then allocating overheads to direct costs, becomes an exercise in futility. These trends are already upon us and seem destined to make a greater share of postsecondary experience little amenable to unit costing, using current "standard procedures." The Commission states in its reservations about the use of unit costs that "the comparable program and activity data needed to complement and help interpret per-student cost data are not now available and probably will not be for some time to come (p. 325)." What position should institutions and states take on the federal adoption of standard procedures for reporting unit costs?

THE NATIONAL INFORMATION CENTER FOR POSTSECONDARY EDUCATION

10. The earlier drafts of the Commission report kept open the question of where the Information Center would be located—in or out of the government. The final report does not mention the several options listed in the early drafts, but says that "It is not important that this center be public or private, a new agency or one that exists now." *The Chronicle of Higher Education* reports that the OE has already made a contract with the Rand subsidiary in Santa Monica to carry out certain undefined duties. What are they? Is this in itself not a policy issue which should have discussion and public determination? It may be that the contract is only temporary and that the issues will be public, but the report does not say so. I believe that the nature, location, and powers of the center would be of considerable interest to SHEEO (state coordinator) members, as well as institutional leaders.

TECHNOLOGY MANAGEMENT INCORPORATED,
Washington, D.C., February 27, 1974.

Mr. H. REED SAUNDERS,
Deputy Assistant Commissioner of Planning, Budgeting, and Evaluation, U.S. Office of Education, Washington, D.C.

DEAR MR. SAUNDERS: Technology Management Incorporated (TMI) was asked to evaluate the conceptual soundness of the analytical model described in Chapter 7 of the report of the National Commission on the Financing of Postsecondary Education. This letter, our oral presentation on February 25, 1974, and the briefing outline of the oral presentation, Attachment A, comprise TMI's evaluation of the analytical model. Attachment A outlines our evaluation. The important points in our evaluation are:

For the limited purpose of examining the impact upon postsecondary enrollment and costs of incremental changes in net student charges (tuition plus compulsory fees minus aid), the model is conceptually acceptable. One can raise technical objections, but for the limited purposes for which the model is useful, the objections would not alter the major results.

From a public policy point of view, the model itself is insignificant and it received far more attention in the report than it deserves. What is significant, if true, is the data from economic research studies which. according to the parameters in the model, state that enrollment in the broad institutional categories of postsecondary education is quite insensitive to changes in the net student charges. Page 442, footnote 2, lists these research studies.

The model was improperly used to examine the enrollment and cost impact of large changes in net charges to the student without any caution to the reader of the report. Neither the linear model structure nor the data in the model justify such a use of the model.

The analytical model is simple and inexpensive to construct, but appropriate to its limited purpose. It is an ordinary model to be expected in the support of a Commission such as this.

The Commission did not really understand the role of a model as evidenced by its naive view of an "ideal" use of a model, by its overemphasis upon the model. and by its failure to identify the research results, i.e., the enrollment impact of net student charges instead of the model, as being significant to public policy.

The description of model purpose, structure, limitations, input data. and output results did not meet standards for publication in a professional journal.

I recommend the following:

The model be removed from any computer system to prevent its use by people who lack understanding of models and their limitations.

A report describing the model in detail be written and a listing and machine-readable source code be stored in the archives of the National Commission.

Research into the determinants of student enrollment be continued and existing results be confirmed or replaced.

This was a most interesting assignment. We trust that the evaluation will be of use to you.

Very truly yours,

CARL V. SWANSON.

Enclosure.

ATTACHMENT A

OUTLINE

Review of the Analytical Model from Report of the National Commission on the Financing of Postsecondary Education

I. The Analytical *Model* and the Analytical *Framework* described in the report are separate and very different.

II. Descriptions of the Analytical Model

1. Simple representation of how student enrollments by 11 income classifications change with net charge to students in 9 different categories of postsecondary education. However, the table on page 256 lists only 3 income categories.

2. Linear representation of price impact on enrollment implies that the model can be used only for incremental analysis, i.e., to examine the enrollment impact of modest changes in the net charge to students. While I can't defend the number without further analysis, modest seems like $300 or less to me or up to $500 for high tuition schools.

3. Steady state model—the 1977 and 1980 representations are misleading.

4. Limited Purpose

a. investigate enrollment and institutional cost impacts of alternative financing plans.

b. incremental financing program change.

c. broad category analysis.

5. Data on effect of net charges is apparently satisfactory (from a limited sample), but impact of work-study and loan programs upon enrollment is unknown.

6. Postsecondary institutions are represented in 9 broad categories which do not examine considerable differences in student body, finances, or purpose among the institutions that make up the category.